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Final Report

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Chair's foreword

I am pleased to present the LSIC *Inquiry into machinery of government changes – Final Report* to the Legislative Council.

Government is large and complex and different governments will seek to create structures that enable the delivery of their service and policy priorities. Making changes to these structures can help to deliver these priorities, but they can also be costly and difficult to implement.

The Report looks at the process, cost and effectiveness of the Victorian Government departmental restructure (machinery of government changes) following the November 2014 election.

The Report provides an assessment of this restructure, including additional and anticipated expenditure reported by departments since the Committee tabled its Interim Report in December 2015.

The Committee discovered that there is very little guidance for departments in Victoria in relation to tracking machinery of government (MoG) costs. This has resulted in inconsistent and incomplete reporting of associated expenditure and outcomes.

MoG changes can be expensive. By the end of January 2016, the direct MoG costs following the 2014 election had already exceeded \$5 million. The Committee uncovered significant inconsistencies in the reporting of costs between departments. Furthermore the indirect costs were neither recorded nor accounted for.

Given that there is no requirement for departments to track the benefits of MoG changes, the Committee was unable to evaluate these effectively.

The Committee recommends that a clear framework be established for monitoring and recording expenditure and outcomes of MoG changes and that it be applied consistently across government. The Committee also recommends the implementation of an objective reporting process to ensure transparency and allow for greater scrutiny and evaluation of the merit or otherwise of the MoG changes.

I would like to thank the Departmental Secretaries and other senior staff who appeared at the Committee's Hearing, provided submissions and answered questions on notice. The Committee greatly appreciates their cooperation.

I also thank the Committee Secretariat, in particular Lilian Topic, Secretary and Annemarie Burt, Research Assistant for their professionalism and work on this report.

Finally I thank my colleagues on the sub Committee for this inquiry, Cesar Melhem MLC, Daniel Mulino MLC and the participating member, the Hon Gordon Rich-Phillips MLC.



Edward O'Donohue MLC
Chair

Recommendations

4 Cost analysis

RECOMMENDATION 1: That the Secretary of the Department of Premier and Cabinet provide an estimate of costs of any proposed machinery of government changes, to government, within a reasonable period of the Administrative Arrangements Order being published in the Victorian Government Gazette..... 12

6 Developing a framework for consistent reporting

RECOMMENDATION 2: That the Department of Treasury and Finance or the Department of Premier and Cabinet, with advice from the Victorian Auditor-General's Office, draw upon comparable jurisdictions such as Queensland, the Australian Government and Westminster in developing guidelines to enable the clear and consistent reporting of machinery of government costs and benefits in Victoria.27

RECOMMENDATION 3: That Department of Treasury and Finance or the Department of Premier and Cabinet, with advice from the Victorian Auditor-General's Office, develop a set of consistent guidelines to track the costs and outcomes of any machinery of government changes.29

RECOMMENDATION 4: That machinery of government reporting be required in each department's annual report.....29

RECOMMENDATION 5: That the Government endorse the Public Accounts and Estimates Committee's recommendation in their 2015-16 Budget Estimates Report, which stated that:

The Department of Treasury and Finance update the Model Report to require all departments to report any costs and benefits in a year as a result of MoG changes in their annual reports. The updated report should include guidance so that the data in annual reports are provided on a consistent basis across departments.29

Machinery of government (“MoG”) changes are the formal transfer of functions from one department to another. These changes may occur at any time, but are most common following an election, particularly where there has been a change of government. MoG arrangements are used to align functions in a way that governments believe will assist in delivering their policy priorities.

The Committee has examined the process, costs and effectiveness of the departmental restructure that occurred following the November 2014 election. The Committee has inquired into the benefits of the MoG changes and the effectiveness of those changes in supporting Government through research and consultation with Government departments.

Secretaries with experience of other MoG changes at both state and federal levels of government observed that, in their opinion, the MoG transition following the 2014 Victorian election had been achieved in a relatively efficient, seamless and timely manner.

In addition to examining the effectiveness of the departmental restructuring, the Committee has investigated the accuracy of recording associated costs, which involved an exploration of the inconsistencies observed in the different responses given to this Inquiry and to the Parliament’s Public Accounts and Estimates Committee. The Committee has also examined internal departmental restructures and staffing and office relocations.

The Committee notes that undertaking this Inquiry has, in itself, proven to be a valuable process which has led to focussed thought about, and more transparent evaluation of MoG processes by departmental leadership, if not directly by government.

The Committee appreciates the willingness of senior department leaders to make improvements in the areas of tracking, reporting and evaluating MoG changes. There may be barriers and difficulties in defining, tracking, and attributing costs and benefits definitively to the MoG process. However, the Committee does not believe this should prohibit Government from providing greater guidance in this area or prevent attempts to record these costs and benefits. The Committee believes that transparency in government accounting is an extremely important goal.

The Committee has observed that in Victoria there is very little guidance for departments in relation to their responsibilities surrounding recordkeeping and reporting of MoG changes. The Queensland Government has published a number of resources to assist agencies in understanding their responsibilities in relation to financial reporting and good practice following MoG changes, including a

checklist (for more details, see Section 6.3).¹ At the Federal level, the Australian Public Service Commission, in association with the Department of Finance and in consultation with the Department of Prime Minister and Cabinet, has produced a practice guide to assist agencies during the process of implementing MoG changes (for more details, see Section 6.3).² The United Kingdom's Cabinet Office has a similar document which provides an overview of the process of planning and delivering MoG changes.³

The benefits of these approaches are both in the guidance provided to government and department staff and to ensuring that the government's goals, and those of their officers, are transparent.

The Committee believes that the limited guidance provided to departments in Victoria has resulted in inconsistent and limited tracking and reporting of costs and outcomes associated with MoG changes, making it difficult to evaluate the effectiveness and merit of the changes made.

This Report suggests that the development of a framework for monitoring the implementation of MoG changes, tracking and reporting on associated financial implications, and embedding reporting into current accountability processes, should be considered by the Victorian Secretaries Board. The Committee believes that the Victorian Secretaries Board is best placed to develop such a process for Government to implement.

1 Queensland Government, *Financial Accountability Handbook*, Information Sheet 4.6 – Machinery of Government' Issued February 2016; Queensland Audit Office, *Good practice – Managing machinery of government changes*, March 2015; Queensland Government, Queensland Treasury, *Financial Reporting Requirements for Queensland Government Agencies – APG 18 Machinery-of-Government Changes*, April 2015.

2 Australian Government, Australian Public Service Commission, Department of Finance, *Implementing Machinery of Government Changes*, Third edition, September 2015.

3 United Kingdom Cabinet Office, *Machinery of Government Guidance*, October 2015.

2.1 Terms of reference

On 27 May 2015, the Leader of the Opposition in the Legislative Council, the Honourable Mary Wooldridge MLC, moved that the Legal and Social Issues Committee inquire into matters relating to the MoG changes that occurred following the November 2014 election. The Legislative Council agreed to the motion and adopted the following Terms of Reference for the Inquiry:

That pursuant to Sessional Order 6 this House requires the Legal and Social Issues Committee to inquire into, consider and provide an interim report no later than 30 November 2015 and a final report no later than 1 May 2016, on the process, cost and effectiveness of the Victorian Government Departmental restructure (MoG changes) following the November 2014 election.

2.2 Interim Report

The Committee tabled an Interim Report on 10 December 2015. The Interim Report provided an overview of the MoG changes that occurred following the November 2014 election, as well as the reported costs associated with these changes up to the end of May 2015. The Committee found that the development of a framework to monitor the ongoing effectiveness of and expenditure relating to MoG changes is necessary to determine the value of the changes to the public.

2.3 Submissions

The Committee received three whole-of-government submissions to the Inquiry and is grateful to Department Secretaries for supplying this information. These were:

- Submission 1, received on 21 July 2015 – An outline of estimated costs associated with the 2015 MoG changes, effective 31 May 2015
- Submission 2, received on 21 July 2015 – A departmental overview of the changes
- Submission 3, received on 10 March 2016 – An updated outline of estimated costs associated with the 2015 MoG changes, effective 31 January 2016.

These submissions are attached at Appendix 1.

2.4 Subcommittee

On 24 June 2015, the Committee agreed to establish a subcommittee of three Members in relation to the Inquiry. Membership of the subcommittee was Mr O'Donohue (Chair), Mr Melhem and Mr Mulino, with Mr Rich-Phillips attending as a participating member.

2.5 Hearings

The subcommittee held two public hearings at Parliament House in Melbourne for this Inquiry.

The Committee received evidence on 21 July 2015 from the following witnesses:

- Ms Gill Callister, Secretary of the Department of Education and Training
- Dr Pradeep Phillip, Secretary and Mr Lance Wallace, Deputy Secretary Corporate Services of the Department of Health and Human Services
- Mr Adam Fennessy, Secretary of the Department of Environment, Land, Water and Planning
- Mr Shaun Condron, Chief Finance Officer of the Department of Justice and Regulation
- Mr Richard Bolt, Secretary, Ms Sue Jaquinot, Deputy Secretary, People and Executive Services and Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services of the Department of Economic Development, Jobs, Transport and Resources
- Mr David Martine, Secretary, Ms Melissa Skilbeck, Lead Deputy Secretary, Budget and Financial Management and Ms Gayle Porthouse, Deputy Secretary, Market Engagement and Corporate of the Department of Treasury and Finance
- Mr Chris Eccles, Secretary of the Department of Premier and Cabinet.

For the public hearing on 16 March 2016, the Committee invited back the Departments that had been most significantly altered or affected by the MoG changes to provide further evidence and advice to the Committee. At that hearing, the Committee received evidence from the following witnesses:

- Mr Richard Bolt, Secretary and Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services of the Department of Economic Development, Jobs, Transport and Resources
- Mr Adam Fennessy, Secretary, Ms Kathryn Anderson, Deputy Secretary, Corporate Services and Ms Carolyn Jackson, Executive Director, Finance and Planning of the Department of Environment, Land, Water and Planning
- Ms Kym Peake, Secretary and Mr Lance Wallace, Deputy Secretary, Corporate Services of the Department of Health and Human Services
- Mr Chris Eccles, Secretary of the Department of Premier and Cabinet
- Mr David Martine, Secretary of the Department of Treasury and Finance.

2.6 Further information

Several departments provided follow up information to the Inquiry relating to issues raised during the public hearings. The following information was provided to the Committee:

- The Department of Education and Training provided information updating the Committee on MoG related issues for their portfolio
- The Department of Environment, Land, Water and Planning provided information relating to the breakdown of the Department's structure and details relating to their complaints management system
- The Department of Treasury and Finance provided a summary of all budget revenue split by the old and new department structures and information about physical relocations of Departmental staff
- The Department of Premier and Cabinet provided the Committee a redacted copy of the declaration made by the Premier pursuant to section 30 of the *Public Administration Act 2004* relating to the MoG changes
- The Department of Environment, Land, Water and Planning provided information relating to its review of the *Local Government Act 1989*
- The Department of Economic Development, Jobs, Transport and Resources provided information relating to the number of people in acting roles during the restructure.

This information can be found at Appendix 3.

3

Overview of machinery of government changes

On 4 December 2014, the Premier announced a number of MoG changes to take effect on 1 January 2015.

The changes reduced the number of government departments from nine to seven:

- Premier and Cabinet
- Economic Development, Jobs, Transport and Resources
- Education and Training
- Environment, Land, Water and Planning
- Health and Human Services
- Justice and Regulation
- Treasury and Finance

The MoG changes also reallocated functions between departments and created a number of new portfolios. A summary of these changes between the 57th and 58th Parliaments, specifically the departments that portfolio responsibilities fall under, is included at Appendix 4.

The Committee outlines the main MoG changes of each department in its Interim Report.

Since the Committee's first public hearing in July 2015, further significant changes have been reported as occurring within the Department of Treasury and Finance. The initial MoG change transferred the Victorian Competition and Efficiency Commission (VCEC) from DTF to the Department of Premier and Cabinet. In September 2015, a decision was made to transfer most of the functions of VCEC back to DTF. Commenting on this change, the Secretary of DTF, Mr David Martine stated:

We now have a red tape commissioner that has been appointed and a commissioner for better regulation, and there were staff sitting behind those two individuals. So those resources have transferred back, which were not quite the total amount that transferred in the original MOG. So a small number of staff stayed within DPC.⁴

3.1 Effectiveness of the MoG restructure

Mr David Martine, the Secretary of the Department of Treasury and Finance, who has had direct experience of MoG changes with previous Victorian governments and at the Commonwealth level of government, noted that:

⁴ Mr David Martine, Department of Treasury and Finance, *Transcript of Evidence*, 16 March 2016, p. 38.

I am happy to say that I think that went quite smoothly in terms of both losing and gaining departments coming to that mutual agreement, which from time to time does not happen and someone centrally, whether it is the Treasury of the jurisdiction or someone else needs to step in and broker a bit of a deal.⁵

3.2 Departmental restructures

Several departments have undergone multiple changes to their organisational structure in the previous 18 months. While the initial restructures can clearly be linked to the MoG changes made, the Committee was informed that some changes had been initiated for other reasons.

The Department of Economic Development, Jobs, Transport and Resources underwent a restructure, effective 3 September 2015. In relation to this restructure, the Secretary of DEDJTR, Mr Richard Bolt stated that ‘It followed the MoG change but in many cases is more related to the development or the delivery of the government’s change to policy agenda.’⁶

The Department of Environment, Land, Water and Planning underwent a restructure, effective 7 March 2016, which the Secretary of DELWP, Mr Adam Fennessy stated ‘did not relate to MoG; this related to our planned burning program.’⁷

Ms Kym Peake, the Secretary of the Department of Health and Human Services, discussed two restructures of her Department since she started in her position in September 2015. She suggested these changes were about ‘moving the whole organisation to a functional structure’.⁸

The restructures that departments initiated following the 2014 election continue to be adjusted and finalised. In a number of instances, these restructures have resulted in positions remaining vacant or staff ‘acting’ in roles for long periods of time. The Committee is concerned that there may be ongoing productivity loss as a result of this uncertainty. Furthermore, this may have negative impacts for stakeholders working with departments. However, these impacts may be offset by potential productivity and other benefits (see Section 5.2) resulting from the MoG changes.

The Committee believes that the distinction between whether a change was a result of formal MoG changes or the result of a need to better deliver services is not always clear, given that Government sets the overall policy agenda for departments. We believe that the establishment of guidelines will assist in clarifying the costs and benefits that are attributable to MoG changes.

5 Mr David Martine, Department of Treasury and Finance, *Transcript of Evidence*, 21 July 2015, p. 52.

6 Mr Richard Bolt, Department of Economic Development, Jobs, Transport and Resources, *Transcript of Evidence*, 16 March 2016, p. 3.

7 Mr Adam Fennessy, Department of Environment, Land, Water and Planning, *Transcript of Evidence*, 16 March 2016, p. 10.

8 Ms Kym Peake, Department of Health and Human Services, *Transcript of Evidence*, 16 March 2016, p. 26.

4 Cost analysis

MoG changes can be expensive. Costs associated with these changes can arise from a number of different areas, including direct monetary costs, staffing costs and short-term efficiency costs. The Committee predominantly focused on the monetary costs of the MoG changes. Although the costs involved in other parts of the process are significant, evidence about these was limited.

There was no specific budget allocation for implementing MoG changes and departments were expected to absorb any relevant costs within their current budgets. This is the approach that had been adopted by previous governments. Notwithstanding this approach, in its Interim Report, the Committee recognised the importance of quantifying the costs of MoG changes to enable better monitoring, scrutiny and assessment of the value (or otherwise) of the process.

The Committee noted the discrepancies in costs reported to this Inquiry and the Public Accounts and Estimates Committee in its Interim Report (see Chapter 3 of the *Inquiry into machinery of government changes – Interim Report*).⁹

This Chapter outlines the current approach in Victoria to tracking and reporting the cost of MoG changes. It outlines the details of costs reported for the changes implemented following the 2014 election, and examines the key difficulties with identifying and tracking what constitutes a MoG cost. Recommendations for improvement are included in this and later chapters of this Report.

4.1 Categorisation of costs

The approach by Government to costs associated with the 2015 MoG changes is that ‘any costs involved with implementing the MOG changes are generally absorbed within existing budgets.’¹⁰ If the costs of changes are ‘generally’ absorbed, this raises questions about whether additional funding was provided for remaining costs. This is not addressed in the whole-of-government submission to the Committee. The whole-of-government submission updating the Committee on costs associated with the MoG changes indicated the directions provided to departments about what direct and indirect costs are:

Direct costs

4. Direct costs are those that can be attributed solely to implementing the MOG changes that occurred effective 1 January 2015.
5. Direct costs are incurred over and above business-as-usual (e.g. telephony changes made within the parameters of an existing contract have not been included).

⁹ Parliament of Victoria, Legal and Social Issues Committee, *Inquiry into machinery of government changes – Interim Report*, December 2015, pp. 7-11.

¹⁰ State Government of Victoria (2016) *Submission 3*, p. 1.

6. Direct costs do not include staff time.

...

9. Anticipated and outstanding future costs that meet the definition for direct costs but are yet to be incurred have been reported separately.

Indirect costs

10. Indirect costs are those associated with redirected staff time or lost productivity.

11. As the MOG changes are largely an administrative process, productivity losses in service delivery or advisory functions are negligible.

12. Indirect costs have been incurred as a result of splitting, merging and realigning back-office functions.

13. Indirect costs will predominantly include staff time in areas such as Human Resources, Procurement, Legal and Finance.

14. Indirect costs have not been calculated due to difficulties in obtaining accurate data.¹¹

At the Committee's public hearing for this Inquiry in March, the Secretary of the Department of Premier and Cabinet, Mr Chris Eccles, reflected on these categorisations of costs and the need for improvements in their definitions, stating:

... it is quite clear that there is inconsistency in the categorisation of direct costs across departments. I do not think that is helpful. I do not think that is in the interests of being able to account consistently and transparently for the direct costs.¹²

The Committee heard further evidence about this issue during both hearings. For example the Deputy Secretary of Corporate Services from the Department of Health and Human Services, Mr Lance Wallace discussed his Departments approach to determining whether upgrading the Departments website was a MoG cost or a business as usual cost. The Committee questioned the Department about this issue, having observed that the Departments web presence is confusing, lacks any consistency in presentation, includes a great deal of historical data and branding, and makes searching for information difficult. Mr Wallace stated:

So the department, yes, does recognise that the web presence will need some upgrading. The information that is available there at the moment is adequate to provide people with information about the range of various programs and services and so the department does not believe that the upgrade of the website is driven primarily by the MoG change; it will be a sort of business-as-usual type of change that we will upgrade computing systems from time to time.¹³

In the whole-of-government submission on costs, provided to the Committee in March 2016, the Department of Economic Development, Jobs, Transport and Resources detailed 'rebranding: external costs for redevelopment of website' as a distinct additional cost incurred since costs were previously reported.¹⁴

¹¹ *ibid.*, p. 1.

¹² Mr Chris Eccles, Department of Premier and Cabinet, *Transcript of Evidence*, 16 March 2016, p. 28.

¹³ Mr Lance Wallace, Department of Health and Human Services, *Transcript of Evidence*, 16 March 2016, p. 22.

¹⁴ State Government of Victoria (2016) *Submission 3*, p. 4.

Therefore, while one Department included specific costs under the heading of ‘online rebranding (i.e. websites)’ as a direct cost of MoG changes, another Department took the approach that these costs were not attributable to MoG changes.

Further examples of inconsistencies between what is reported as a MoG cost and how it is classified were observed by the Committee. For example, DEDJTR listed substantial expenditure under the category ‘Other’, defining it as ‘payroll and finance systems consolidation’, whereas, DELWP listed no costs in the field of ‘Other’, but specified that their ‘IT costs’ included ‘payroll systems’. Therefore, while both departments have reported on the costs associated with on- and off-boarding employees from one department’s payroll system to another, they have recorded and reported them differently.

The Committee believes that improved guidance and consistent tracking and reporting of costs between departments are essential for ensuring accountability and public transparency.

The Committee also believes that if operational consistencies were achieved across departments, such as within payroll structures, the need for expenditure to achieve staff movement during MoG changes would be mitigated. While a worthwhile goal, achieving greater IT and payroll system consistency across departments will always need to be pursued in light of legacy systems and any move towards greater consistency should be evaluated on a value for money basis. Mr Melhem raised questions regarding this during the hearings:

To me having a common payroll system and IT system for government just makes sense. Why do we not have it? Are you able to tell me? Is it a demarcation where departments like a particular system, for example? Does someone else like a different system? Or is it simply too costly to actually have a universal system?¹⁵

Mr Fennessy responded citing legacy systems as a barrier to achieving universal processes across departments, but, agreeing that greater consistency should be planned for and sought in the future.¹⁶

4.2 Reported costs

The whole-of-government submission to the Committee reported the Government’s estimated direct costs for each department associated with the MoG changes, up to 31 January 2016. The submission also reported any anticipated future costs to each department from 1 February 2016 onwards. These reported costs are detailed in Table 4.1 and the total projected costs of the MoG changes are presented in Table 4.2.

¹⁵ Mr Cesar Melhem, *Transcript of Evidence*, 16 March 2016, p. 16.

¹⁶ Mr Adam Fennessy, Department of Environment, Land, Water and Planning, *Transcript of Evidence*, 16 March 2016, p. 16.

The total anticipated expenditure reported by Government as attributable to the MoG changes is just over \$5.2 million. A summary of the major categories in which departments have recorded expenditure is outlined below.

RECOMMENDATION 1: That the Secretary of the Department of Premier and Cabinet provide an estimate of costs of any proposed machinery of government changes, to government, within a reasonable period of the Administrative Arrangements Order being published in the Victorian Government Gazette.

Table 4.1 Reported expenditure of MoG changes (reported to LSIC, March 2016)

Department	Total direct costs reported to LSIC on 21 July 2015 (for 30 Nov 2014 to 31 May 2015)	Additional costs reported to LSIC on 10 March 2016 (for 1 June 2015 to 31 Jan 2016)	Total costs reported to LSIC on 10 March 2016	Anticipated future costs from 1 February 2016 onwards reported to LSIC on 10 March 2016
	(\$)	(\$)	(\$)	(\$)
Economic Development, Jobs, Transport and Resources	1,302,507	1,138,169	2,440,676	255,000
Education and Training	10,200	0	10,200	0
Environment, Land, Water and Planning	770,568	452,535	1,223,103	0
Health and Human Services	618,000	35,147	653,147	200,000
Justice and Regulation	0	0	0	0
Premier and Cabinet	341,430	67,853	409,283	0
Treasury and Finance	23,000	0	23,000	0
Total	3,065,705	1,693,704	4,759,409	455,000

Source: State Government of Victoria (2016) *Submission 3* and Legal and Social Issues Committee.

Table 4.2 Projected total costs of MoG changes (reported to LSIC, March 2016)

Department	Predicted total costs of MOG changes (Total costs to date + anticipated future costs)
	(\$)
Economic Development, Jobs, Transport and Resources	2,695,676
Education and Training	10,200
Environment, Land, Water and Planning	1,223,103
Health and Human Services	853,147
Justice and Regulation	0
Premier and Cabinet	409,283
Treasury and Finance	23,000
Total	5,214,409

Source: State Government of Victoria (2016) *Submission 3* and Legal and Social Issues Committee.

4.2.1 Department of Economic Development, Jobs, Transport and Resources

The total cost reported to implement the MoG changes for DEDJTR to date is just over \$2.4 million. \$1.2 million of this figure was attributed to payroll and finance systems consolidation, which relates to the on- and off-boarding of employees on respective payroll systems and the consolidation of finance systems and processes.¹⁷ Most of the remaining costs were spent in relocation, telephony and IT and records management.

4.2.2 Department of Environment, Land, Water and Planning

DELWP reported a total expenditure to implement the MoG changes to date of approximately \$1.2 million. The majority of this was attributed to 'IT and Records Management', which involved 'IT costs (including payroll systems) associated with on- and off-boarding of employees, and additional data migration and integration costs'.¹⁸

4.2.3 Department of Health and Human Services

The total cost reported to implement the MoG changes for DHHS to date is \$653,147, with anticipation that an additional \$200,000 will be spent. Similar to DELWP, the majority of the expenditure was attributed to 'IT and Records Management', which is also where the additional future costs are expected to be assigned.¹⁹

4.2.4 Department of Premier and Cabinet

DPC reported a total cost of \$409,283 to implement the MoG changes. Over 95 per cent of this was attributed to 'IT and Records Management', which was clarified as 'IT systems integration and on-boarding undertaken by CenITex'.²⁰

4.2.5 Department of Treasury and Finance

DTF reported a total cost of \$23,000 to implement the MoG changes, with almost all of this expenditure being attributed to 'IT and Records Management'.²¹

¹⁷ State Government of Victoria (2016) *Submission 3*, p. 4.

¹⁸ *ibid.*, p. 5.

¹⁹ *ibid.*, p. 2.

²⁰ *ibid.*, p. 6.

²¹ *ibid.*, p. 7.

4.2.6 Department of Education and Training

DET reported they spent \$10,200 on ‘rebranding’ following the MoG changes and has not incurred any additional expenditure.²²

4.2.7 Department of Justice and Regulation

DJR reported that no direct costs attributable to MoG changes were incurred by it.²³

4.3 Machinery of government costs and business as usual costs

As discussed previously, departments highlighted the difficulties in determining the difference between a MoG cost and a business as usual cost. This issue was raised by Mr Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources when discussing the costs spent on payroll and financial system upgrades:

There are always going to be requirements to update systems by new versions of software or switch to new versions, and so to an extent some of this is measuring costs that to an extent would have been incurred anyway.²⁴

He went on to explain that his Department took the ‘dominant purpose’ approach to defining costs, which he described as ‘what was the dominant driver of it and particularly the near-term dominant driver? Was it the MOG change? Did it make it most urgent?’²⁵

Another issue raised during the hearings relates to the point at which expenditure ceases to be a result of the MoG changes that commenced in January 2015. Mr Adam Fennessy, Secretary of the Department of Environment, Land, Water and Planning, commented:

What I am finding is that the further out we go into 2016, the more we will have normal business costs that are harder to attribute to MOG. For example, we will always be looking at best use of data and information around our property systems or our land information, and, as time moves, we will be looking to make sure that is to a good standard and based on the best IT regardless of where we may have come from as a prior department.²⁶

This was further reiterated by Mr David Martine, Secretary of the Department of Treasury and Finance:

22 *ibid.*, p. 8.

23 *ibid.*, p. 9.

24 Mr Richard Bolt, Department of Economic Development, Jobs, Transport and Resources, *Transcript of Evidence*, 16 March 2016, p. 5.

25 *ibid.*

26 Mr Adam Fennessy, Department of Environment, Land, Water and Planning, *Transcript of Evidence*, 16 March 2016, p. 11.

... it can get quite difficult to work out what is the direct cost of a MoG change because in a 12–18-month period after a MoG change, as you alluded to, other things do happen. That is why my view would be definitely a better framework and guidance to departments to get that consistency, because it does appear we are a bit inconsistent across the bureaucracy in how we report these things, and then perhaps limit it to a particular time period, which might be that 12-month period after a MoG change.²⁷

The Committee believes that an agreed process and reporting criteria would be useful. However, care should be taken when nominating a time period which may be an artificial way to monitor or exclude costs that may be spread out over time because of implementation delays and inefficiencies.

4.4 Indirect costs

The whole-of-government submission to this Committee defines ‘indirect costs’ as ‘those associated with redirected staff time or lost productivity’ and states that ‘Indirect costs have not been calculated due to difficulties in obtaining accurate data.’²⁸ Several department secretaries commented on the concept of tracking indirect costs of MoG changes during the Committee’s hearings.

Mr Chris Eccles commented that tracking staff time is not a common occurrence in the public sector and raised the issue that any benefits gained from stringently tracking indirect costs may be outweighed by the costs of actually doing so:

MoG... in the absence of a means of tracking by time and with people largely having to build the MoG implementation into their duties, it becomes difficult for you to credibly come up with a mechanism to track or to account for the indirect costs incurred. Do you want to then introduce a system that enables that? I guess that would come at a cost, and then the committee will need to make a judgement about whether the effort in moving government, or your advice to government or recommendation to government that we move to a system of being able to capture staff costs, is worth the transaction cost.²⁹

Mr David Martine raised a potential alternative to literally counting dollars and minutes of people’s time:

One thing the committee could perhaps think about is whether, for those indirect costs, there is within the framework more of a sort of qualitative kind of statement. For a department like DTF, our direct costs were \$23 000 and our indirect costs I have no idea, but they would be very, very, very small. But if you had a situation where there was a MoG change that was quite material, there might be something in the framework which requires that department in a qualitative sense to express some commentary around what the impact might have been on some of the staff and on the workload. It is a very hard thing to actually put a dollar figure on — very hard.³⁰

27 Mr David Martine, Department of Treasury and Finance, *Transcript of Evidence*, 16 March 2016, p. 38.

28 State Government of Victoria (2016) *Submission 3*, p. 1.

29 Mr Chris Eccles, Department of Premier and Cabinet, *Transcript of Evidence*, 16 March 2016, p. 31.

30 Mr David Martine, Department of Treasury and Finance, *Transcript of Evidence*, 16 March 2016, p. 39.

Mr Martine's suggestion for a requirement to report qualitatively on the impact on staff and workload of substantial MoG changes is one that the Committee welcomes and believes could be incorporated into any reporting framework. Along with determining the elements of expenditure that should be reported, the method of reporting should also be specified so that Departments are clear about reporting expectations.

5

Effectiveness and benefits

Along with costs, the Committee also raised the need to examine the effectiveness of the MoG changes. The Committee raised concerns about the lack of consistent criteria for assessing changes in its Interim Report. The Committee notes that departmental secretaries were able to outline anticipated and general benefits that they have observed. For example, a reduction in the number of departments resulting in more integration of sectors, synergies in the provision of certain specialist functions such as forecasting or strategic policy development and less overlap and greater collaboration. It is useful for departments to report on the success of MoG changes in achieving these operational objectives.

Reporting of tangible benefits stemming from the changes is an area worth examining.

Mr Fennessy highlighted the difficulties with measuring and reporting on benefits of MoG changes in the short term:

... often to see the benefits of these changes you have to wait 5 to 10 years, but we will want to know from an administration point of view whether we are getting efficiencies now, so we can feel some of the benefits through the clearer way of doing business within the department and across state government, and how that starts to work through to quantified dollar benefits. It is harder to say in a short term...³¹

Mr Eccles also discussed the difficulties with identifying outcomes associated with MoG changes, but acknowledged this should not prevent efforts being made to improve in this area:

I share both your view and the views expressed by secretaries about the difficulties of being able to identify the outcomes that are associated with any particular MoG change. It should not prevent us continuing to search for a description of outcomes, because we have a responsibility to disclose where we can to the Parliament and through the Parliament to the public what the benefits are that accrue. The difficulty is not so much in being able to make general statements of outcome performance in terms of, in particular, coordination and the efficiency and effectiveness that comes with a rationalisation of function; it is more in the search for the quantification of the outcome with a metric as opposed to perhaps a continual statement of a general result.³²

The Committee suggests that in particular it is possible to identify the impact of MoG changes on the capacity of departments and, where appropriate, their delivery of outputs. For example:

- Greater coordination by co-locating certain policy functions under the same departmental structures.

³¹ Mr Adam Fennessy, Department of Environment, Land, Water and Planning, *Transcript of Evidence*, 16 March 2016, p. 15.

³² Mr Chris Eccles, Department of Premier and Cabinet, *Transcript of Evidence*, 16 March 2016, p. 29.

- Synergies resulting from centralising specialist functions across a range of policy areas (such as forecasting or strategy functions that require highly specialised skills and/or critical mass that small organisations may not be able to achieve)
- Economies of scale resulting from shared back office functions and other fixed costs.

The Committee notes that the benefits of MoG changes may not be readily quantifiable, however, a requirement to report on these, qualitatively where appropriate, may assist in developing a clearer picture about their worth. It may also inform decision making about future MoG changes and lead to alternative, more cost efficient solutions to delivering outcomes that are in line with the priorities of new governments.

5.1 How are benefits measured and tracked?

The Committee examined the current methods departments are using to track and measure outcomes of MoG changes. The Committee notes that there is no clear or consistent directive about how departments should track the efficiencies and benefits gained as a result of MoG changes.

Mr Fennessy discussed how his Department uses the Victorian Public Sector Commission's People Matter Survey as a means of tracking employee satisfaction within the Department:

We also look at the impact on the health of our organisation through the Victorian Public Sector Commission People Matter Survey. That has been a long-term survey for a number of years now. That is a real issue with any changes to organisations — how does it impact staff? We do a lot of our own internal measuring of our organisation's health, but the VPSC one is a good long-term dataset. We are also looking to our communities and customers, so there are different ways we get feedback to see if they are seeing the benefits, particularly of that improved service delivery.³³

Mr Fennessy discussed other methods departments use to track benefits and efficiencies:

There are of course the budget paper outcomes and outputs, which we will always report against, and the ongoing efficiencies we see out of that process. So in one regard we will not double report; we will look to those BP 3 measures to also track how we are improving our efficiencies.

...

... we are using the People Matter data, the budget paper output and outcome measures as well as customer service intelligence data, which a lot of departments and organisations use to make sure that we know we are working well with the communities whom we are serving.³⁴

³³ Mr Adam Fennessy, Department of Environment, Land, Water and Planning, *Transcript of Evidence*, 16 March 2016, p. 14.

³⁴ *ibid.*, pp. 14 & 15.

Each department uses different criteria and methods and has a different approach to reporting on the outcomes, efficiencies and benefits of changes. This is a major barrier to efficient measurement of outcomes.

5.2 Reported benefits

Departments reflected on the outcomes and benefits that they have observed as a result of the MoG changes. A summary of these is outlined below.

5.2.1 Department of Economic Development, Jobs, Transport and Resources

Mr Bolt suggested that a larger department which combines a greater number of functions and agencies allows for better collaboration and partnership between parts of government that were previously separated:

Bringing key levers and functions that are related to economic development and job creation into one place – means that certain forms of collaboration are expected and easy to organise and reduces the transaction costs that you get when organising across departments. By having economic development functions collaborate more directly with the agriculture, energy and resources people, transport, speeds up product to market – these functions in one place allow for collaboration and prioritising.³⁵

Further benefits were reported from the integration of several bodies all focussed on the promotion of liveability:

We think there is a very important set of collaborations between Visit Victoria, which is now being constructed, Creative Victoria and Regional Development Victoria in improving the liveability and attractiveness of Melbourne and the state and the regions to visitors to the state. By consolidating both three functions within Visit Victoria and several within Creative Victoria and then getting those three bodies to work together more directly and more strategically, we think there are opportunities to gain some benefits to the state from their interactions.³⁶

5.2.2 Department of Environment, Land, Water and Planning

Mr Fennessy also discussed the benefits of a larger department, specifically pointing to the advantage of collaboration between agencies. He describes these benefits in relation to the water planning process, highlighting a long term focus, involvement of multiple interest and specialist groups and efficient decision making:

One of the benefits we have found within DELWP is that all of our groups are involved in that water planning process, and indeed our links into other departments across state government are very clear around the water planning process. Within the

³⁵ Mr Richard Bolt, Department of Economic Development, Jobs, Transport and Resources, *Transcript of Evidence*, 16 March 2016, p. 2.

³⁶ *ibid.*

department the water and catchments group leads on water planning, but there is very strong and close involvement from our planning group because it relates very much to how cities and regional towns are planned in terms of water use, stormwater, drainage and water treatment. The environment and climate change group is very involved because of a lot of the long-term modelling about impacts of temperature and water availability. This modelling has been in and around state government for a long time, but to have it all co-located is very beneficial. We also have very close links into the Environment Protection Authority about water quality issues

Then the other opportunity within DELWP is local government. Local government works very closely with the 19 water authorities across the state. Local government manages and provides a lot of waste services, including waste and sewerage treatment, and local government has a very specific role with stormwater collection and so on. Within the department we could very efficiently work together to bring all of those elements into water planning, and particularly the broader impacts of climate change on long-term water supply and demand.³⁷

Mr Fennessy pointed to the partnership agreement that was developed between DELWP and DEDJTR as a positive outcome of the restructure of departments.³⁸

5.2.3 Department of Health and Human Services

Ms Peake discussed the benefits expected to develop over time within DHHS as a result of 'better alignment and integration of social policy and service delivery to improve the health and wellbeing of Victorians.'³⁹ She suggested that the integration of services into one department should produce positive results in service delivery, however these may not be fully realised for some time.⁴⁰

Ms Peake pointed to other benefits she expected to emerge as a result of the restructure, such as the availability of different perspectives towards solving complex problems:

So they are reasonably emerging benefits of the department, but I do think that the ability to maximise the expertise, mobilise the resources and draw on the different perspectives that the different parts of the department bring to bear to take very complex problems and approach them in innovative ways is the strength of the configuration that we now have.⁴¹

5.2.4 Department of Premier and Cabinet

Mr Eccles spoke about the benefit of having certain agencies and responsibilities located within one department. In the case of DPC, integrity and watchdog bodies were brought together.

³⁷ Mr Adam Fennessy, Department of Environment, Land, Water and Planning, *Transcript of Evidence*, 16 March 2016, p. 12.

³⁸ *ibid.*

³⁹ Ms Kym Peake, Department of Health and Human Services, *Transcript of Evidence*, 16 March 2016, pp. 20-21.

⁴⁰ *ibid.*, p. 21.

⁴¹ *ibid.*

So in my department, for example, we have as part of the MoG changes seen the aggregation of all of the watchdog and integrity agencies within the department and then a significant reform agenda being led by the Special Minister of State in relation to reform across all of those domains. That has found legislative expression in some form, and there are discussion papers in relation to the other. The benefit of having it all within the portfolio means that we are able to ensure that the reforms speak to each other — so the reforms to the Ombudsman framework speak to the reforms around IBAC and speak to the reforms around the Inspectorate and so on.⁴²

Mr Eccles also discussed the difficulty involved in quantifying benefits, such as those he identifies above, particularly in the short-term.⁴³

5.2.5 Whole-of-government

Mr Martine highlighted the difficulty in measuring benefits through output measures:

It is very hard to measure benefits flowing out of MoG changes, which is not to say that there are no benefits at all, but it is really difficult to track back to, for example, output performance measures to say that a particular measure changed by X as a result of the MoG changes. But history tells us that it is not an unusual thing that when governments change there will be MoG changes. A lot of that actually is driven by a desire of the government at the time to structure its ministry in a certain way, and the role of the bureaucracy is to then support that structure. Some of the MoG changes flow from the desire of the government of the day to structure its ministry in certain ways, and other changes are driven by a desire to leverage off synergies, so it is kind of a combination of those. Then trying to attribute that is very, very difficult.⁴⁴

Ms Peake discussed the benefits of fewer government departments, emphasising the collaboration between leaders that this allows:

I think one of the strengths of having fewer departments is that there is the ability for the leaders of each department to really collaborate very effectively. One of the experiences that I have had since joining the Victorian Secretaries Board is that there is a deep strategic conversation happening about the issues of data linkage, data capability and how we work closely not only with local government but also with the commonwealth government to look at — with of course appropriate privacy protections — better approaches to really understanding common clients and the impact of our services.⁴⁵

A number of secretaries highlighted the longer term efficiency savings from merged support services.⁴⁶

⁴² Mr Chris Eccles, Department of Premier and Cabinet, *Transcript of Evidence*, 16 March 2016, p. 29.

⁴³ *ibid.*

⁴⁴ Mr David Martine, Department of Treasury and Finance, *Transcript of Evidence*, 16 March 2016, p. 39.

⁴⁵ Ms Kym Peake, Department of Health and Human Services, *Transcript of Evidence*, 16 March 2016, p. 24.

⁴⁶ Mr Richard Bolt, Department of Economic Development, Jobs, Transport and Resources, *Transcript of Evidence*, 16 March 2016, p. 5.

It is important to note that without evidence to support views about MoG changes it is difficult to evaluate them. For example in relation to amalgamation of departments the Committee notes the contrary view expressed in 2009, by the then Premier, the Honourable John Brumby. Mr Brumby stated, in splitting the then Department of Human Services into the Department of Health and the Department of Human Services that ‘I firmly believe these changes will help deliver better services to Victorian families and communities’.⁴⁷

The Committee notes that any discussion about the benefits of MoG changes without a concomitant tracking of disadvantages that have come about does not provide a clear picture for evaluation of change.

⁴⁷ *The Age*, Paul Austin, ‘State splits human services to deliver better services’ 13 August 2009.

6 Developing a framework for consistent reporting

A clear framework, with stricter reporting guidelines relating to the implementation of MoG changes would ensure greater scrutiny of government and a better understanding of whether the objectives of the changes have achieved their intended outcomes.

The Committee notes the viewpoints of department secretaries, acknowledging that current tracking and reporting of costs and outcomes of MoG changes are inadequate. In relation to government adopting a clear, transparent and consistent approach to tracking costs and outcomes of MoG changes, Mr Fennessy stated:

I do think some sort of common approach framework across Victorian government would be beneficial. I would expect that to come out of Department of Premier and Cabinet, and Department of Treasury and Finance.⁴⁸

Mr Eccles reiterated his notion stating:

... [there is] considerable merit in developing a framework to enable more consistent tracking and reporting of direct costs associated with implementing MoG changes. We would obviously welcome the contribution of the committee in coming to a position on what the categorisation of costs might best look like.⁴⁹

Furthermore, Mr Martine discussed improvements that could be made in reporting:

I think what would improve the reporting is what we talked about earlier, which is to come up with a more consistent framework and then I guess more consistent advice that would go out to all of the departments at the time that, 'These are the costs that you need to report on' — whatever the mechanism is, such as the annual report — 'and you need to track those costs through the next 11 months', or whatever the time period is. I think that would be probably a more useful way of ensuring that things are captured.⁵⁰

Mr Fennessy highlighted that a consistent and transparent approach to tracking and reporting costs and outcomes of MoG changes would benefit both government and the Parliament:

48 Mr Adam Fennessy, Department of Environment, Land, Water and Planning, *Transcript of Evidence*, 16 March 2016, p. 15.

49 Mr Chris Eccles, Department of Premier and Cabinet, *Transcript of Evidence*, 16 March 2016, p. 28.

50 Mr David Martine, Department of Treasury and Finance, *Transcript of Evidence*, 16 March 2016, p. 37.

... if each department is approaching this in a very different way, that does not make sense. Where we have a more specific approach, that will, firstly, help departments and, secondly, I think it would help the Parliament and this committee. So I think that is certainly one of our reflections on that need for greater consistency.⁵¹

The Committee has observed deficiencies and inconsistencies in the reporting of costs and benefits of MoG changes between departments. We acknowledge the candour of several Secretaries, including the Secretary of DPC, regarding the absence of objective criteria to track and report MoG costs and benefits. However, it is surprising that a robust process does not currently exist in Victoria, particularly given practice in other jurisdictions.

6.1 Defining a machinery of government cost

Defining a MoG cost is not always a straight forward question. As discussed in Chapter 4, there is a lack of clarity surrounding what is attributable to MoG changes and what is considered business as usual. Mr Martine highlighted the importance of defining what a MoG change actually is and what the direct costs of these changes might be:

The issues that we are thinking about in consultation with other departments, including DPC, are: specifying a better definition of what actually is a MoG change. Clearly at the time of an election it is easier to identify what they are. The question then becomes: if there is a change 12 months later within government, is that a MoG change or not? That is kind of the first issue that we need to do a bit of work on, and then what sort of costs should get captured? What is the guidance that can be sent around the bureaucracy to ensure that we do get a bit more of that consistency?

But certainly more clarity around what a MOG is and also more clarity around what the direct costs are for a MOG change I think is very sensible.⁵²

The Committee believes greater directions and definitions surrounding this clarification should be set out for departments by Premier and Cabinet. The Committee considers guidance from other jurisdictions, such as Queensland, the Federal Government and Westminster may be of benefit in developing a Victorian model.

6.2 Standardised approaches

The Committee observed the high costs associated with 'IT and Records Management' in the reported costs of the MoG changes. The Committee notes the benefits of standardised systems for information technology (IT), human resources (HR) and payroll across government. However, the Committee also

⁵¹ Mr Adam Fennessy, Department of Environment, Land, Water and Planning, *Transcript of Evidence*, 16 March 2016, p. 11.

⁵² Mr David Martine, Department of Treasury and Finance, *Transcript of Evidence*, 16 March 2016, p. 36.

notes that moving towards more standardised IT and HR systems is operationally complicated and involves a number of risks. A whole-of-government approach taking into account these risks and value for money considerations is appropriate.

Over time, this may assist in reducing the costs associated with any future changes to departments. Mr Fennessy stated:

... governments and government departments over the long term should be thinking about better standardised systems. So whether it be payroll or IT, that to me is a longer term benefit that can then facilitate any future MoG changes, because MoG changes are of course the right of a government to make sure that the public service is aligned to the best delivery of their priorities, and if we have got more standardised payroll, IT and other things that are common to businesses, then that is going to help.⁵³

Greater integration between departments and standardised approaches would assist in reducing migration and upgrade costs associated with MoG change. The Committee is aware that this would be a costly endeavour given the need to work with legacy systems. The Committee believes it is worth consideration and cost-benefit analysis.

6.3 Improvements to tracking and reporting outcomes and benefits

The Committee recommends more consistent tracking and reporting of outcomes and benefits of MoG changes.

In the UK Institute for Government's report on MoG changes in Whitehall Departments, outcome assessments were based on a cost-benefit analysis, business plan and strategic change programme that was required to be submitted to Parliament.⁵⁴ It was proposed that these reports should form the basis of assessment of the benefits and costs of changes by a departmental select committee, assisted by staff from the National Audit Office within 18 months to two years of a change in government.⁵⁵

The Queensland Government and the Australian Government have both produced checklists for implementing MoG changes.⁵⁶ The Queensland checklist was created by the Queensland Audit Office to provide guidance on some of the most common and important issues that may arise during MoG changes.⁵⁷ Queensland's approach covers the following broad categories:

⁵³ Mr Adam Fennessy, Department of Environment, Land, Water and Planning, *Transcript of Evidence*, 16 March 2016, p. 16.

⁵⁴ Institute for Government, *Making and Breaking Whitehall Departments - A guide to machinery of government changes*, May 2010, p. 9.

⁵⁵ *ibid.*

⁵⁶ Queensland Government, *Fiscal Strategy Division Guidelines for Machinery of Government (MOG) Changes*, March 2015, p. 25. Australian Government, Australian Public Service Commission, Department of Finance, *Implementing Machinery of Government Changes*, Third edition, September 2015, pp. 36-42.

⁵⁷ Queensland Audit Office, *Good practice - Managing machinery of government changes*, March 2015.

- Management
- Delegations
- Governance
- Legal
- Records
- Staff
- Stationary, signage and uniforms
- Budget implications
- Chart of accounts
- Financial and other systems
- Financial policies and procedures
- GST issues
- Management reporting
- Shared service arrangements
- Split assets, liabilities, revenue and expenses
- Split of funds.⁵⁸

The Queensland Treasury has also created a checklist for treasury analysts, which includes items relating to tracking, recording and reporting on costs.⁵⁹

The Australian Public Service Commission's checklist relates to implementing MoG changes generally. This checklist includes the following categories:

- Planning
- Communication
- Financial management
- People management
- Remuneration and other conditions of employment
- Delegations
- General
- Accommodation, furniture and equipment
- Information and communications technology
- Information and records management⁶⁰

58 *ibid.*

59 Queensland Government, Queensland Treasury, Fiscal Strategy Division, *Guidelines for Machinery of Government (MOG) changes*, March 2015, p. 25.

60 Australian Government, Australian Public Service Commission, Department of Finance, *Implementing machinery of government changes*, Third edition, September 2015, pp. 36-39.

While these checklists are not all-inclusive of what would be required to completely capture all costs and outcomes of MoG changes, the Committee notes that similar guidance is not available in Victoria. The Committee believes that these jurisdictions provide a useful reference point for guidance on what should be included in any Victorian checklist.

RECOMMENDATION 2: That the Department of Treasury and Finance or the Department of Premier and Cabinet, with advice from the Victorian Auditor-General's Office, draw upon comparable jurisdictions such as Queensland, the Australian Government and Westminster in developing guidelines to enable the clear and consistent reporting of machinery of government costs and benefits in Victoria.

6.4 Improvements to tracking costs and financial reporting

The Committee recommends the categories listed below could be considered for tracking costs resulting from MoG changes as part of a future MoG framework developed by government.

Staff

- Redundancies and associated costs
- Additional and temporary staff appointments
- Salary increases and changes
- Training
- Consultation with staff
- Transfer leave entitlements
- Staff project costs and relocation
- Consultancy costs

Property/Resources/Accommodation

- Identify assets and liabilities that are to be transferred, including: employee leave entitlements, property and equipment
- Transfer of assets, including IT equipment, accommodation leases, resources
- Lease exit payments/restoration costs
- Record costs for physical movement of employees, furniture, equipment and files; downloading information and other IT activities relating to the move; and updating internal records.
- Costs of setting up access to the network, security arrangements
- Removal costs
- Capital acquisitions/refurbishments

Information Technology, Telephony and Records Management

- Updates and transfers (or merging) IT services and associated costs
- Telephony costs and transfers
- Transfer of records and associated costs
- Official papers, electronic records and informally held information and knowledge must be transferred
- IT consultancy costs

Branding and Communication

- Signage and other branding
- Website development, including online rebranding
- Stakeholder communication
- Public awareness/advertising

Corporate Functions

- Costs of consultations, advice, planning
- Increased pressure/time on Human resources and Finance

Indirect Costs

- Senior staff planning time
- Non-project staff time
- Productivity losses.⁶¹

There was broad agreement from departmental secretaries that reporting indirect costs in a qualitative manner made sense given that public servants do not currently record their time. Furthermore, to mandate time recording simply for the purposes of examining MoG change costs would not seem to reflect value for money or be proportionate.

When determining the most appropriate timeline for reporting of costs and outcomes stemming from MoG changes, the Committee notes the guidance given by the Department of Treasury and Finance:

Obviously if you report too quickly after a MoG change, you may not necessarily pick up all of the relevant costs. But likewise, if you report too far down the track, then you are potentially picking up things that are not really a MoG change.⁶²

61 National Audit Office, *Reorganising central government – Methodology*, March 2010, p. 3; Australian Government, Australian Public Service Commission, Department of Finance, *Implementing Machinery of Government Changes*, Third edition, September 2015.

62 Mr David Martine, Department of Treasury and Finance, *Transcript of Evidence*, 16 March 2016, p. 36.

RECOMMENDATION 3: That Department of Treasury and Finance or the Department of Premier and Cabinet, with advice from the Victorian Auditor-General's Office, develop a set of consistent guidelines to track the costs and outcomes of any machinery of government changes.

RECOMMENDATION 4: That machinery of government reporting be required in each department's annual report.

RECOMMENDATION 5: That the Government endorse the Public Accounts and Estimates Committee's recommendation in their 2015-16 Budget Estimates Report, which stated that:

The Department of Treasury and Finance update the Model Report to require all departments to report any costs and benefits in a year as a result of MoG changes in their annual reports. The updated report should include guidance so that the data in annual reports are provided on a consistent basis across departments.⁶³

The Committee supports the Public Accounts and Estimates Committee's views expressed in their 2015-16 Budget Estimates Report, that there is public interest in understanding what these costs are and therefore in monitoring and reporting on MoG changes systematically as well as any benefits that have been achieved.⁶⁴

⁶³ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2015-16 Budget Estimates*, November 2015, p. 142.

⁶⁴ *ibid.*, p. 142.

7

Conclusion

Departmental secretaries told the Committee that the MoG changes following the 2014 election were completed in a collaborative, efficient and timely manner.

While MoG changes may deliver longer term benefits, they can be expensive to implement. The direct MoG costs following the 2014 election have already exceeded \$5 million, with further unknown indirect costs of lost productivity and uncertainty. While these costs are material, the potential for MoG changes to produce significant productivity gains is substantial if they are undertaken appropriately.

In examining the costs and outcomes of the MoG changes, the Committee has identified a number of departmental inefficiencies in Victoria. For instance, integration and collaboration between departments is insufficient, as evidenced by high migration costs in areas such as IT, payroll and human resources.

Furthermore, there are clear whole-of-government inefficiencies which were evident in the different approaches and designs of departmental websites.

The Committee believes that more effort towards systematic approaches to collaboration would benefit the Government and may also assist in limiting any future costs associated with MoG changes. Benefits may also be seen with regard to ongoing operational costs.

Appendix 1

Submissions

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Whole of Victorian government submission on costs

Costs associated with Machinery of Government changes

Whole of Victorian government submission on costs associated with the Machinery of Government changes

Approach to costs

1. Machinery of Government (MOG) changes are a normal part of government operations.
2. Any costs involved with implementing the MOG changes are generally absorbed within existing budgets.
3. Costs involved with implementing the MOG changes include both direct costs and indirect costs.

Parliamentary Accounts and Estimates Committee (PAEC)

4. PAEC has previously asked Departments to estimate the anticipated cost of carrying out the MOG changes.
5. Overall, costs have increased from those previously reported.
6. This reflects the ongoing realignment of administrative structures still being undertaken by Departments most impacted by the MOG changes.

Direct costs

7. Direct costs are those that can be attributed solely to implementing the MOG changes that occurred effective 1 January 2015.
8. Direct costs are incurred over and above Business-as-usual (e.g. telephony changes made within the parameters of an existing contract have not been included).
9. Direct costs do not include staff time.
10. Each Department has assessed their direct costs against the above definition.
11. Direct costs incurred by each Department are set out in the tables below.

Whole of Victorian government submission on costs

A. Department of Health & Human Services

	30/11/14 - 31/5/15
Direct Costs	Cost (\$)
Consultants and contractors - by purpose	90,600
Relocation	11,000
Telephony	5,900
IT and Records Management	388,500
Rebranding	62,000
Furniture and fit-out	60,000
Redundancy - VPS	0
Redundancy - EO	0
New staff	0
Other	0
TOTAL	618,000

Note:

- i. DHHS reported to PAEC only direct costs directly associated with the transfer of staff associated with the MOG changes (\$150,000), which were largely associated with the transfer of Sports and Recreation Victoria staff.

B. Department of Economic Development, Job, Transport & Resources

	30/11/14- 31/5/15
Direct Costs	Cost (\$)
Consultants and contractors - by purpose	37,870
Relocation	301,038
Telephony	474,548
IT and Records Management	235,604
Payroll and Finance Systems consolidation (all contract labour)	146,000
Physical rebranding (i.e. stationery, signage)	107,447
Online rebranding (i.e. websites)	0
Redundancy - VPS	0
Redundancy - EO	0
New staff	0
Other	0
TOTAL	1,302,507

Note:

- i. In January 2015, the Department engaged KPMG to provide services to support DEDJTR's wider organisational redesign project. The cost of this consultancy has not been included as it was not a direct additional cost of the Machinery of Government changes. The detail of the KPMG engagement are available on the TendersVic website at <https://www.tenders.vic.gov.au/tenders/contract/view.do?id=22572&returnUrl=%252Fcontract%252Flist.do%253F%2524%257Brequest.queryString%257D>
- ii. DEDJTR reported to PAEC that estimated direct costs of the MOG changes would be between \$1.5 and \$2 million in the 2014-15 year. The difference between this estimate and the table above reflects the different time periods covered (six months to end May 2015 compared to a full year estimate) and reconciliation based on actual direct costs incurred. DEDJTR did not include the cost of consultants because the PAEC questionnaire focussed on IT and re-location costs. However, these costs were reported to PAEC in a subsequent question relating to the engagement of consultants and contractors.

Whole of Victorian government submission on costs

C. Department of Environment, Land, Water & Planning

	30/11/14- 31/5/15
Direct Costs	Cost (\$)
Consultants and contractors - by purpose	0
Relocation	11,895
Telephony	0
IT and Records Management	451,966
Physical rebranding (i.e. stationery, signage)	70,427
Online rebranding (i.e. websites)	236,280
Redundancies	0
New staff	0
Other	0
TOTAL	770,568

Note:

- i. DELWP reported to PAEC direct costs attributable to the MOG changes of approximately \$70,000 relating to signage and other related material, which is all the department had incurred at that point in time. Subsequently, the department has incurred additional costs as detailed in the table above.

D. Department of Premier & Cabinet

	30/11/14- 31/5/15
Direct Costs	Cost (\$)
Consultants and contractors - by purpose	0
Relocation	1,573
Telephony	0
IT and Records Management	324,453
Physical rebranding (i.e. stationery, signage)	0
Online rebranding (i.e. websites)	10,560
Redundancy - VPS	0
Redundancy - EO	0
New staff	0
Other - Victorian Government Gazette costs associated with MOG orders	4844
TOTAL	341,430

Note:

- i. DPC reported to PAEC that MOG direct costs had been absorbed within existing budgets. This remains the case. Costs that can be attributed to the MOG changes have been extracted and detailed in the table above.

Whole of Victorian government submission on costs

E. Department of Treasury & Finance

	30/11/14 - 31/5/15
Direct Costs	Cost (\$)
Consultants and contractors - by purpose	0
Relocation	0
Telephony	500
IT and Records Management	22,500
Physical rebranding (i.e. stationery, signage)	0
Online rebranding (i.e. websites)	0
Redundancy - VPS	0
Redundancy - EO	0
New staff	0
Other	0
TOTAL	23,000

Note:

- i. DTF reported to PAEC that the department had not incurred any direct costs associated with the MOG changes at that point in time. Subsequent to PAEC, DTF has incurred a small amount of costs, largely reflecting the earlier timing of the previous advice.

F. Department of Education & Training

	30/11/14 - 31/5/15
Direct Costs	Cost (\$)
Consultants and contractors - by purpose	0
Relocation	0
Telephony	0
IT and Records Management	0
Physical rebranding (i.e. stationery, signage)	10,200
Online rebranding (i.e. websites)	0
Redundancy - VPS	0
Redundancy - EO	0
New staff	0
Other	0
TOTAL	10,200

Note:

- i. DET reported to PAEC that it had not been affected by the MOG changes and therefore had no applicable direct costs to report at that point in time. Subsequent to PAEC, the department has incurred a small amount of costs associated with its name change.

Whole of Victorian government submission on costs

G. Department of Justice & Regulation

	30/11/14- 31/5/15
Direct Costs	Cost (\$)
Consultants and contractors - by purpose	0
Relocation	0
Telephony	0
IT and Records Management	0
Physical rebranding (i.e. stationery, signage)	0
Online rebranding (i.e. websites)	0
Redundancy - VPS	0
Redundancy - EO	0
New staff	0
Other	0
TOTAL	0

Note:

- i. DOJR reported to PAEC that no direct costs related to the MOG changes had been incurred by the department. This remains the case.
- ii. Any rebranding costs are classified as being within normal business activity. Replacement signage to date has been to correct the poor condition of signs. Therefore it was opportune to change the department name on these signs at that time.

Indirect costs

12. Indirect costs are those associated with redirected staff time or lost productivity.
13. As the MOG changes are largely an administrative process, productivity losses in service delivery or advisory functions are negligible.
14. Indirect costs have been incurred as a result of splitting, merging and realigning back office functions.
15. Indirect costs will predominantly include staff time in areas such as Human Resources, Procurement, Legal and Finance.
16. Indirect costs have not been calculated due to difficulties in obtaining accurate data.

Machinery of Government Changes

Whole of Victorian government statement

Overview of the Machinery of Government Changes

1. On 4 December 2014, the Premier announced a number of Machinery of Government (MOG) changes, effective 1 January 2015.
2. The MOG changes created new portfolios such as the Special Minister of State and the Minister for the Prevention of Family Violence.
3. The MOG changes reduced the number of Departments from nine to seven.
4. The MOG changes also reallocated functions between Departments.
5. A summary of the MOG changes is described in the media release attached to this statement.

Purpose of making Machinery of Government changes

6. MOG changes are a common practice following a change of Government.
7. It is Government's prerogative to arrange government functions in a manner that it considers will assist it to deliver its priorities.
8. At a high-level, the recent MOG changes were designed to make changes to portfolios and to position Departments for delivering on the Government's priorities with respect to improving social service delivery, driving Victoria's economic development, managing Victoria's built and natural environments and increasing the accountability and transparency of government.
9. The Government's objective in consolidating Departments from nine to seven was to position Departments to collaborate on cross-portfolio policy matters, share ideas, form a coherent view on issues of strategic importance, and engage with those affected by policy outcomes.

Roles and responsibilities

The Government

10. The Premier is responsible for MOG changes that involve changes to portfolios and the transfer of functions and staff from one public service body to another.

The Department of Premier and Cabinet (DPC)

11. As the First Minister's Department, DPC has responsibility for overseeing the implementation of the Premier's MOG changes.

*Whole of Victorian government statement***Departments**

12. Departments are responsible for working with DPC to implement the Premier's MOG changes, as well as implementing MOG changes directly affecting their Department.

Relevant legislation and other instruments**General Order**

13. The Premier, as First Minister of the Government, determines Ministerial portfolios and makes a General Order allocating Ministerial responsibility for all Victorian legislation. The General Order establishes the framework for other MOG changes including changes to Departments, Administrative Offices, and the transfer of staff and functions.

Public Administration Act 2004

14. Section 10 of the *Public Administration Act 2004* (PAA), provides for a Department to be established, abolished or have its name changed.
15. Section 11 of the PAA provides for an Administrative Office to be established, abolished or have its name changed.
16. Section 30 of the PAA provides that, on the transfer of a function, the Premier may make a declaration transferring any staff who are "necessary to carry out, or support the carrying out of, that function".

Administrative Arrangements Act 1983

17. Governor-in-Council has responsibility for making an Administrative Arrangements Order (AAO) under the *Administrative Arrangements Act 1983* (the AAA), which requires references to Departments, portfolios, and Secretaries in legislation and legislative instruments to be changed, to give effect to MOG changes.

Implementation process

18. The MOG changes were announced on 4 December 2014 and implemented by 1 January 2015.
19. Departments had structures in place by the time they commenced on 1 January.
20. The effectiveness of this process can largely be attributed to collaboration of Departments and a collective emphasis on timeliness.

Role of the whole-of-government Inter-Departmental Committee (IDC)

21. The implementation process was primarily coordinated by a whole-of-government IDC chaired and convened by DPC.

Whole of Victorian government statement

22. The IDC was comprised of senior public servants from all eight Departments affected by the transfer of functions. DEECD therefore was not a member of the IDC. The role of the IDC was to:
- a. agree an implementation process, including timelines, the management of financial responsibilities and the transfers of budgets;
 - b. oversee the MOG changes announced by the Premier and ensure changes were implemented consistently with the announcement;
 - c. resolve and clarify any outstanding issues such as the number of staff attached to a particular function or the definition of particular functions; and
 - d. ensure clear and consistent communication of MOG changes across the VPS.
23. All matters were resolved without escalation beyond the IDC.

Role of Departments

24. The role of DPC was to prepare the following instruments to implement the MOG changes:
- a. the General Order for the Premier's signature to allocate Ministerial responsibility for legislation;
 - b. Department and Administrative Office restructure orders under the PAA (section 10 and 11 orders) for the Governor in Council's consideration and approval;
 - c. a PAA section 30 declaration for the Premier's signature to effect the transfer of functions and staff; and
 - d. an AAO for Governor in Council's consideration and approval to require that references to Ministers, Departments and Secretaries in legislation and subordinate instruments be read consistently with the MOG changes.
25. In addition to the whole-of-government IDC, representatives of Departments most affected by the changes such as DEDJTR and DELWP convened bi-lateral IDCs to determine what each Department needed with respect to resourcing and budgets. The purpose of these forums was to position Departments to commence work under the new arrangements as of 1 January 2015.
26. In accordance with the positions and processes established by the IDC, Departments were individually responsible for:
- a. working with DPC to develop relevant sections of the Declaration made under section 30 of the PAA;
 - b. procuring the agreement of their respective Secretaries, as the employers, to the proposed transfers of functions and staff; and
 - c. working together to progress the transfer and/or consolidation of corporate services such as payroll and information technology services, and with DTF on the re-alignment of their financial estimates to the new administrative structure.

*Whole of Victorian government statement***Consulting the Community and Public Sector Union (CSPU)**

27. DPC contacted the Secretary, CSPU, to communicate the proposed changes and confirm that the changes would be implemented consistently with the Government's policy commitments that the Government would not engage in forced redundancies and that each transfer was on terms and conditions of employment that are no less favourable overall (as required by section 28 and section 30 of the PAA).
28. The Special Minister of State also sent a letter to the Secretary, CSPU, reiterating this advice.

Delivering the Government's priorities

29. The MOG changes are intended to help the Government deliver its priorities. The way in which the MOG changes align with these objectives are described in more detail below.

Improving social service delivery

30. The Government's intention in consolidating the former Departments of Health and Human Services is to better align functions with the following Government policy objectives:
- a. to develop integrated and innovative policy and service delivery responses, which have a greater client focus, improve the health and wellbeing of Victorians and tackle the issues associated with social disadvantage;
 - b. to strengthen the focus on prevention and early intervention by better linking universal health services with more targeted and specialist services;
 - c. to combine the efforts of these service systems to drive improved outcomes for all Victorians, particularly those with multiple and complex needs spanning issues such as mental health, housing, drugs and alcohol, chronic health configurations and disability.
31. A number of community portfolios were transferred to DPC, including the new portfolios of Equality and Prevention of Family Violence. The objective of these transfers is to bring a whole-of-government approach to the implementation of a number of the Government's election commitments.

Supporting economic development priorities – jobs, innovation and competitiveness

32. The Department of Economic Development, Jobs, Transport and Resources (DEDJTR) was created with the objective of bringing together many of the key levers and functions that drive economic development and job creation across Victoria: transport and ports, energy, investment attraction and facilitation, trade, innovation, regional development and small business, together with key services to sectors such as agriculture, the creative industries, resources and tourism.

Whole of Victorian government statement

33. The consolidation of functions within the Department is intended to facilitate better communication, coordination and alignment in relation to policy-making, service delivery and investment into the various industry sectors that the department assists.

Managing Victoria's natural and built environments

34. The Department of Environment, Land, Water and Planning (DELWP) is focussed on managing and protecting Victoria's natural and built environment to foster economic growth and liveable, sustainable and inclusive communities.

Increasing accountability and transparency in government

35. The Special Minister of State portfolio is a new portfolio in Victoria and includes transparency, integrity, accountability and public sector administration and reform.
36. DPC provides support the Special Minister of State in undertaking these responsibilities and, as such, the Department's portfolio now includes providing support in relation to integrity agencies such the Independent Broad-based Anti-corruption Commission, the Ombudsman and the Auditor-General.
37. The co-location of these integrity and accountability functions aligns with the Special Minister of State's mandate to lead the implementation of a number of important Government initiatives to improve the operation of integrity agencies.
38. The functions of digital government and public sector ICT were also transferred to DPC to assist the Special Minister of State to:
- a. reform information sharing arrangements between public sector entities and establish the necessary data capabilities across government, to enable better integrated and targeted service delivery and policy development; and
 - b. strengthen the integrity of government's management of ICT projects and provide whole of government leadership on the adoption of digital technologies to enable a more flexible, accountable and connected public sector.

Complementary MOG changes

39. A small number of other MOG changes were made to DET (change of name), DOJR (change of name and transfer of integrity functions to DPC) and DTF (transfer of a small number of functions, for example Industrial Relations Victoria to DEDJTR).

*Whole-of-Victorian-Government submission on Machinery of Government costs
30 November 2014 - 31 January 2016*

Costs associated with Machinery of Government changes

Updated Whole-of-Victorian-Government submission on costs associated with the Machinery of Government changes

Approach to costs

1. Machinery of Government (MOG) changes are a normal part of government operations.
2. Any costs involved with implementing the MOG changes are generally absorbed within existing budgets.
3. Costs involved with implementing the MOG changes include both direct costs and indirect costs.

Direct costs

4. Direct costs are those that can be attributed solely to implementing the MOG changes that occurred effective 1 January 2015.
5. Direct costs are incurred over and above business-as-usual (e.g. telephony changes made within the parameters of an existing contract have not been included).
6. Direct costs do not include staff time.
7. Each Department has again assessed their direct costs against the above definition.
8. Direct costs incurred by each Department are set out in the tables below.
9. Anticipated and outstanding future costs that meet the definition for direct costs but are yet to be incurred have been reported separately.

Indirect costs

10. Indirect costs are those associated with redirected staff time or lost productivity.
11. As the MOG changes are largely an administrative process, productivity losses in service delivery or advisory functions are negligible.
12. Indirect costs have been incurred as a result of splitting, merging and realigning back-office functions.
13. Indirect costs will predominantly include staff time in areas such as Human Resources, Procurement, Legal and Finance.
14. Indirect costs have not been calculated due to difficulties in obtaining accurate data.

*Whole-of-Victorian-Government submission on Machinery of Government costs
30 November 2014 - 31 January 2016*

A. Department of Health & Human Services (DHHS)

	<i>30/11/14 - 31/5/15</i>	<i>1/6/15 – 31/1/16</i>	<i>30/11/14 – 31/1/16</i>	<i>Anticipated future costs 1/2/16 onwards</i>
Direct Costs	Cost (\$)	Cost (\$)	Total	Cost (\$)
Consultants and contractors - by purpose	90,600	0	90,600	0
Relocation	11,000	6,331	17,331	0
Telephony	5,900	0	5,900	0
IT and Records Management	388,500	28,816	417,316	200,000
Rebranding	62,000	0	62,000	0
Redundancies	0	0	0	0
New staff	0	0	0	0
Other (Furniture and fit-out)	60,000	0	60,000	0
TOTAL	618,000	35,147	653,147	200,000

Note:

- i. DHHS reported to the PAEC Inquiry into the 2015-16 Budget Estimates only direct costs associated with the transfer of staff associated with the MOG changes (\$150,000), which were largely associated with the transfer of Sports and Recreation Victoria staff.
- ii. DHHS reported \$0.61m as a result of MOG changes to the PAEC Inquiry into 2013-14 and 2014-15 Financial and Performance Outcomes. Minor differences between these costs are mostly due to rounding and some small modifications to cost classifications.

Costs incurred from 1 June 2015 to 31 January 2016 attributable to 1 January 2015 MOG change

- Additional lockers were installed for Sport and Recreation Victoria staff during the fit-out of the floor at 50 Lonsdale Street.
- An adjustment of \$16,000 to the IT systems was incurred in final costs in the period 1 June 2015 to 31 January 2016.
- A further cost of \$12,816 was incurred to realign organisational units in the SAP HR system. Initial assessments and profile mapping had to be completed before the upgrade could occur.

Anticipated future costs attributable to the 1 January 2015 MOG change

- Upgrade to Services Agreement Management System to reflect MOG changes including changes to user interface, has been quoted.
- This work is likely to be incurred by July 2016.

Direct costs to statutory authorities attributable to the 1 January 2015 MOG change

- No direct costs attributable to the 1 January 2015 MOG change have been incurred by the statutory authorities for which DHHS is responsible.

*Whole-of-Victorian-Government submission on Machinery of Government costs
30 November 2014 - 31 January 2016*

B. Department of Economic Development, Jobs, Transport & Resources (DEDJTR)

	30/11/14- 31/5/15	1/6/15 – 31/1/16	30/11/14 – 31/1/16	Anticipated future costs 1/2/16 onwards
Direct Costs	Cost (\$)	Cost (\$)	Total	Cost (\$)
Consultants and contractors - non-project specific	37,870	47,241	85,111	115,000
Relocation	301,038	0	301,038	0
Telephony	350,734	0	350,734	0
IT and Records Management	359,418	29,500	388,918	0
Rebranding	107,447	5,000	112,447	0
Redundancies	0	0	0	0
New staff	0	0	0	0
Other - Payroll and Finance Systems consolidation	146,000	1,056,428	1,202,428	140,000
TOTAL	1,302,507	1,138,169	2,440,676	255,000

Note:

- i. In January 2015, the Department engaged KPMG to provide services to support DEDJTR's wider organisational redesign project. The cost of this consultancy has not been included as it was not a direct additional cost of the MOG changes. The detail of the KPMG engagement is available on TendersVic at: <https://www.tenders.vic.gov.au/tenders/contract/view.do?id=22572&returnUrl=%252Fcontract%252Flist.do%253F%2524%257Brequest.queryString%257D>
- ii. DEDJTR reported to the PAEC Inquiry into the 2015-16 Budget Estimates that estimated direct costs of the MOG changes would be between \$1.5 and \$2 million in the 2014-15 year. The difference between this estimate and the table above reflects the different time periods covered (six months to end May 2015 compared to a full year estimate) and reconciliation based on actual direct costs incurred. DEDJTR did not include the cost of consultants because the PAEC questionnaire focussed on IT and re-location costs. However, these costs were reported to PAEC in a subsequent question relating to the engagement of consultants and contractors.
- iii. DEDJTR reported \$1.338m as a result of MOG changes to the PAEC Inquiry into 2013-14 and 2014-15 Financial and Performance Outcomes. This is due to the original MOG submission covering the period to 30 May 2015, while the PAEC questionnaire was for the full financial year to 30 June 2015 and hence includes an extra month of costs.
- iv. In the period 30/11/14- 31/5/15, the Telephony costs have been decreased by \$123,814 and the IT and Records Management amount increased by the same amount following a review of the nature of the costs incurred in this area.
- v. Direct costs reflect gross expenditure on direct initiatives to effect MOG changes. Ongoing cost efficiencies resulting from implementation of direct initiatives are not reported.
- vi. The department will incur costs for business improvement IT related activities over the next 12 months, particularly relating to the consolidation of IT infrastructure as it continues to consolidate platforms to achieve efficiencies, avoid costs and to improve service levels. However, these costs have not been included in the above table as they are not considered a direct cost of implementing the machinery of government changes.

*Whole-of-Victorian-Government submission on Machinery of Government costs
30 November 2014 - 31 January 2016*

Costs incurred from 1 June 2015 to 31 January 2016 attributable to 1 January 2015 MOG change

- Costs mainly relate to the on-boarding and off-boarding of employees on respective payroll systems and the consolidation of finance systems and processes.
- IT and Records Management and Contractors: IT costs associated with on-boarding of new staff, data migration and transition costs.
- Rebranding: external costs for redevelopment of website.

Anticipated future costs attributable to the 1 January 2015 MOG change

- Residual costs to complete the payroll/finance transition activities.
- IT contractor costs to oversee the existing IT MOG activities and other IT business improvement works.

Direct costs to statutory authorities attributable to the 1 January 2015 MOG change

- No direct costs attributable to the 1 January 2015 MOG change have been incurred by the statutory authorities for which DEDJTR is responsible.

*Whole-of-Victorian-Government submission on Machinery of Government costs
30 November 2014 - 31 January 2016*

C. Department of Environment, Land, Water & Planning (DELWP)

	<i>30/11/14- 31/5/15</i>	<i>1/6/15 – 31/1/16</i>	<i>30/11/14 – 31/1/16</i>	<i>Anticipated future costs 1/2/16 onwards</i>
Direct Costs	Cost (\$)	Cost (\$)	Total	Cost (\$)
Consultants and contractors - by purpose	0	0	0	0
Relocation	11,895	10,000	21,895	0
Telephony	0	0	0	0
IT and Records Management	451,966	437,991	889,957	0
Rebranding	306,707	4,544	311,251	0
Redundancies	0	0	0	0
New staff	0	0	0	0
Other	0	0	0	0
TOTAL	770,568	452,535	1,223,103	0

Note:

- i. DELWP reported to the PAEC Inquiry into the 2015-16 Budget Estimates direct costs attributable to the MOG changes of approximately \$70,000 relating to signage and other related material, which is all the department had incurred at that point in time. Subsequently, the department has incurred additional costs as detailed in the table above.

Costs incurred from 1 June 2015 to 31 January 2016 attributable to 1 January 2015 MOG change

- Relocation – movement of Heritage Victoria staff to Level 9, 8 Nicholson Street.
- IT and records management – IT costs (including payroll systems) associated with on-boarding and off-boarding of employees, and additional data migration and integration costs.
- Rebranding – additional costs for new display systems and updated photos for the website.

Direct costs to statutory authorities attributable to the 1 January 2015 MOG change

- No direct costs attributable to the 1 January 2015 MOG change have been incurred by the statutory authorities for which DELWP is responsible.

*Whole-of-Victorian-Government submission on Machinery of Government costs
30 November 2014 - 31 January 2016*

D. Department of Premier & Cabinet (DPC)

	30/11/14- 31/5/15	1/6/15 – 31/1/16	30/11/14 – 31/1/16	Anticipated future costs 1/2/16 onwards
Direct Costs	Cost (\$)	Cost (\$)	Total	Cost (\$)
Consultants and contractors - by purpose	0	0	0	0
Relocation	1,573	0	1,573	0
Telephony	0	0	0	0
IT and Records Management	324,453	67,853	392,306	0
Rebranding	10,560	0	10,560	0
Redundancies	0	0	0	0
New staff	0	0	0	0
Other - Victorian Government Gazette costs associated with MOG orders	4,844	0	4,844	0
TOTAL	341,430	67,853	409,283	0

Note:

- i. DPC reported to the PAEC Inquiry into the 2015-16 Budget Estimates that MOG direct costs had been absorbed within existing budgets. This remains the case. Costs that can be attributed to the MOG changes have been extracted and detailed in the table above.
- ii. On 15 May 2015, responsibility for the Office of the Victorian Government Architect transferred from DELWP to DPC and incurred \$26,628 of IT and Records Management costs. This change is considered separate from the 1 January 2015 MOG change and therefore was not included in the table above.

Costs incurred from 1 June 2015 to 31 January 2016 attributable to 1 January 2015 MOG change

- IT systems integration and on-boarding undertaken by CenITex

Direct costs to statutory authorities attributable to the 1 January 2015 MOG change

- No direct costs attributable to the 1 January 2015 MOG change have been incurred by the statutory authorities for which DPC responsible.

*Whole-of-Victorian-Government submission on Machinery of Government costs
30 November 2014 - 31 January 2016*

E. Department of Treasury & Finance (DTF)

	30/11/14 - 31/5/15	1/6/15 – 31/1/16	30/11/14 – 31/1/16	Anticipated future costs 1/2/16 onwards
Direct Costs	Cost (\$)	Cost (\$)	Total	Cost (\$)
Consultants and contractors - by purpose	0	0	0	0
Relocation	0	0	0	0
Telephony	500	0	500	0
IT and Records Management	22,500	0	22,500	0
Rebranding	0	0	0	0
Redundancies	0	0	0	0
New staff	0	0	0	0
Other	0	0	0	0
TOTAL	23,000	0	23,000	0

Note:

- i. DTF reported to the PAEC Inquiry into the 2015-16 Budget Estimates that the department had not incurred any direct costs associated with the MOG changes at that point in time. Subsequent to PAEC, DTF has incurred a small amount of costs, largely reflecting the earlier timing of the previous advice.
- ii. On 1 July 2015, responsibility for managing the Master Agency Media Services (MAMS) Trust was transferred from DPC to DTF (1 FTE). The cost estimate for TRIM migration is \$1,500. This change is considered separate from the 1 January 2015 MOG change and therefore was not included in the table above.
- iii. On 22 September 2015, 15.2 FTEs were transferred from DPC to DTF, the majority used to support the new office of the Commissioner for Better Regulation, created within the Treasury portfolio. The cost estimate for TRIM migration is \$5,300. The Commissioner for Better Regulation is responsible for assessing the adequacy of regulatory impact statements and legislative impact assessments and also for administering the Government's Competitive Neutrality Policy, including the investigation of complaints against government agencies. This change is considered separate from the 1 January 2015 MOG change and therefore was not included in the table above.

Costs incurred from 1 June 2015 to 31 January 2016 attributable to 1 January 2015 MOG change

- DTF has not incurred any direct costs attributable to the 1 January MOG change in addition to those previously reported (see note above).

Direct costs to statutory authorities attributable to the 1 January 2015 MOG change

- No direct costs attributable to the 1 January 2015 MOG change have been incurred by the statutory authorities for which DTF is responsible.

*Whole-of-Victorian-Government submission on Machinery of Government costs
30 November 2014 - 31 January 2016*

F. Department of Education & Training (DET)

	<i>30/11/14 - 31/5/15</i>	<i>1/6/15 – 31/1/16</i>	<i>30/11/14 – 31/1/16</i>	<i>Anticipated future costs 1/2/16 onwards</i>
Direct Costs	Cost (\$)	Cost (\$)	Total	Cost (\$)
Consultants and contractors - by purpose	0	0	0	0
Relocation	0	0	0	0
Telephony	0	0	0	0
IT and Records Management	0	0	0	0
Rebranding	10,200	0	10,200	0
Redundancies	0	0	0	0
New staff	0	0	0	0
Other	0	0	0	0
TOTAL	10,200	0	10,200	0

Note:

- i. DET reported to the PAEC Inquiry into the 2015-16 Budget Estimates that it had not been affected by the MOG changes and therefore had no applicable direct costs to report at that point in time. Subsequent to PAEC, the department estimated the cost of replacing stationery (e.g. envelopes, business cards) as a result of it changing its name. This estimate was based on the estimated write-off of the redundant stock of stationery (e.g. envelopes and business cards) at the time and is reported in the table above.
- ii. An actual cost of \$0.0 million was reported in the Department's 2013-14 and 2014-15 Financial and Performance Outcomes questionnaire, as the Department does not monitor stationery purchases at a centralised level and any stationery purchases made as a result of the name change were undertaken as part of business as usual processes.

Direct costs to statutory authorities attributable to the 1 January 2015 MOG change

- No direct costs attributable to the 1 January 2015 MOG change have been incurred by the statutory authorities for which DET is responsible.

*Whole-of-Victorian-Government submission on Machinery of Government costs
30 November 2014 - 31 January 2016*

G. Department of Justice & Regulation (DJR)

	<i>30/11/14- 31/5/15</i>	<i>1/6/15 – 31/1/16</i>	<i>30/11/14 – 31/1/16</i>	<i>Anticipated future costs 1/2/16 onwards</i>
Direct Costs	Cost (\$)	Cost (\$)	Total	Cost (\$)
Consultants and contractors - by purpose	0	0	0	0
Relocation	0	0	0	0
Telephony	0	0	0	0
IT and Records Management	0	0	0	0
Rebranding	0	0	0	0
Redundancies	0	0	0	0
New staff	0	0	0	0
Other	0	0	0	0
TOTAL	0	0	0	0

Note:

- i. DJR reported to the PAEC Inquiry into the 2015-16 Budget Estimates that no direct costs related to the MOG changes had been incurred by the department. This remains the case.
- ii. Any rebranding costs are classified as being within normal business activity. Replacement signage to date has been to correct the poor condition of signs. Therefore it was opportune to change the department name on these signs at that time.

Direct costs to statutory authorities attributable to the 1 January 2015 MOG change

- No direct costs attributable to the 1 January 2015 MOG change have been incurred by the statutory authorities for which DJR is responsible.

Appendix 2

Public Hearing: Transcripts of evidence

Wednesday 16 March 2016, Melbourne

Department of Economic Development, Jobs, Transport and Resources

Mr Richard Bolt, Secretary

Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services

Department of Environment, Land, Water and Planning

Mr Adam Fennessy, Secretary

Ms Kathryn Anderson, Deputy Secretary, Corporate Services

Ms Carolyn Jackson, Executive Director, Finance and Planning

Department of Health and Human Services

Ms Kym Peake, Secretary

Mr Lance Wallace, Deputy Secretary Corporate Services

Department of Premier and Cabinet

Mr Chris Eccles, Secretary

Department of Treasury and Finance

Mr David Martine, Secretary

Tuesday 21 July 2015, Melbourne*

Department of Education and Training

Ms Gill Callister, Secretary

Department of Health and Human Services

Mr Pradeep Philip, Secretary

Mr Lance Wallace, Deputy Secretary Corporate Services Division

Department of Environment, Land, Water and Planning

Mr Adam Fennessy, Secretary

Department of Justice and Regulation

Mr Shaun Condron, Chief Finance Officer

Department of Economic Development, Jobs, Transport and Resources

Mr Richard Bolt, Secretary

Ms Sue Jaquinot, Lead Deputy Secretary, People and Executive Services

Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services

Department of Treasury and Finance

Mr David Martine, Secretary

Ms Melissa Skilbeck, Deputy Secretary, Budget and Financial Management

Ms Gayle Porthouse, Deputy Secretary, Market Engagement and Corporate

Department of Premier and Cabinet

Mr Chris Eccles, Secretary

* Transcripts for this Hearing are available from the Interim Report at www.parliament.vic.gov.au/lisic/inquiry/405

TRANSCRIPT

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Subcommittee

Inquiry into machinery of government changes

Melbourne — 16 March 2016

Members

Mr Edward O'Donohue — Chair

Mrs Inga Peulich

Mr Cesar Melhem

Mr Gordon Rich-Phillips

Mr Daniel Mulino

Staff

Secretary: Ms Lilian Topic

Research officer: Ms Annemarie Burt

Witnesses

Mr Richard Bolt, Secretary, and

Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services, Department of Economic Development, Jobs, Transport and Resources.

The CHAIR — I declare open the Legislative Council’s legal and social issues committee public hearing in relation to the inquiry into machinery of government changes. I would like to welcome Mr Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources, and Ms Sue Eddy, who is from the department as well. Thank you both for being here.

Before we commence I will caution that all evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to provisions of the Legislative Council standing orders. Therefore you are protected against any action for what you say here today, but any comments made outside the hearing are not afforded such privilege. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament.

Today’s evidence is being recorded. You will be provided with proof versions of the transcript within the next week, and transcripts will ultimately be made public and posted on the committee’s website. We have allowed approximately 45 minutes for our time today. I would like to thank you both again for being here and for your preparedness to respond to the committee’s questions. I look forward to your presentation, and thereafter we will have questions.

Visual presentation.

Mr BOLT — Thank you, Chair; thank you, Mr Mulino. I will be brief with the presentation. This is by way of an update of our allocation or apportionment of costs to machinery of government changes. It shows that from 30 November 2014 to 31 May last year the costs incurred are estimated at \$1.3 million in direct costs and that a further \$1.1 million is expected to be incurred from 1 June 2015 to 31 January this year, largely due to the consolidation of our systems, and there are some additional costs to be expended from February 2016 onwards, which you will see listed there as \$255 000. We can explore any of those of course in the course of this hearing.

The next slide says a little as to the collaborations that we have prioritised as a result of being organised in the way department now is, the point of it being of course to bring key levers and functions that are related to economic development and job creation into one place. As I have previously said, I think to the Public Accounts and Estimates Committee, the fact that they are in one department makes certain forms of collaboration both expected and easy to organise. You can organise across departments, but the transaction costs sometimes get in the way of that.

In this instance we are seeing industry sector plans and indeed outlooks being developed not only to support our industry stimulus or industry development functions but also as an injection into our transport planning because as industries develop they develop in particular places which have particular advantages. That creates a transport task, particularly where jobs are forecast to be in one place and housing is forecast to develop in another, so to develop a city it helps a lot to understand how industries work or are expected to evolve and to base our transport planning assumptions around that. That is one of the benefits we have found and one of the collaborations we are prioritising within the context of this new department.

Another would be investment in energy and agriculture. We can take a full view of the opportunities to develop or to attract such investment and indeed to get the agricultural product to market, and indeed potentially future energy products to market, by having our economic development functions, formerly in the DSDBI, collaborate more directly with the agriculture, energy and resources people and, on top of that, while not listed there, transport so that we can look at some of the supply chain requirements that will allow product to get to market. Again, having those three functions in one place has allowed us to prioritise that as a collaboration within the new, expanded department.

We think there is a very important set of collaborations between Visit Victoria, which is now being constructed, Creative Victoria and Regional Development Victoria in improving the livability and attractiveness of Melbourne and the state and the regions to visitors to the state. By consolidating both three functions within Visit Victoria and several within Creative Victoria and then getting those three bodies to work together more directly and more strategically, we think there are opportunities to gain some benefits to the state from their interactions.

It goes on to the areas of strategic planning and policy development and the management of commonwealth-state relations in a holistic way. Quite often an initiative or a policy in one area of commonwealth-state interaction is related to another, and by having a single strategy and planning group across

the totality of that we can recognise those interactions and make the most of our engagement with the federal government. We will also be prioritising place-based work, focusing on the challenges of specific regions, with a transport-economic development-resource industries lens being brought in an integrated way to that question.

By being larger, I think I have said previously, we can strengthen partnerships within our agencies but also with other parts of government, and we are quite systematically working through what those partnerships look like in order to be managed well, including with DELWP, with education, with the City of Melbourne, with federal departments and so forth. We are codifying those relationships increasingly in partnership agreements.

Other information that may be relevant is that we have enacted a new organisational structure from 3 September 2015. That is now largely in place; it is being bedded down still in a few areas. There will be ongoing needs to reorganise because that is the modern reality of managing a department, but the big change that largely gave effect to government policy in the particular parts of the department — that structure was enacted on 3 September. It followed the machinery of government change but in many cases is more related to the development or the delivery of the government's change to policy agenda. We are regularly tracking costs and benefits associated with everything we do, including the MOG changes. We are now into a space where much of what we are doing is really the business as usual dimension rather than related to MOG, apart from the costs that I have already given you.

This last slide is a very brief answer to a question raised by Mrs Peulich last time, which concerns how we are defining sectors for the purpose of our sectoral strategies. I apologise that we did not get back in response to that question. This is now an initial answer to that, which we are happy to elaborate should that be needed. We have done a sector-by-sector analysis on the Victorian economy to understand where our opportunities might lie, also to look at areas where transition might require management. It is clear that that is going to be required in the auto sector. Our question was: where else? So you will see the six priority sectors that were part of the government's platform have been reviewed: medical technologies and pharmaceuticals — I will not read them all out, but they stand there on the slide.

The reviews of other key sectors have occurred in parallel with that: the creative industries, the visitor economy. We are reviewing the ICT digital economy at the moment, as it is a key input to pretty well every other part of the economy as well as being a sector in its own right. And our sectoral analyses across the economy, done initially by Boston Consulting Group, have been already released to the Legislative Council in November of last year and they are publicly available on our website. They give more information as to what we concluded about our sectoral prospects and transition changes.

I trust that is a helpful opening gambit, Chair.

The CHAIR — Thanks very much, Mr Bolt, for that opening summary of the changes that have taken place. I will kick off the questions. I just want to go to the costs, and thank you very much for providing that update in the material you provided. As you say in the material, from 30 November 2014 to 31 May last year there was \$1.3 million of costs incurred associated with the MOG. In June at PAEC last year you told PAEC the estimate of MOG costs would be between 1.5 to \$2 million. You told this committee \$1.3 million when you appeared before us in July. You subsequently told this committee on 10 March there has been \$1.138 million of additional costs, and, as you mentioned this morning, there are anticipated further costs of \$255 000. I would just be interested to know what has driven that growth in costs from the estimate you provided to PAEC last year of 1.5 to \$2 million to the anticipated \$2.7 million cost now.

Mr BOLT — Thank you, Chair. They sound like different figures but they do line up because they are dealing with different time frames, and I apologise for the confusion.

The 1.5 to \$2 million estimate was an estimate to the end of June 2015. The numbers that we have here for reasons of alignment with previous reporting to you, as I understand it, is in fact that \$1.3 million figure takes us to the end of May last year. So it misses that month, and if you pro rata the months in the next tranche of costs at \$1.138 million, it will come to the lower end of the 1.5 to \$2 million range, so therefore is consistent. And the 1.138 takes us beyond June obviously well into this year. Again that is why it is different to the 1.5 to \$2 million estimate, so several numbers, they are broadly consistent, and what we are now doing is giving you our best and final view on what we have spent and what we are now likely to spend. And now the tail of that — as you can see with the remaining \$255 000 — is, compared to the rest, small and therefore we think we are at the end of the accounting of our MOG costs.

The CHAIR — Just on that \$255 000, does that represent a particular project or a particular undertaking associated with MOG, or is that just general anticipated costs to further bed down the MOG changes?

Mr BOLT — No, more than half of it relates to payroll and finance system consolidation. The longest part of bringing everything together has been to, in a staged way, move to an efficient department-wide payroll and finance systems suite, so to speak. So 140 000 is to do with that. The other part of the 255 000, which is the remaining 115 000, is non-project specific consultants and contractors, and I cannot off the top of my head tell you exactly what roles they play. I do not know if Sue Eddy can help you with that.

Ms EDDY — Yes, I can add. We have an overall program manager that we appointed for the project to establish a project management office to make sure that we planned and we monitored the delivery as well as the assessment of costs and benefits; and that is the remaining time that that person will be on board to wrap up all the projects, ensure that the documentation is closed off and that we draw a line in the sand.

The CHAIR — Just in relation to the advice about the organisational structure that was enacted on 3 September, as you said previously, I suppose I will put this proposition to you and invite your response. It has been said to me that the departmental restructures and your department being so significant and having such a large degree of change led to many people, including many senior people, being in acting positions from 4 December until 3 September potentially or beyond until those positions were filled; and that led to a loss of productivity because of it being unknown where people would be placed eventually after going through the job selection process and filling roles and all the rest of it. I just invite your response to that proposition that there has been a productivity loss as a result of that uncertainty.

Mr BOLT — Chair, I would say the reverse. I think that as we got going on 1 January the level of output of the department increased. I think the expectations were very high of the new department. There were new commitments to mobilise for. I think in the life of any government the first year is often marked by increased activity as you have to stop doing some things, do other things differently and then do new things.

In this case, to give you one example, the first Victorian Invitation Program, of which the second is now occurring, the inbound trade mission was organised in the space of five weeks, took place very early last year and was by all of our measures a resounding success. The mobilisation of work to refocus our capital delivery on Melbourne Metro and the level crossings — there was an enormous amount of work to get people on board and to begin those programs.

So without attempting to traverse every single aspect of what we did, no doubt having machinery change requires people to spend some time on actually preparing for that change, so there are some resources to devote to that, but I think the level of commitment and productivity shown by the department was exceptional last year, and I did not detect a loss of momentum. I saw the opposite.

The CHAIR — Just with the new structure that was enacted, so were people in the department in acting roles until that structure was finalised?

Mr BOLT — No. We are talking a more differentiated approach to that. So where the new structure created roles or had roles in it that were effectively the same as previous roles, which was the majority, then people simply continued in those roles, not as acting. Where there was not a good alignment between previous and new, then there was a rapid-fire process of internal competition to fill those roles and then a subsequent round — I believe at least one subsequent round — to mop up what you would say were the vacancies created by some moves that would have occurred. So there was more certainty than that.

There are parts of the department, a minority, where there was greater uncertainty than others, and we managed that by focusing our counselling resources. Our People and Executive Services Group put a particular emphasis, with the line management, to ensure that those concerns were managed.

The CHAIR — I have a couple more questions along that line, but I will hand over to Mr Mulino first.

Mr MULINO — I just wanted to drill down onto the payroll and financial systems consolidation line a little bit. That is the largest single line item. I am just wondering, that is a consolidation of a number of different systems across areas, some of which have been different departments. Are there any ongoing savings from a number of different areas being now under a consolidated, integrated system?

Mr BOLT — In general we will be able to deliver back-office support, of which this is a component, more efficiently across a larger number of staff than with the previous arrangement. You have to invest to an extent to realise those savings, but there will be savings.

Mr MULINO — So a lot of this is up-front costs that might generate ongoing savings.

Mr BOLT — That is right.

Mr MULINO — And you would expect that your per-staff-member costs of HR and other back-office services would in some instances decline.

Mr BOLT — Relative to what they otherwise would have been, and that is the rub. In some areas, I think, without being specific, there were areas of underservicing that needed to be remedied, and so untangling what is a deficiency from what is the need to restore a better service becomes too difficult to do, because we do not account for our time quite that forensically. This will be more efficient simply because we are providing this span of control over a large number of people, but then picking out that trend from the need sometimes to meet higher expectations makes it not straightforward to actually see a decline.

Mr MULINO — Is it fair to say that in some instances parts of the new department that had come from other areas had payroll and financial systems that probably would have needed to be upgraded at some point in the medium term in any case — so some of these costs were things that probably would have had to be incurred in the short-to-medium run in any case?

Mr BOLT — I will ask Ms Eddy to comment on that, but in general the answer is yes, and that is why there is some erring on the side of being inclusive, so to speak, in these numbers because there are always going to be requirements to update systems by new versions of software or switch to new versions, and so to an extent some of this is measuring costs that to an extent would have been incurred anyway.

Mr MULINO — And in a sense there is probably enough — —

Mr BOLT — We took the test of a kind of dominant purpose: what was the dominant driver of it and particularly the near-term dominant driver? Was it the MOG change? Did it make it most urgent? The answer was yes, so we included it. But there are no doubt some offsetting costs that we simply have not been able to identify.

I do not know if you want to add to that at all.

Ms EDDY — I think that that is a really good overview. I suppose just for a point of clarity this was an integration process or an establishment process; it was not an upgrade process. And organisations go through ERP upgrades on cycles, and they tend to take a couple of years to plan and implement. But we have got better functionality and efficiencies, even through vendor arrangements, hosting arrangements and those types of things through this process.

Mr MULINO — To my last question, it notes that there are no costs associated with redundancies and new staff, so when we look at functions like forecasting, where I think you have already identified that there are some benefits from having synergies across a number of different areas being brought together and that provides better quality forecasting, is it fair to say that, given that the exercise has not really been about achieving savings in areas like forecasting and strategy, it is really more about enhancing capacity?

Mr BOLT — Correct. Yes, that is right, and enhancing capacity in a situation where the expectations of this department will deliver, if you like, greater value than the disparate parts that preceded it. We have been very focused on keeping costs well contained but increasing output and quality, which goes to the point about productivity that was raised earlier by the chair.

The CHAIR — Mr Bolt, can I just go back to the organisational review. Are you able to tell the committee how many people in the department were in acting roles, say, as at the date of the organisational review, and then perhaps how many were in acting roles at the end of last calendar year and whether there are still any either acting or unfilled positions?

Mr BOLT — I do not have those numbers to hand as to how many were in acting roles. We moved quickly to put in place an interim structure with maximum certainty, without providing absolute certainty, to people's positions and foreshadowed that there would be a further reorganisation that resulted in some acting roles, but my memory is we have not had an enormous problem or a large number of acting roles through this period. In the life of a department at any time there will always be a number of people in acting roles. Business as usual requires that. So I am giving you an answer which I cannot quantify here. I do not know what the number is. I do not think it was exceptional, but without having seen the figures I have to reserve my judgement on that.

Are there positions unfilled? Again, we always carry a certain level of vacancies against our ideal level of staffing, and we are doing that at the moment, but that is business as usual. It is nothing all that different to what we would normally do. The main question really is, from my point of view, are we adequately resourced in all areas to do all functions? That is a question unrelated to MOG now. It is much more to do with delivering on the expectations of government within our current budget, and you will not be surprised to have me say that in some cases I would identify that there would be areas where expectations are rising and we will need to staff up. That will be the case. The fact that we have not staffed up, in most cases, is not about MOG; it is about moving from one set of expectations to another under this government.

The CHAIR — If you would not mind taking those questions on notice and providing a response to the committee, that would be appreciated.

Mr BOLT — We will do so, and I will make sure that we get you an answer before any later hearing.

The CHAIR — Thank you. Welcome, Mr Melhem and Mrs Peulich.

Mrs PEULICH — Apologies for lateness. It was the Monash. If you could do something about it, it would be greatly appreciated. I do not know what questions have been covered, but obviously one of the questions — if I may, through you, Chair — —

The CHAIR — Please.

Mrs PEULICH — One of the questions that arises from the changes that have now been in place for 12 months is whether you can point to or outline the visible benefits, the demonstrative benefits, of those changes.

Mr BOLT — Thank you for the question. I did have a slide — in fact, I had two slides — of relevance to your interests. One is not the question you have just asked, but while I am flicking back here is an answer to your earlier question on how we are defining sectors and which of them we have reviewed. I could dwell on this now — —

Mrs PEULICH — Oh, yes. Oh, excellent. Are we able to take that slide?

Mr BOLT — Yes, you have that slide. On the question of benefits, I have outlined a number of areas where we have prioritised extracting benefits through collaboration between parts of government that were previously in separate departments but are now within this one. These are the current examples that are significant for us. One is ensuring our sectoral planning in the economic development area informs our transport planning. Where are the jobs going to be relative to where the housing is in growing Melbourne in particular but also in the regions? Where are they going to be? What transport solutions are needed to get people to jobs is helped by having economic development sectoral planning in the same place as transport.

Ensuring we get the best investment opportunities realised in energy and agriculture is helped by having the people that facilitate investment and trade working with, if you like, the agriculture and energy specialists, who have typically sat separately from them in other departments. And while it is not listed there, it also helps to have the transport people who can provide solutions to getting product to market where there are new market opportunities needing leveraging, so we are consistently looking for the collaborations within the department that will yield benefit to the delivery of the government's program.

I mentioned earlier Visit Victoria is a combination of three parts: it is the Melbourne Convention Bureau, the Tourism Victoria marketing arm and also the major events corporation. Bringing those functions into one creates a good focus to then collaborate with the new Creative Victoria, which brings design and film into the arts portfolio, and also with Regional Development Victoria, which has been repurposed and upgraded in the

seniority of our regional directors. We now have a basis to develop, if you like, the livability and attractiveness of Melbourne and the regions through that collaboration as well. By consolidating within those as well as driving them closer together through more formal governance arrangements, we think we will get value in working out what our visitor economy and creative offer is that will attract people here and raise, if you like, the economic benefits of those sectors.

Then there are a range of strategic planning and policy questions. I will go back a step. Because having all of our functions in one department provides benefits, it allows us to look at what the federal government does through a similar, more integrated lens and to deal with the different departments in a more integrated way in attempting to advance the interests of Victoria in our dealings with the federal government. It is a slightly woolly answer, but there are real benefits in one person having oversight of all of those relationships.

Mrs PEULICH — If I may, just a follow-up question. Thank you for your answer. Obviously the key VAGO recommendation across all portfolios has been that an enhanced method of reporting needs to occur so that there is less about activities and more specifically on outcomes.

Mr BOLT — Sure.

Mrs PEULICH — I would assume that, whilst all of that makes sense, the outcomes are going to be reflected in terms of denoting the benefits. You have explained how your department has reconfigured to focus on some of those key areas of activity. How about interdepartmental relationships? Obviously local government is crucial to facilitating much of that. Often there are obstacles to progress. What are you doing in order to facilitate that important change and reform?

Mr BOLT — If I can take both the outcomes and that question, if that is okay?

Mrs PEULICH — Yes.

Mr BOLT — On outcomes, yes, because we are early in the piece, developing major outcomes to public value will happen over time. We will be measuring that to an outcomes framework. So we are not simply relying upon ticking the box of having completed certain tasks without wondering what the impact is going to be. We are very focused on that impact and defining better measures of those outcomes. That will feed right back into our planning so that we focus our efforts on greatest value.

On the point about intergovernmental collaborations, being a larger department makes it easier to more strategically develop those partnerships. Two days ago I signed a partnership agreement with the City of Melbourne, as one example of what you are suggesting. We take a total view of the areas we need to collaborate with them on. Whether it is in the development of our creative institutions, the traffic solutions for Melbourne, the development of places like Fishermans Bend and Arden-Macaulay et cetera, it becomes more convenient to have a dialogue across all of our interactions and to make sure they are all properly managed. So we are very focused on doing that.

We have a partnership agreement already with DELWP — environment, land, water and planning. There are so many intersections between land use management, land use planning, emergency management, water — everything that they do and what we do — that we need a structured relationship with them. So we have a partnership agreement and we will meet three times executive to executive this year, just in a light touch way, to ensure that we are actually tracking well in providing good advice to government and delivering the best programs across our interdepartmental divide, so to speak. We will do the same thing with education in the fullness of time.

So the short answer is we are attempting to take a systematic approach to collaboration with other departments and other levels of government.

Mrs PEULICH — Could I encourage you to look at local government more robustly?

Mr BOLT — I agree. And through our regional partnerships — I should have mentioned this. The government has decided to establish regional partnerships, which will bring local government very directly into contact with the planning processes of state departments — not ours only, but all. The next step is to ask how the metropolitan equivalent, the current regional management forums, might be strengthened in similar vein.

That is under consideration across all of government. We see that as a really important engagement. Local government is to us a very critical partner.

If I can elaborate a little, transport in particular but also agriculture and I think also the regional development people have taken local government as a very serious point of interaction. What we are now looking to do is to strengthen that and make it more strategic and give it more direct avenues into the decision processes of government.

The CHAIR — Mr Bolt, just by way of final question and to continue on that line of questioning by Mrs Peulich, outcomes are what matters. Constituents in my electorate are highly aggrieved about the standard of the V/Line service, for example, at the moment and a number of other transport challenges. Can you point to anything through this process that will actually lead to better service delivery on the ground, so that people who are not associated with or involved in government see tangible service delivery benefits; for example, V/Line commuters?

Mr BOLT — The V/Line situation we have I think is under quite active management. I have taken a role and my lead deputy secretary for transport has, in conjunction with all relevant agencies. They are all in the transport portfolio. It really is not a solution that invites the rest of the department to take part in it. But I can assure you that the government's expectation that that matter be fixed and fixed well and methodically is a high priority for us to deliver on. You would be aware of announcements that a number of services — in fact, 93 per cent of services — will be back on track next week. All I can say is that that was an incident, a contingency, that we have actively managed, having been caught by surprise by the fact that it occurred.

Generally speaking, if you look at the work we are doing, we envisage that the growth of Melbourne is going to be substantially enabled by the transport investments being managed under the new department. They have long lead times. Those outcomes are clearly dependent upon construction projects being completed that occur over many years. In other cases, we would expect that we will see more immediate benefits. One of those has been we are getting better success in getting overseas IT companies to lodge headquarters here in Melbourne. Zendesk would be one of those. I cannot name them all but about half a dozen of those have lodged in recent times. That is an outcome which is more here and now.

I have not really come equipped to give you a complete record of the things that we have achieved and those we expect to achieve, but I can assure you that if the department were ever to lose focus on the importance of achieving results, then the government would ensure that that deficiency was quickly corrected.

The CHAIR — Mr Bolt and Ms Eddy, thank you both for your preparedness to answer our questions, to be here this morning. As I said in the introduction, a transcript will be with you in the next few days. Thank you for taking those questions on notice. We look forward to the answers. Thanks again for being here today.

Mr BOLT — Thank you, Chair and committee.

Witnesses withdrew.

TRANSCRIPT

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Members

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Mrs Inga Peulich

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Staff

Secretary: Ms Lilian Topic

Research officer: Ms Annemarie Burt

Witnesses

Mr Adam Fennessy, Secretary,

Ms Kathryn Anderson, Deputy Secretary, Corporate Services, and

Ms Carolyn Jackson, Executive Director, Finance and Planning, Department of Environment, Land, Water and Planning.

The CHAIR — I would now like to welcome Mr Adam Fennessy, the Secretary of the Department of Environment, Land, Water and Planning; and Ms Carolyn Jackson and Ms Kathryn Anderson from the department as well.

Before I invite you to make some opening statements, I will just caution that all evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Therefore you are protected against any action for what you say here today, but any comments made outside the hearing are not afforded such privilege. Today's evidence is being recorded. You will be provided with a proof version of the transcript within the next week, and transcripts will ultimately be made public and posted on the committee's website.

We have allowed 45 minutes for our session this morning. I invite you to make some opening remarks, and then after that the committee will have questions. Thanks again for being with us.

Visual presentation.

Mr FENNESSY — Thank you very much, Chair and members. It is good to be back, discussing machinery of government changes. With my introductory slides I will go through them pretty quickly. There is one slide I will focus on, which is about some very recent changes in the department, but this gives you a sense of some of the broader benefits that we hope to realise around machinery of government.

The first slide is our very simple approach to the purpose — about supporting livability, sustainable communities — and goes to that natural and built environments space, which was the underpinning of the new department being brought together. Because we are a very distributed organisation — we have got about 101 offices and depots across the state — we are very focused this year and last year on community: how do we use our broad networks to really engage as close as possible to community, and how we get there is through focusing our culture as an organisation and thinking always about the community when we are doing our work.

That is how we talk about ourselves in our organisation. In terms of the overview of our business, you can see a lot of detail there. I am not going to go through that, but that shows we have a strategic framework on one page. At the top is the whole-of-state-government outcomes: a stronger, fairer, better Victoria; and people, jobs and growth. We consider that to be our overall priority. Then after that comes in the livable, inclusive communities and the natural and built environments. Down the bottom in the green horizontal boxes is how we work as an organisation, with our focus on delivery, culture and leadership, and also partnerships with local communities. You can see there is a strong focus in our values on things like service excellence, wellbeing and safety, particularly because as you will be familiar we have got a broad range of fire and emergency management responsibilities across the state. That is the overview.

The next slide just shows our reflection after a year and a bit — a year as a department — very much: how do we always put the community in the centre of what we do? Again that is very detailed, so I am not going through all the wording, but you can see that middle circle says 'Community'. One of the opportunities we have in DELWP — Department of Environment, Land, Water and Planning — is the local government interface. I know you were discussing with Mr Richard Bolt about the importance of local government. Because that is in our portfolio, that is the most immediate democratic layer of government right there with the community, so there are huge opportunities to having local government responsibilities within our portfolio. That is the operating model.

Our service delivery structure — this is the one slide I will spend a little bit more detail on, but I will only spend as much time as you are interested in terms of your questions. We had a new structure that came into effect just last Monday, particularly around the first two dot points: forest, fire and regions; and environment and climate change. This did not relate to machinery of government; this related to our planned burning program. We had an escaped planned burn towards the end of last year in the Lancefield community. As a result of that planned burn we had an independent review of our organisation and our planned burning program, and that independent reviewer, Murray Carter from WA, suggested we align our regional service delivery with our fire planning and management. They were in separate parts of our organisation, from two different departments. So going two MOGs back to DSE — Department of Sustainability and Environment — we had a fire group and we had a regional group. About 70 per cent of what the regional group does is burning/fire response — planned burning and emergency management.

To put it simply, we have put the 70 per cent of our regional delivery in and alongside our forests and fire group, and the fire group was previously in with environment and climate change. That is a bit of detail, but I wanted to make that point. The committee quite rightly was asking at our last hearing: are there likely to be any subsequent changes? This was a big change. We initiated that change process in about, I think, November last year when that independent report was delivered to the department, and that is about better service delivery, particularly around our planned burning and emergency response program. You can see the other groups which have not changed since I presented last year, which is our planning group; our water and catchments group; local infrastructure, which includes our local government oversight function; and our corporate services group. Chair, that is the second-last slide. I will just show the last slide.

There are a range of things that we have been doing last year. I will not go into a lot of detail. We have reviewed the Climate Change Act. We have implemented a Fair Go rate system, which includes rate capping, and a new Water Plan. Safer Together, about halfway down, is our new approach to managing bushfire risk. We have launched the Know Your Council website, and we have also been doing a lot of work around the *Plan Melbourne* refresh and reviewing Melbourne's central city built form. That is more to give you a flavour of the broad range of work we are focused on — everything from a whole-of-state climate change response and water planning to very specific planning in and around the city of Melbourne.

Chair, that is a brief overview. I am very happy to put it back to you as Chair and members for questions.

The CHAIR — Thanks very much, Mr Fennessy. Thanks for that introduction and information. That is most helpful. I just want to take you to the costs incurred by the department thus far, noting, as Mr Bolt did, that there is some difference between dates. I take you to the total cost reported to PAEC back in May last year of \$70 000. Then before this committee in July the total costs were \$770 000. You have kindly updated the committee on 10 March of an additional \$452 000 of MOG costs, bringing the total to \$1.223 million. I note you do not anticipate any further costs to be incurred. There are some differences in departments, which I suppose are to be expected. Can you perhaps provide some response to the estimated costs initially, perhaps the growth of those costs and what confidence you have that there will be no further costs?

Mr FENNESSY — As you rightly point out and as we discussed, I think briefly, at the last committee, the very early estimate to PAEC in June last year was \$70 000, and then it was revised in front of this committee to \$770 000. I think we took perhaps a very literal approach for PAEC. We literally looked at the costs incurred at that time that we were aware of. My reflection is that to be helpful at the time we would have anticipated more costs and we perhaps could have at least given estimates. We certainly corrected those costs and added up the direct costs that were more significant than that. Indeed since then we have incurred more costs, many related to information technology transfers, onboarding the planning and local infrastructure functions to our broader IT databases. In particular, Land Victoria is part of our local infrastructure group, and that, in old terms, is the titles office, and the planning group also has very specific IT systems around planning decision-making. So those migration costs were quite specific and were picked up in that additional figure, because the migration of that was quite a task. So that is going to those discrepancies.

I think that most of the costs incurred that we can anticipate have been incurred now in terms of IT, signage and all the other costs we discussed last time. We are not anticipating any more. What I am finding is that the further out we go into 2016, the more we will have normal business costs that are harder to attribute to MOG. For example, we will always be looking at best use of data and information around our property systems or our land information, and, as time moves, we will be looking to make sure that is to a good standard and based on the best IT regardless of where we may have come from as a prior department.

The other point to your question around a more consistent approach, I do think one of my reflections from your interim report is that there is a need for more consistency and transparency. I do not want to steal the thunder of the head of Premier and Cabinet. I know that we have discussed that that is an important reflection for all secretaries, so I am sure that Chris Eccles will give his views on that. But suffice it to say that if each department is approaching this in a very different way, that does not make sense. Where we have a more specific approach, that will, firstly, help departments and, secondly, I think it would help the Parliament and this committee. So I think that is certainly one of our reflections on that need for greater consistency.

The CHAIR — Thank you for your candour, Mr Fennessy, in that response. I just have one other question before going to other members of the committee. In relation to your slide on the changes initiated following the Lancefield fire and the independent review that you referred to, have these parts of your department that you

have identified been through significant change as a result of the change of government? I suppose my question is: is this the second reorganisation that some parts of this department have seen in basically 15 months?

Mr FENNESSY — Mostly no is the answer. The Land, Fire and Environment Group was set up under the previous department and previous government and was very consistent with the model from the department prior to that. To use some acronyms, under DSE, land and fire were in the same group; then under DEPI, they were in the same group; and then in DELWP they are in the same group. Our reflection post the Lancefield fire was that that approach was quite effective. The delivery of planned burning and the numbers of planned burns that escaped were actually quite small. It was about, I think, 0.6 per cent of all planned burns that would escape containment over about the last five years, which goes back beyond the MOG changes. However, there were clear learnings from the Lancefield fire or planned burn escape that we took very seriously, and, as a result of that, we put the fire program next to the regional delivery program.

But the other point to your question is that a Regional Services Group under DEPI also included agriculture from the primary industries part of DEPI, so that did go out of regions into DEDJTR economic development. In a sense there was a change to our regional structure in that some functions went out, but we did not change the rest of the regional group. It is a bit of a complicated machinery-type answer, but the land and fire group and the regional group that delivered on planned burning had not really changed for at least five to six years under two different department structures.

Mr MULINO — Thank you for your evidence, Mr Fennessy. One of the rationales for machinery of government changes is to bring policy areas together where there might be synergies from having related areas under the same organisational umbrella. There are two areas I would be interested in your observations on, and you have covered off in part on this already. One is the relationship between water and climate change and the advantages of bringing those two under the same umbrella. The other, which is a related area, is planning for Melbourne's, and Victoria's rather, future population growth and how that relates to climate change and the environment.

Mr FENNESSY — Thank you, Mr Mulino, for that question. In reflecting on this whole process, there are readily identifiable qualitative changes which I can talk to. The quantified changes of course are a longer term process. But in terms of a couple of examples that I will share, we have done a lot of work — and my slide show referred to them — on the state water plan. The Minister for Water is in fact going to be talking publicly about that today, so that has been the result of a lot of work within the department.

One of the benefits we have found within DELWP is that all of our groups are involved in that water planning process, and indeed our links into other departments across state government are very clear around the water planning process. Within the department the water and catchments group leads on water planning, but there is very strong and close involvement from our planning group because it relates very much to how cities and regional towns are planned in terms of water use, stormwater, drainage and water treatment. The environment and climate change group is very involved because of a lot of the long-term modelling about impacts of temperature and water availability. This modelling has been in and around state government for a long time, but to have it all co-located is very beneficial. We also have very close links into the Environment Protection Authority about water quality issues.

Then the other opportunity within DELWP is local government. Local government works very closely with the 19 water authorities across the state. Local government manages and provides a lot of waste services, including waste and sewerage treatment, and local government has a very specific role with stormwater collection and so on. Within the department we could very efficiently work together to bring all of those elements into water planning, and particularly the broader impacts of climate change on long-term water supply and demand.

Secondly, Richard Bolt in his immediately prior discussion with you talked about the partnership agreement we have between DELWP and DEDJTR. One of the key focuses of that partnership agreement is in fact water planning because it relates directly to agriculture, irrigated agriculture, regional development and indeed infrastructure development in bigger cities. Under that partnership agreement we have got very good clear lines of sight into DEDJTR, and they have been a critical part of this water planning process.

Governments of many different types over the years will have interdepartmental committees, and you would expect that to happen. In this case we have one department that we primarily work with on water planning, which is DEDJTR, and then in order of risk and priority we do a lot of work with DHHS on water quality and

human health, and then with Treasury on the statewide economic settings and with Premier and Cabinet on how it all comes to together.

Within DELWP there is an efficiency with all of the deputy secretaries being involved in the water plan, rather than just one, and secondly, the relationships out into DEDJTR as well as the Department of Health and Human Services and other parts of state government are very clearly defined. So there are some of the benefits in water.

The other one I will comment on is *Plan Melbourne* and broader Victorian statutory planning. As you will be aware, Melbourne and Victoria are taking in about 100 000 new people every year. That requires a very specific approach to planning, infrastructure and service provision. The *Plan Melbourne* refresh again is being led in DELWP, in the department. Again, the deputy secretary is involved in that because it comes to the internal workings of the department. While it is led by the planning group, it is very much that all of our deputies are involved, from water through local government, and again environment and climate change, as well as a regional group in terms of how that planning plays out across the state and how regional cities are also taking part in that growth across the state. We are finding that very helpful.

Going back to my other slide, about putting the community in the centre of how we do this work, we are also using and taking advantage of lots of different community engagement processes that we find in local government, in water planning or in statutory planning so that, instead of consulting separately on a whole range of different plans and approaches, we can take a more efficient and consistent approach and also learn from good consultation in some sectors that we could try in other sectors.

With the central city apartment design guidelines, for example, we are using a lot of digital consultation. Consultation is always a challenge to capture the breadth and the depth of community input and sentiment on issues, but we are finding that there are a lot of different ways we can learn from other parts of our portfolio, particularly local government, on how we do best practice community engagement.

Mrs PEULICH — I have got a very long list of questions, but one that is actually burning in my mind at the moment, considering your comments —

Mr FENNESSY — Yes. I remember last time you had some great interest in this portfolio.

Mrs PEULICH — about consultation and the way that various areas of policy interface. The one that comes to mind immediately is the longstanding — and often across various governments — policy to densify and to slow down the urban sprawl, especially around the transport nodes. In my area, the South Eastern Metropolitan Region, we have seen substantial development of apartments in close proximity to railway stations. In terms of the machinery of government, could you explain what the process has been to consider how plans for sky rail interface with the longstanding policy of densification around transport nodes and the impact that that would have on existing properties and amenity?

Mr FENNESSY — I am very happy to comment on significant infrastructure investment in and around Melbourne. I was before the Public Accounts and Estimates Committee a few weeks ago and was asked a similar question on some of those projects, like sky rail, that are yet to be submitted to the Minister for Planning. As a good public servant I cannot pre-empt any decisions on that.

Mrs PEULICH — You have answered the question.

Mr FENNESSY — But to go to your question, this again is where the opportunity in DELWP comes from the local government interface. Richard Bolt said to you immediately prior to me coming here that the successful delivery of particularly Melbourne-based infrastructure is critically reliant on our relationships with the City of Port Phillip or Yarra or Melbourne — local government generally.

Mrs PEULICH — Our Bayside Riviera — we do not want it ruined.

Mr FENNESSY — Bayside, yes. The other opportunity we have is learning from local government about different ways of consulting and engaging. An often referred to example is that the City of Melbourne did a citizens jury on the allocation of some of its city budget, and another part of government in the DEDJTR portfolio, which I am a director of, is Infrastructure Victoria. Under the Infrastructure Victoria Act three secretaries are ex officio board members, and Infrastructure Victoria is about to do a citizens jury process for Melbourne's and Victoria's 30-year infrastructure plans. Again the opportunity, particularly with digital

technology, is how we consult in different ways, because these are very difficult and fiercely contested debates. Not surprisingly, the longer term benefits that may accrue to different parts of Melbourne are going to have very short-term and immediate impacts on specific locations, and they are very difficult decisions to work through, so we have the planning system — —

Mrs PEULICH — Major conflicted policy areas, could I suggest?

Mr FENNESSY — Major conflicts in policy are often best resolved through parliamentary and ministerial processes so that public servants are facilitating the discussion but not making calls on how different parts of Melbourne or Victoria should evolve. The learnings for DELWP, our department, are that constant and deep engagement is a very important tool that we must use, and the strength of the relationships we have in different parts of our portfolio can then help with, say, urban densification or road, rail and water infrastructure. They are very helpful, particularly that local government element. So those are some of the benefits we are feeling or we are deriving from an integrated portfolio.

Mrs PEULICH — Your new structure has engaged a contract titled ‘Onboarding DEDJTR employees onto DELWP Oracle payroll system’ at an estimated cost of \$108 075. Was this included in the estimates given to our committee or PAEC, and if not why not?

Mr FENNESSY — I think on that one I might ask our Executive Director, Finance and Planning, and Chief Finance Officer, Carolyn.

Ms JACKSON — In terms of that particular contract you reference, it is about moving staff onto the DELWP system. The staff came onto the DELWP system from 1 July 2015, so it was not an immediate transfer. We waited until the end of the financial year to make it a little bit easier for ourselves. Those costs would not be included in the \$70 000 figure that was referenced but would be included in the figures we provided to this committee.

Mr FENNESSY — I think they were included in the broader figures that we have now provided to you but not the initial \$70 000 provided to PAEC.

Mr MELHEM — Thank you, Mr Fennessy. Going back to the issue of the costs, the IT and records management types of costs, how much of those were external costs or internal costs? What I mean by that is engaging external contractors or consultants to do it versus existing people. Was it a combination?

Mr FENNESSY — I think it was. I might ask Carolyn again to assist the committee with that one.

Ms JACKSON — The majority of costs related to CenITex, the government IT provider. We incur costs through CenITex on a day-to-day basis, so a new starter, for example, in setting them up with email access or access to the network, would be similar costs. So the majority of the IT costs would be CenITex related. There would be some external costs in relation to records management, but the majority would be CenITex related.

Mr MELHEM — And going on from that, as a result of the changes over nearly 12 months are you able to point out the level of efficiency improvements as a result of merging the various departments into DELWP? Have you done that exercise?

Mr FENNESSY — Partly this committee process has allowed us to try to quantify those benefits, but particularly in terms of quality there are plenty of short-term examples. In the longer term, how do we measure those benefits? There are a couple of specific areas. There are of course the budget paper outcomes and outputs, which we will always report against, and the ongoing efficiencies we see out of that process. So in one regard we will not double report; we will look to those BP 3 measures to also track how we are improving our efficiencies.

We also look at the impact on the health of our organisation through the Victorian Public Sector Commission People Matter Survey. That has been a long-term survey for a number of years now. That is a real issue with any changes to organisations — how does it impact staff? We do a lot of our own internal measuring of our organisation’s health, but the VPSC one is a good long-term dataset. We are also looking to our communities and customers, so there are different ways we get feedback to see if they are seeing the benefits, particularly of that improved service delivery.

To me, and I was discussing this just today with the Victorian public sector commissioner, Belinda Clark, often to see the benefits of these changes you have to wait 5 to 10 years, but we will want to know from an administration point of view whether we are getting efficiencies now, so we can feel some of the benefits through the clearer way of doing business within the department and across state government, and how that starts to work through to quantified dollar benefits. It is harder to say in a short term, but we are using the People Matter data, the budget paper output and outcome measures as well as customer service intelligence data, which a lot of departments and organisations use to make sure that we know we are working well with the communities whom we are serving.

Mr MELHEM — One last one: I take it that no further costs are envisaged as a result of the machinery of government implementation?

Mr FENNESSY — I think from our best estimates there were no further costs, but we will certainly keep reporting on ones that we can directly attribute back to machinery of government. Carolyn, can I confirm, because it is a fair question, your view on that? Because our finance and planning group is the one that tracks specific costs.

Ms JACKSON — At this stage we estimate that the numbers we have provided to this committee are the final costs for the MOG.

The CHAIR — Just pursuing further Mr Melhem's point and also, Mr Fennessy, your earlier answer to me, and while not wanting to usurp anything Mr Eccles may say later this morning, you have identified some learnings out of this process about MOG costs and whether inefficiencies can be better tracked. Do you want to add anything further to how that process can be improved? As you said, you do not want the different secretaries operating in different ways; you want a clear, transparent, objective standard that is implemented and tracked and followed over time. I just invite you to make any further comment on that.

Mr FENNESSY — I would welcome that. One very positive example, which I shared at the last committee hearing, and then Richard Bolt shared briefly today, was we found between DELWP and DEDJTR we were two departments that were very intimately linked in terms of our success in our business outcomes with environment, natural resources and amenity alongside economic development. So the partnership agreement that we entered into very early last year to me was a very good model for how to work machinery of government changes well between departments that are subject to those changes. We have certainly documented that and shared it with other secretaries. That sort of partnership approach may not be relevant to all departments going through potential future machinery of government agreements, but when there are substantial changes between two departments, that is something we certainly found very beneficial.

So Richard and I both commented, and I would certainly comment again, that that was the smoothest machinery of government process that I had been through with another department, and as a senior executive I have been through quite a few, because we agreed at the very outset to take a very clear approach and, frankly, not argue over small amounts of money or staff. We set that out and documented it in a high-level document but made it very clear to everybody that was how we were going to work together. One of our reflections was that sort of interdepartmental approach is very beneficial.

Going to your question, I do think some sort of common approach framework across Victorian government would be beneficial. I would expect that to come out of Department of Premier and Cabinet, and Department of Treasury and Finance, hence me not wanting to steal the thunder of Chris Eccles. But I think it is fair to say all Secretaries would see the benefit of that.

A couple of other points I would make are that there has been a lot of comment and questions about the indirect costs of staff. That is more of a challenge because we do not tend to track indirect costs of staff on most of our business. That tends to be seen as business as usual, mainly because if we start to ask staff to track their work on a specific issue, that generates its own internal cost — literally tracking hours. Now there is always a way to seek to do that efficiently and that is where we would look to guidance from the committee but also from Treasury and Finance, and Premier and Cabinet. But to me the efficiencies of starting to track lots of internal costs are pretty quickly outweighed by the inefficiency of literally tracking time and reporting on that. For very specific, big transactions you can do it, but if we were to do that for ongoing machinery of government, to me there is probably less benefit to that. That is just my initial reflection.

The other comment that I have reflected on is that governments and government departments over the long term should be thinking about better standardised systems. So whether it be payroll or IT, that to me is a longer term benefit that can then facilitate any future machinery of government changes, because machinery of government changes are of course the right of a government to make sure that the public service is aligned to the best delivery of their priorities, and if we have got more standardised payroll, IT and other things that are common to businesses, then that is going to help.

There is certainly work going on being led out of the Department of Premier and Cabinet. This is not a new issue; this has been looked at by departments and governments for many years now. So to me the other opportunity out of this process is: what are some of those more standardised approaches that provide better efficient outcomes for whole of government and have less disruption? We talked before about onboarding for IT systems. If we had as much consistency to IT systems, then that question is not a big one anymore or not a big cost.

So there are a few other general reflections of what has worked well and where I think there are some opportunities to improve our administrative practices and where there may be some risks where the cost of tracking costs literally would probably outweigh the benefits.

Mr MELHEM — To me having a common payroll system and IT system for government just makes sense. Why do we not have it? Are you able to tell me? Is it a demarcation where departments like a particular system, for example? Does someone else like a different system? Or is it simply too costly to actually have a universal system?

Mr FENNESSY — I might make a couple of comments, but I also might ask Kathryn Anderson to speak to that, who has closer proximity, say for example, for IT. A lot of it is about legacy systems. So if I think about an area like emergency management, it will have very specific systems that we might run for flood or fire. Emergency Management Victoria has systems and we have made a very specific attempt to bring those together. That helps the community. If that broader aggregated system is a bit different to another system in, say, child protection, how far do you go for consistency for the sake of consistency? So it is an ever-evolving debate, but to me I think the starting point should be: why can we not get more consistency? Kathryn, did you want to add to that?

Ms ANDERSON — Yes, I might just add to the Secretary's comment in terms of those legacy systems. What it means is that various departments have over time customised to meet their individual needs. That in some respects works against an easy common system being developed, because there is a bit of unpacking to do to get a common platform. The other comment I would make as well is that because of those legacy systems and different products and services being used by departments they are in different cycles, so agencies, departments, are not necessarily ready to move to the next iteration, if you like, at the same time as each other. So sometimes those investment decisions do not align to support what might seem like a very logical approach.

Mrs PEULICH — Just in relation to benefits, pace and tracking of reform, I wonder whether you might comment on three topics of interest: the review of the Local Government Act, how that is tracking; electoral reforms, if any will be in place for the impending election; and, lastly, any feedback in relation to the Know your Council website, given that I was bit surprised you focused on activities that did not really reflect the full range of the types of outcomes the Auditor-General would have been interested in, so it was not entirely in the line with his recommendations.

Mr FENNESSY — Going to the first two issues, the review of the Local Government Act as well as electoral reforms, to some extent we and I see them as linked because underlying reforms would be subject to legislative change. There has been a lot of consultation on the Local Government Act reforms. A lot of the consultation is still happening right now. I know that as well as the more traditional ways of talking to councils, the Municipal Association of Victoria, VLGA, LGPro, we are doing a lot of online consultation just to get as many voices as possible. The debate is covering everything from what is the right rate system for ratepayers and for councils that have to invest in services, issues like councillor conduct, issues like ward funding, so it is going across the full range, as you would expect — —

Mrs PEULICH — So we will see some reforms in the 22nd century?

Mr FENNESSY — I think we are certainly on track. We are doing a consultation this year, and I think the Minister for Local Government is looking at then bringing something to Parliament; I think it is either later this year or next year. So certainly in as short a time frame as possible for an act that was written in 1989 and will need some deep consultation. It is a good reminder to a state government department that this is another level of democracy and we have to be very respectful in how we do the consultation and how — ultimately it is question for state Parliament — the state Parliament through the Local Government Act then works with the third level of government. That will include options for electoral reform.

Mrs PEULICH — So nothing in the meantime?

Mr FENNESSY — In the meantime we are currently doing the consultation — —

Mrs PEULICH — No, electoral reform. We have the council election later this year, so in the meantime nothing.

Mr MULINO — Is this a MOG issue?

Mrs PEULICH — It is a MOG issue. We are talking about the benefits of reform, the pace of reform and the tracking of reform.

Mr FENNESSY — I think in terms of the pace of local government reform, it is probably better for me to take that on notice because we have been very specific on the process and the timing in the lead-up to the local government elections later this year. It is a really important issue. I am happy to take that one on notice and give any views as to how the machinery of government process intersects with local government reform.

On the other issue about the Know Your Council website, we have worked very closely with all 79 councils on what they think good indicators would be alongside what the Auditor-General thinks good indicators would be. To me a successful outcome is one that makes sense to both local government and the community. So it is, as is often the case at any level of democracy, a trade-off between a shorter and crisper set of indicators, which may reflect ease of use, but then a much broader range of indicators that councils themselves — council officers and elected officials — were keen to see as well as members of the community.

We have launched that website, and we are looking at the use of the website and feedback from the community so that we can continue to refine that. My view is that the first iteration of the Know Your Council website is the start of a process and a conversation — —

Mrs PEULICH — But it will evolve?

Mr FENNESSY — And it will evolve.

Mr MULINO — Just very briefly, I wanted to also follow up on local government. As you said, it is a layer of democracy that in a sense is a barometer on issues in a way that state and federal often are not or cannot be. How have the MOG changes affected the way in which the state government can interact with local government and receive that information?

Mr FENNESSY — To me there has been a benefit in putting more focus on local government within our department in that because of the link between land use planning decisions that are mostly delivered by local government and statewide planning, the water sector and a lot of those water services that take place at a local level and indeed things like climate change impact on local communities, we are engaging a lot more internally than I think we may have in the past when local government was in a different department.

Local Government Victoria, as part of our department, is looking at how they take advantage of our distributed regional network. So with 79 local governments and 101 sites across the state within DELWP, there is a much clearer link into how very regional issues play out, and local priorities that we are often very involved with from, say, a Crown land point of view, we had not been as involved with, say, the CEO or the elected officials of that particular local government area. To me this has been one of the significant benefits in DELWP — realising the networks and the opportunities across the local government sector that come through our part of state government that perhaps in the past were not as specifically utilised in that place-based approach.

We have talked a lot in the department about place-based leadership. To me that means how do local state government officials work with the local government executive in more of that place-based approach, whether it is out at, say, Cann River in East Gippsland or up in Sunraysia, where we have an office in Irymple. It gives us a much broader reach, and we can tap into the existing relationships we have, particularly at officials level across local government.

Mrs PEULICH — Do you mean officials within those councils or within the department?

Mr FENNESSY — Both. So we have some — —

Mrs PEULICH — We know how they run it. The officials run the show.

Mr FENNESSY — Yes. We have very strong relationships with a lot of the CEOs and directors in local government. In the past they were quite segmented, whereas now, if we are talking to the Rural City of Mildura, we are saying, 'How are we going on our irrigation upgrade? How are we doing with Aboriginal inclusion in Mildura? How are you going with the fairer rates system?'. We have a much broader range of issues we can talk about, and to me that is one of the benefits that we have found, particularly with local government, within DELWP.

The CHAIR — Mr Fennessy, just one final question from me: do you have any of your team who are still in acting roles or any people who are yet to be placed in positions as a result of the MOG changes?

Mr FENNESSY — As a result of the MOG changes we do not, but as a result of the changes announced last week we now do. We have got some new roles that are back to market because we have got a new structure, but with the MOG changes I think we were able to sort out or finalise all the roles within a couple of months. This is my memory — but not anymore.

The CHAIR — Mr Fennessy, Ms Anderson and Ms Jackson, thank you very much for your evidence today and for being here. As I said at the introduction the transcript will be with you in the coming days, and thanks again for your evidence.

Mr FENNESSY — Thanks, Chair. Thanks, members.

Witnesses withdrew.

TRANSCRIPT

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Subcommittee

Inquiry into machinery of government changes

Melbourne — 16 March 2016

Members

Mr Edward O'Donohue — Chair

Mrs Inga Peulich

Mr Cesar Melhem

Mr Gordon Rich-Phillips

Mr Daniel Mulino

Staff

Secretary: Ms Lilian Topic

Research officer: Ms Annemarie Burt

Witnesses

Ms Kym Peake, Secretary, and

Mr Lance Wallace, Deputy Secretary Corporate Services, Department of Health and Human Services.

The CHAIR — I would now like to welcome Ms Kym Peake, the Secretary of the Department of Health and Human Services, together with Mr Lance Wallace, the deputy secretary of corporate services. Thank you both very much for being here.

Before I invite you to make some opening remarks, I will just caution that all evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act and further subject to the provisions of the Legislative Council standing orders. Therefore you are protected against any action for what you say here today, but any comments made outside the hearing are not afforded such privilege.

Today's evidence is being recorded. You will be provided with a proof version of the transcript in the next week, and transcripts will ultimately be made public and posted on the committee's website. We have got half an hour this morning for our session, so I invite you to make some opening remarks, and thereafter the committee will have questions. Thanks again for being here, and we look forward to hearing from you.

Ms PEAKE — Thank you, Chair, and thank you for the opportunity really to update the committee on the progress that has been made in being able to articulate the direct costs associated with the bringing together of health, sport and recreation, and human services into a single department but also some early signs of the benefits that have been achieved as a result of the organisation coming together.

Of course, as advised to the committee in July last year, on 4 December the Premier announced a number of machinery of government changes which took effect from 1 January 2015. For our department this resulted in the creation of the new Department of Health and Human Services from the department of health; the department of human services; Sport and Recreation Victoria; and the transfer of medical research functions from the Department of State Development, Business and Innovation. What that led to is the new department consisting of around 11 000 EFT of staff with an output budget of \$20 billion.

The new department has a vision to develop and deliver policies, programs and services that are geared towards supporting and enhancing the wellbeing of all Victorians while responding to what I think are some of the most difficult challenges in public policy — of individual wellbeing, active living, socio-economic participation and vulnerability — which requires us to work with a really diverse set of individuals and organisations to achieve our vision.

As advised to the committee in July last year, the department was quickly established on 1 January, and then the board worked over the next few months to really set the organisation up, in particular working on establishing a common set of values and behaviours for the organisation. Since I joined the department in September last year the board has built on this work to further align the governance and structures of the organisation, to maximise the benefits of those functions coming together but also of course to align with government's priorities and objectives.

So, if I just step you briefly through the costs and benefits, the direct cost of the DHHS transition process was \$618 000 to 31 May 2015, as the legal and social issues committee was advised in July last year. This initially incorporated a range of items around relocation, IT and records management, rebranding and project management systems. We recently reported these costs in the PAEC questionnaire; however, there were minor differences — and we are happy to step you through those — between those costs and what we now present to the committee. These differences are largely due to rounding and some minor modifications to cost classifications.

Subsequently an additional \$35 147 was incurred from 1 June 2015 to 31 January of this year. Those costs were really related to the relocation of staff lockers for sport and recreation staff and adjustment to IT systems to align organisational units. For full transparency I also want to update the committee that we are currently looking to upgrade the service agreement management system, which is used to manage several thousand service agreements across all of our operations. This project is anticipated to cost around \$200 000 to consolidate all of the Health and Human Services agreements, and those costs will be incurred in the next few months.

Then if I turn to the impact of the changes, there are really sort of two categories of impacts: firstly, the impacts of consolidation on the efficiency of serving government and delivering government services; and, secondly, the benefits of a more integrated, cohesive public service and public sector. On the first, we expect service improvements due to the amalgamation of the former departments and better alignment and integration of social policy and service delivery to improve the health and wellbeing of Victorians. By placing the multiple but

interrelated services back into one department, DHHS is really focused on improving the services it oversees, funds and delivers.

The benefits of these changes in terms of service improvement of course will take time to be fully realised and might not be visible in individual performance measures for some time. I know the committee, as part of these hearings, has had discussions around how we move from looking at processes and outputs to really measuring outcomes. I think as we move through from this first phase of machinery of government into the ongoing operations, that is really at the heart of measuring the effectiveness of the department, so looking at how we align and improve our administrative data collections so that they are aligned with an outcomes framework, which we are currently developing, and how we combine that administrative data with better information about client and patient experience and what matters to them in terms of outcomes.

Of course the real purpose and benefit of bringing all of these services together comes to the value of the services that we provide. One particular example that I wanted to bring to the committee's attention about the benefits of services coming together has really been as we have thought about workforce. We have created a single unit but are really cross-fertilising what in Health was a very structured and rigorous approach to workforce planning — engagement with universities about both pre-service and ongoing professional development — with the approaches that were longstanding in Human Services around really looking at service sector development and wrapping services around clients, which is not something that was such a focus in workforce development on the Health side.

So bringing the two approaches to workforce development together, we are starting to see a real critical mass of expertise being developed in the workforce team, different conversations with both VET and higher education providers about the sort of program of education and training that is going to make a difference for our workforces in the future. And if I get very, very practical, if I take the disability workforce and the mental health workforce as two examples, really looking across the spectrum of allied health and community services workforces that are involved in working with people with a disability and people experiencing mental illness in a more integrated sort of way, not only in how service is delivered but how workforce is prepared as well.

The second way that we have been thinking about value is really then looking at how services are designed and delivered, and in particular around common clients. The simple fact is that the drivers of demand for health and human services overlap to such a degree that it would be inefficient and ineffective to address them separately. The Royal Commission into Family Violence, for example, has heard evidence that there is often a clustering of needs of both victims and perpetrators of family violence and that between 50 per cent and 80 per cent of clients in the drug and alcohol sector have either perpetrated or experienced family violence. Between 50 and 90 per cent of female clients in acute mental health services have experienced interpersonal violence, mostly family violence. Family violence was identified as a factor for approximately 35 per cent of people seeking help from homelessness services, and two-thirds of substantiated child protection incidents have family violence as a factor.

Of course the overlaps in disadvantage do not start and end with our department, but bringing our data analytics together and our thinking about service design to identify people who are at risk or experiencing family violence and then how we respond is now enabling us to really come at what is a very complicated, wicked problem in a fresh way.

Finally, by coming together we have really been able to hone in on four strategic priorities for where we take services in Victoria, and these are very much focused on person-centred services and care, local solutions, earlier and more connected support, and advancing quality, safety and innovation. Again, by having common outcomes and a common strategic direction, the policy and program development work that we are doing across the department is really enabling us to bring the different levers available to government together to look at how we make a positive difference in the lives of individuals, families and communities, and how we combine investments or mobilise those investments in the most effective way.

So they are reasonably emerging benefits of the department, but I do think that the ability to maximise the expertise, mobilise the resources and draw on the different perspectives that the different parts of the department bring to bear to take very complex problems and approach them in innovative ways is the strength of the configuration that we now have. Thank you.

The CHAIR — Ms Peake, thank you very much for that opening statement and details of some of the changes that have flowed as a result of the MOG changes. I just want to take you to the costs, and thank you for identifying the further anticipated costs as \$200 000, reflecting a service agreement management system I think you said earlier.

I do note that your website seems to be not yet fully integrated, so I anticipate, I imagine — and I invite you to respond — that there is further work and costs associated with that. I know that a number of your offices are still branded just ‘DHS’. So two parts to the question, both the website and the branding. Why have those things not yet been completed and what will the cost of those undertakings be, and why are they not reflected in these further anticipated costs?

Ms PEAKE — Sure. In terms of branding, obviously this is in the context of a much broader exercise that government is undertaking, having made the decision last year to have a new brand for Victoria, and so we are looking in a sort of fiscally responsible way at how we progressively replace signage that will reflect that broader branding of Victoria. I might ask Mr Wallace just to then provide the answer. Mr Wallace, do you want to go on?

Mr WALLACE — Sure. I think one of the key issues you will be dealing with with all departments is really defining what is a MOG cost versus what is an ongoing business cost. So you indicated that the department’s website, yes, perhaps needs a refresh. I think the department’s website probably needed a refresh whether or not a machinery of government change had occurred.

So the department, yes, does recognise that the web presence will need some upgrading. The information that is available there at the moment is adequate to provide people with information about the range of various programs and services and so the department does not believe that the upgrade of the website is driven primarily by the machinery of government change; it will be a sort of business-as-usual type of change that we will upgrade computing systems from time to time. So, similarly, as the secretary indicated with accommodation, there are branding changes in accommodation from time to time throughout government. We decided not to actually spend a considerable amount of money on upgrading signage immediately but to make those changes as government changes occur.

Ms PEAKE — One comment to add to that. There has been a body of work really testing with the users of our services the utility of our website, so just further to Mr Wallace’s comments, lots of feedback that the previous websites of the former departments did not have the sort of best practice techniques for engagement and navigation, and that has been a body of work over the last 12 months. The refresh of the website is imminent.

The CHAIR — Just some more scope to your answer, what criteria do you use to assess what is a MOG cost and what is business as usual?

Mr WALLACE — Well, the general criteria is something that was driven by the machinery of government changes where the primary reason for the change was related to the machinery of government change. If we perhaps take the service agreement example that we have included, under our current system we need to provide a separate service agreement to organisations for health activities and human services activities. Under our current system we cannot merge into one service for the department unless we make these computerised changes. So, in our view, those changes are specifically related to the machinery of government change.

The CHAIR — And that criteria you have established, have you done that in isolation or in consultation with DPC or other departments?

Ms PEAKE — I think the finding of the committee in your interim report about the value of there being some common categories for cost, machinery of government is one that we would support. There has been engagement with central agencies around how we approach the costings, particularly direct costs, and that obviously bore out in the variation in the material that we provided this committee in the middle of last year where we had a single cost code that I think, Lance, originally had only about \$150 000 worth of costs attributed to it, but when we actually started working across government in categories of cost we realised there were other costs that were coded against other cost centres. So, yes, there has been discussion across government, but I do think a further piece of work to really land on a common set of classifications would be of value.

The CHAIR — Without labouring the point, I think most other departments have considered signage change and website refresh as part of a department's coming together as MOG costs, so clearly there is not consistency across different departments in that regard. Just one final question before going to other members of the committee, Ms Peake. I suppose what everyone would hope to see out of any reorganisation and restructure is improved service delivery, and you referred to that in what you said before. Understandably, with some of these things cost and benefit sometimes accrue quickly; sometimes they can take longer to accrue. Can you give a time frame, though, when you anticipate seeing improved service delivery — measurable service delivery improvement — as a result of the changes?

Ms PEAKE — One of the parts of the answer to the question really goes to the question of measurement as well, so we are in the process of developing and finalising an outcomes framework which will enable us to really have a better view and public expression of the outcomes of the impact of our services. So I would say that the former departments did not have great measurement of the effectiveness of their services. That has been well commented on by successive Auditor-General's reports, and it has certainly been the topic of, I know, some of your discussions over the last six months.

I think the starting point to the answer to your question is actually getting a better measurement system for the effectiveness of services, full stop. In terms of then the benefits of having a closer working relationship between parts of our programs that are focused on health and programs that are focused on social services, I am seeing, really, much deeper engagement within the department and between our agencies around things like young children, the recognition that children who come from poor or more vulnerable families have poorer health outcomes and taking a holistic approach to intervention is important. I am seeing it in places like Morwell, where we have had a deep engagement with the community in the last few months on the back of the mine fire inquiry about social determinants of health and how we link health and social care services in a place. I am also seeing it around NDIS, where in the past disability was really just the purview of the Department of Human Services, and by virtue of our services coming together, a much broader conversation in the current development of a refresh of a disability plan around physical health as well as social care.

To your specific question about how do we measure over time that effectiveness, my view would be that it becomes less about MOG and more about the service interventions, configurations and demonstrating that we are taking the whole person and combining health interventions with social care interventions. I think we will progressively see improvement over the next few years in that regard.

The CHAIR — I appreciate that. I suppose the question, back to your first answer, is: how do you measure that? If there are going to be tangible outcomes from these changes, as you referred to in your opening statement, how can we measure that?

Ms PEAKE — Yes. As I said, we are doing a lot of deep work which we will complete by the middle of this year on an outcomes framework and performance measures that are related to that outcomes framework, and then progressively aligning our administrative datasets to those measures — that obviously always takes some time — as well as both in Health and Human Services really beefing up our patient and client experience surveys. So over the next 12 months I would expect to see a much better, richer set of reporting which is linked with government's commitments to transparency in government but is also linked to our approaches to more place-based models of data collection and service delivery.

Mr MULINO — Just a couple of quick questions. The first one is really a follow-up to the discussion in relation to outcomes. As you have said, with MOG changes in general, you would expect to see potentially some short-term changes and then some longer term outcomes and it is very difficult to identify them, firstly because we are not in the long run yet and secondly because we do not have the outcomes framework. I just wanted to flesh out a couple of points that you have already made in relation to the confidence that we might have that we will see some improved outcomes. One is, as you have alluded to, there is a lot of expert commentary around, for example, the clustered needs and a range of other policy issues. Is it fair to say that a lot of that policy commentary, which is in part going to your development of an outcomes framework but in part just informs the way you look at best practice — is it fair to say that a lot of that policy expertise points to there being a good likelihood that joining up certain services will lead to better outcomes, even if we have not yet precisely measured it?

Ms PEAKE — Absolutely. If I give you two practical examples which I have sort of touched on. There was a recent paper by Sir Michael Marmot, who is an expert in child health and wellbeing in America. His research

has really confirmed that children raised in poverty have worse health outcomes than the general population. His research shows that the combination of effective parenting and programs that teach parenting skills as well as the more traditional maternal and child health, and maternity services are really, really important to lifting health outcomes of children. So that is a really practical example of how our child and family programs combined with some in education, in the early childhood space, along with our childhood health programs are needing to be brought together in different sorts of ways but then our measures also cutting across the different programs to understand the difference that we are making. So that is one. I think it is really practical and important, and particularly important for the most vulnerable children, some of whom are in our care.

The second is the example I gave earlier around family violence and just the coexistence of risk factors and drivers that, combined with the broader important issues around attitudes to women and gender equality in the community, mean that there are particular groups of people and communities that are at risk and that we need to have targeted approaches to reduce the prevalence of family violence in relation to.

Mr MULINO — Just a quick follow-up. In addition to that, I suppose another area of development that one might gain some confidence from even if we cannot yet point to the outcomes would be an improved capability. A couple of areas might be, for example, the capacity to accumulate and then analyse data or some of the workforce issues that you alluded to. So those capability issues are probably ones that you are already seeing some results from, even if we cannot yet point to direct outcomes.

Ms PEAKE — Totally, and certainly the logic of our structure was to move to a functional structure which enables the group of skills to be brought together. I think that has two benefits. It has benefits for the staff who work in data analytics or program design or regulation, whatever the activity might be, that you have a critical mass of people who have got the same sorts of skills and doing the same sort of work and so opportunities for learning and professional development are enhanced.

The second benefit is that you get to really identify the trends and issues across the department and they are analogous. So when you come to a particular issue or challenge you can look at how is a similar sort of problem being solved in another sector, what are the learnings from that, how might they be applied in this context in relation to this problem? So having the broader suite of functions in the department helps for individual professional development but also in more creative solutions to complex policy problems.

Mrs PEULICH — You have certainly got a challenging role and obviously there are some good signs. From a previous report — this is just to add to your challenge — a substantial criticism that was made was the lack of capacity of your department and its predecessor to capture the information and the line of information that local government collects, and other service delivery agents, on behalf of the department as well as in terms of your own services for better planning and policy development and so on. Have the machinery of government changes made any inroads into that challenge, and if so, how?

Ms PEAKE — I think one of the strengths of having fewer departments is that there is the ability for the leaders of each department to really collaborate very effectively. One of the experiences that I have had since joining the Victorian Secretaries Board is that there is a deep strategic conversation happening about the issues of data linkage, data capability and how we work closely not only with local government but also with the commonwealth government to look at — with of course appropriate privacy protections — better approaches to really understanding common clients and the impact of our services. So within our organisation we have created a specific area of the department which has brought together both Health and Human Services analytics, but we are also working closely with Justice, with DELWP in terms of local government and with DPC around making sure that we are continuing to build up that resource, that capability, across government.

Mrs PEULICH — And the data.

Ms PEAKE — Specifically about data, about having standardised ways of defining —

Mrs PEULICH — Capturing it.

Ms PEAKE — yields but also the technical expertise to analyse it and make use of it.

Mrs PEULICH — So will that also impact on local government in the way that they report or capture their data?

Ms PEAKE — Certainly for a lot of our programs — and I am particularly thinking here in both our housing planning functions as well as our sort of service infrastructure planning in housing and health, but also in our population health surveys — we are working really closely with MAV and with individual local councils to make sure that we are aligning our datasets and sharing data effectively.

Mrs PEULICH — You have signposted a number of areas of challenge which continue — domestic violence, child protection, mental health, substance abuse, homelessness. Given the existence of the Victorian Secretaries Board, are you able to tell me who is best equipped or what is needed for us to be able to effectively respond to the emerging challenge of disengaged young people from multicultural backgrounds engaging in behaviour that we saw manifest on our TV screens and this sort of concern that we will see what has been a bipartisan policy of multiculturalism descend into something that is probably more consistent with the experience overseas than it is here? Which department will take the lead in that sort of area of policy change?

Ms PEAKE — Beyond a question of MOG, because it does need to be a multipronged approach, the work that is being led by social cohesion — both the unit within DPC but also the committee which does involve our department and other departments — is really looking at what is the best available evidence around the world. As you indicate, it is very emerging evidence about what works to strengthen communities' social cohesion, while maintaining a focus on public safety. I think there is a role for all parts of government in this, so school engagement is incredibly important, community development approaches are incredibly important and it is important that we do not have enclaves where there are young people who are isolated from jobs and transport.

But also we have a really important leadership role with the minister for youth of looking at having a youth policy framework that brings together the different elements — the different sorts of policies across government. We have had a 12-month engagement with young people about what matters to them, and unsurprisingly generally, but also particularly for young people from both asylum seeker and CALD communities, the themes are similar: education, mental health, the ability to feel connected to their local community, and employment. These are the four big themes that always come through. So there is an important role for the social cohesion unit and an important role for us in that overarching youth policy framework, but it is about governance to actually bring the threads together.

Mrs PEULICH — I have just one follow-up question if I may. Cultural insight is obviously crucial to understanding the dynamics of each one of those areas, which are much more complex than mainstream society. Do we have the capacity to be able to respond, given that we get 100 000 newcomers into Melbourne and Victoria every year? I have concerns about the domestic violence inquiry, the lack of access to mental health services by people from multicultural backgrounds and the lack of deep and abiding understanding of the dynamics that actually play out. Should we have confidence that each department — —

Mr MULINO — A point of clarification, Chair: I just wanted to clarify that if we undertake this discussion, I think it is important that we undertake it in the context that we are discussing these issues to the extent that they are affected by the changes in departmental responsibility that arose directly after the government and not just the government's response to them in a general sense.

The CHAIR — Ms Peake, if you can just respond to the question in that context of machinery of government changes, and I note we are very short of time.

Ms PEAKE — I was actually just going to make the point again that I made earlier — that having fewer departments enables that cross-fertilisation of engagement with communities to be shared very much more easily, and that social cohesion board which we are all involved with does have sitting underneath it a reference group that is co-chaired by two young people — this is a question for DPC — I think from ethnic communities to really provide that insight.

Mrs PEULICH — Thank you.

The CHAIR — Just to close, I have one final question, Ms Peake. The Minister for Families and Children on 19 August 2015 in response to a question without notice said:

I can inform the member that the Secretary of the Department of Health and Human Services, Dr Pradeep Philip, announced a restructure of the department last week, so we are implementing this particular recommendation already.

Do you know if that restructure is part of the MOG change, or is that a separate — —

Ms PEAKE — As I mentioned earlier, restructuring really has two purposes. Restructuring has the purpose of making sure that functions that are brought together are coherent against the strategic plan and objectives and priorities of government, but there is a design preference that each secretary will bring to how they organise their department. The former health department was designed around a programmatic organisational logic. Human services was organised around a functional organising logic. I know you asked specifically about Dr Philip, but I have had two rounds of structural changes since I started, and it really was much more about moving the whole organisation to a functional structure which was my view of the best way of providing professional development and the bringing together of expertise around our responsibilities and priorities.

The CHAIR — So the costs associated with those have not formed part of your MOG costs.

Ms PEAKE — No.

The CHAIR — Ms Peake and Mr Wallace, thank you very much for your time and your preparedness to answer our questions. As I said, you will have a transcript next week, and we thank you again for being before us.

Witnesses withdrew.

TRANSCRIPT

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Subcommittee

Inquiry into machinery of government changes

Melbourne — 16 March 2016

Members

Mr Edward O'Donohue — Chair

Mrs Inga Peulich

Mr Cesar Melhem

Mr Gordon Rich-Phillips

Mr Daniel Mulino

Staff

Secretary: Ms Lilian Topic

Research officer: Ms Annemarie Burt

Witness

Mr Chris Eccles, Secretary, Department of Premier and Cabinet.

The CHAIR — I would now like to welcome the Secretary of the Department of Premier and Cabinet, Mr Chris Eccles. Before I invite you to make some opening remarks, I will just caution that all evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Therefore you are protected against any action for what you say here today, but any comments made outside the hearing are not afforded such privilege.

Today's evidence is being recorded. You will be provided with a proof version of the transcript within the next week, and transcripts will ultimately be made public and posted on the committee's website. We have allowed 45 minutes for our time today. On behalf of the committee I would like to thank you for coordinating the response from the other secretaries in relation to the machinery of government costs and the updated information which was provided on 10 March. Mr Eccles, I invite you to make some opening remarks, and thereafter the committee will have questions.

Mr ECCLES — Thank you very much, Chair. I think I might forgo the opportunity to make any general opening remarks, other than to say that I have reflected upon the interim report and I think there are some opportunities for reform that we can probably discuss during the course of the hearing. They have been clearly signalled in the interim report, and I think we can respond quite positively to the direction within the interim report.

The CHAIR — Perhaps by way of an opening question I invite you to expand on what work DPC may be doing to create a framework around machinery of government costs and benefits as we move forward, because I think the figures that we have before us, some of the changes in the figures that were provided to PAEC back in June, what was provided to this committee in July and then some of the changes to the anticipated future costs demonstrate that some secretaries are no doubt approaching this with sincerity and trying to be accurate but have had different measures of what is a machinery of government cost. Even just from Ms Peake, who preceded you, the evidence from the department was that signage changes and website upgrades are not machinery of government change costs, because they needed to be done anyway. I think other departments have included such costs in the cost. So I suppose by way of a first question, Mr Eccles, I invite you to update the committee on what work DPC is doing to perhaps create a framework so that everyone is on the same page.

Mr ECCLES — Thanks, Chair. I think that we had a categorisation of our direct costs which was reflected in our submission, and so just for the record I will detail our categories of direct costs. We had consultants and contractors, relocation, telephony, IT and records management, rebranding, redundancies, new staff and other. The other comprised the *Victoria Government Gazette* costs associated with the machinery of government orders. I only state that for the record because I do not think it is a sufficient response. I think from the evidence that you have heard today and from the interim report, it is quite clear that there is inconsistency in the categorisation of direct costs across departments. I do not think that is helpful. I do not think that is in the interests of being able to account consistently and transparently for the direct costs.

So prompted by the interim report and a conversation with secretaries this morning at our regular meeting, there was a consensus — and it has probably emerged through the course of the hearing today — on the considerable merit in developing a framework to enable more consistent tracking and reporting of direct costs associated with implementing machinery of government changes. We would obviously welcome the contribution of the committee in coming to a position on what the categorisation of costs might best look like.

I notice that in your interim report you make reference to a piece of Whitehall material, and we might come back to that at some point, which had another, if you like, taxonomy which talked about accommodation, HR systems integration, IT investment, IT integration, differential pay settlement and productivity. I am not entirely clear on the latter two, but the earlier four clearly make sense. So there are numbers of ways in which you can dissect the direct costs, and we would welcome the committee's advice around what might be the optimal way of describing the costs.

The CHAIR — Thank you, Mr Eccles. The committee will give consideration to that point as part of our final report. I suppose the other side of this equation and discussion is the question of outcomes. As many secretaries have made the point today and when we first met, outcomes can be measured sometimes immediately and sometimes they accrue over a considerable period of time. The measurement of those I think is also something where — and I think it has become apparent, but this is perhaps more difficult to quantify — there is not a clear understanding or way to measure outcomes that may or may not accrue from machinery of government changes. Again I invite you to respond to that proposition.

Mr ECCLES — I share both your view and the views expressed by secretaries about the difficulties of being able to identify the outcomes that are associated with any particular machinery of government change. It should not prevent us continuing to search for a description of outcomes, because we have a responsibility to disclose where we can to the Parliament and through the Parliament to the public what the benefits are that accrue. The difficulty is not so much in being able to make general statements of outcome performance in terms of, in particular, coordination and the efficiency and effectiveness that comes with a rationalisation of function; it is more in the search for the quantification of the outcome with a metric as opposed to perhaps a continual statement of a general result.

So in my department, for example, we have as part of the machinery of government changes seen the aggregation of all of the watchdog and integrity agencies within the department and then a significant reform agenda being led by the Special Minister of State in relation to reform across all of those domains. That has found legislative expression in some form, and there are discussion papers in relation to the other. The benefit of having it all within the portfolio means that we are able to ensure that the reforms speak to each other — so the reforms to the Ombudsman framework speak to the reforms around IBAC and speak to the reforms around the Inspectorate and so on. We are able to talk about the general momentum for reform that is enabled through a machinery of government change, but to actually precisely quantify that, particularly in the near term, is a bit challenging.

I am sure that at some point you would be able to point to general improvements that have come through the machinery of government change, but the challenge associated with that is that there is so much activity of government that bears upon structure, organisation and form that occurs outside the formality of a machinery of government change that follows an election so that the challenge for the committee will be to try and draw some boundaries around that — I think in your report.

To use an example in my department, since the machinery of government change we have had the acquisition of the Office of the Victorian Government Architect that occurred in May 2015; we had the responsibility for the national disability insurance scheme reform transfer into the department because of its strong connection to the intergovernmental component of those reforms; and on the other side of the ledger we had the exiting of staff who were within the department who are now part of Infrastructure Victoria, so there is, if you like, an ebb and flow that you would be very familiar with. To be able to disclose across the board the relationship between a machinery of government change and a particular outcome is challenging when you have the interplay of administration through the course of the term. That will be a challenge, to get that clear line of sight between a machinery of government change at a given time and the description of the enhanced performance that emerges.

The CHAIR — Hopefully. Thank you for that response, Mr Eccles. My final question before handing over to colleagues is: noting that some of the different approaches by different secretaries and parts of government to MOG costs, that was perhaps reflected in some of the answers provided to PAEC and then to this committee shortly thereafter. Some time has passed since that time. Are you confident now that the costs that have been provided to the committee, which total \$5 214 409 — \$5.2 million — are reasonably consistent and reasonably accurate, noting some vagaries of the unknowns?

Mr ECCLES — I am entirely confident of the number that appears for the Department of Premier and Cabinet being the end point of \$409 283, and we have anticipated future costs of zero as being accurate. Other agencies have greater challenges. You will have heard from Richard Bolt today about his wholesale changes and the fact that there is a massive integration exercise. I do not know that I can speak with the same degree of confidence — and I would not presume to speak with the same degree of confidence — that they may have spoken to you with about their own individual circumstance. I would hope that as time has progressed, and with the concentration of effort that has come with the attention of the committee, that perhaps we are in a pretty good place, but I could not guarantee every number across every department as being the precise cost to date and, more significantly, the anticipated cost into the future is accurate — well, is going to remain the case.

Mr MULINO — Thanks very much for your evidence. I just wanted to step back for a moment and just go back to your overall observation when you gave evidence earlier that you thought that the efficiency and effectiveness of the MOG changes overall had been very positive and undertaken in a very efficient manner. Is that still your view?

Mr ECCLES — It is still my view, and I think I made quite a large statement about it being the most efficient and effective that I had been associated with in my time in government. I now have the opportunity to

reflect upon that, and I do not retreat from that observation. It still was a complex machinery of government change. It was executed with speed, determination and precision. There are some obvious legacy issues associated with the costs that have been exposed through your inquiry that will come to something less than \$5 million so far, and I imagine that the number will stick around that.

Does that represent value for money? It is hard to put a precise formula to whether it represents value for money, but in a qualitative sense, if you are looking at the magnitude of change, the speed with which it was executed, the intent behind that change and what it will yield by way of benefits that are in all of the evidence for departments and for the citizens means that I still back in what I said early on, that it has been an efficient and effective process, and the expiry of time since I last gave evidence has not caused me to change my mind.

Mr MULINO — I had a question around outcomes. It has been a thorny issue in relation to a number of policy areas. I just wanted to ask a follow-up question in relation to the broader context. As you have identified, one of the tricky things in identifying value for money in a MOG change is you have a whole bunch of costs that are in the main relatively easy to identify and some outcomes that are trickier to identify. Is it fair to say that, when you look at it in context, those outcomes challenges are really a bigger issue than MOG? Really it is an issue that bedevils government and other organisations in business as usual and in complicated areas of service delivery, like health and education. This is something that has been with government for decades and that it will probably continue to wrestle with for a long time — that we always try to do better, of course, but that the difficulty in clearly identifying net outcomes is just a challenge that we have to continue to work at.

Mr ECCLES — I think that you are absolutely right. The fact that it is difficult does not mean that the endeavour is not worthwhile. We speak the language of outcomes frequently. Governments speak the language of outcomes. They talk about outcomes for the citizen as being the primary motivator, and they contrast it with process. There is some truth and it makes sense for government to emphasise that it is constantly searching for better outcomes for citizens. You are right that the challenge is being able to identify what those outcomes are and then to relate it to the specific outputs, which we are more familiar with and emerges through the budget process, and then to connect it back to the way in which we appropriate funding and the way in which we account for funding.

We are entirely alive to that challenge, and within government we are looking to more systematically take an approach, with the Special Minister of State taking the lead, to identify what the outcomes might be that relate to our particular output categories. We will keep chipping away and not give up because it is difficult or because when you are asserting an outcome change, sometimes you are not going to be able to back it up with a specific metric. You sometimes have to rely upon the experience of the individual. So if we accept that there can be a qualitative assessment of an outcome and that can be the lived experience of citizens and engaging with a particular service, if that becomes a legitimate form of accounting for service improvement, then I think we have to be a bit more sophisticated in the way we expect government to account for successful outcomes rather than just a unit that goes from A to B. The citizen's experience through qualitative input back to government is one thing that I think we should explore in more detail.

Mr MULINO — I have just a couple of very quick questions on the framework that we might recommend. I think we are all agreed that we should come up with some standardised categories, and we should probably come up with some principles that would govern whether or not an expenditure falls in or out of MOG. One of the principles might be whether the expenditure was principally motivated by or caused by MOG. One of the grey areas is expenditures that may have occurred anyway, so for example if a department has a sign that is about to fully expire because it is about to fall off its hinges and then they replace it with one with a new departmental insignia on it, is that due to MOG or is that a sign that would have been replaced anyway? Do you agree with incorporating some kind of principle that expenditure should only be included if it was not going to be a business as usual cost? Should we include some kind of principle there, even though we may not be able to come up with the exact wording?

Mr ECCLES — I think so. If the purpose is to connect the machinery of government to the costs associated with a particular set of initiatives related to machinery of government, then I think almost by definition you need to have something about proportionality. Even if you cannot put a precise proportion of 80 per cent or 75 per cent, some substantial connection to some language which assists government in drawing the connection between the machinery of government change and the cost category I think would be very helpful.

Mr MULINO — The last question is something that a couple of people have raised. Mr Fennessy raised it, although he did caveat his comment by saying he did not want to steal your thunder. I should get that on the record.

Mr ECCLES — I had heard that.

Mr MULINO — So direct costs like IT and payroll clearly should be reported, but where, for example, somebody might go to a meeting to discuss machinery of government changes it becomes a bit hazy as to whether it is worth the expense of recording their time when in many areas people do not record the time as a matter of course. I am just wondering what your thoughts are on that kind of proportionality test.

Mr ECCLES — I guess the challenge for the committee is in addressing the issue of indirect costs in the form of staff time and opportunity cost and whether it is included within whole-of-government tracking and reporting frameworks. It might be easier to do in a law firm, where you account for your time in particular minute intervals. Within the public service we do not track our time on an hourly or daily basis, and it is rare that any staff are dedicated entirely to the implementation of machinery of government matters. It tends to be combined with their existing functions.

So in the absence of a means of tracking by time and with people largely having to build the machinery of government implementation into their duties, it becomes difficult for you to credibly come up with a mechanism to track or to account for the indirect costs incurred. Do you want to then introduce a system that enables that? I guess that would come at a cost, and then the committee will need to make a judgement about whether the effort in moving government, or your advice to government or recommendation to government that we move to a system of being able to capture staff costs, is worth the transaction cost.

The CHAIR — If I could just intercede and follow up very quickly, Mr Mulino's suggestion about proportionality for some of the more tangible costs could potentially — I invite you to respond — be used for those less tangible costs like productivity, like attending meetings, like having some staff in acting roles or not in allocated roles until restructures are finalised. Perhaps that might be a way to address some of those indirect and no doubt real costs, but, as you say, we do not want to become like some legal or accounting firm where 6-minute units are measured et cetera.

Mr ECCLES — Yes. You would have to work out whether the recognition of the fact that you cannot be precise is such that the generalised response which would be needed — so there would need to be a generalised response in the absence of a metric — is then worth it for the purpose of public accountability. It is like a statement on my part that the individuals involved in the machinery of government change — it was a proportion of the HR team over a given period in onboarding new starters — would have impacted 20 per cent of their duties. Whether that then becomes meaningful for public accountability purposes, that is my question.

Mr MELHEM — Just on that, I agree with you. Unless someone is fully dedicated to basically running a project — you tell someone, 'Here's your project for the next six months to implement MOG', for example — I think the minute we are going to go to someone spending 5 minutes, 20 minutes, half an hour or 2 hours a day on that, I think it would cost more money to do that than to actually get any efficiency. I think it would be crazy to go down that line.

Mr ECCLES — I tend to agree with you. Interestingly, Chair, you mentioned the issue of productivity. I noticed that was one of the categories in the Whitehall documentation, but when you actually dig into what they meant by lost productivity, they have made an assumption that it was represented by a percentage of staff resistant to change and a standard productivity loss for this cohort of affected staff. Within that, the fact that this document has such an interesting approach to how you would measure the productivity offset suggests the challenge is fairly profound in trying to come to something like that as a requirement on government to account for a machinery of government change. I think you will tread there cautiously, I would imagine.

Mrs PEULICH — I have a couple of questions, if I may. I am interested in the non-cost-related impacts of machinery of government. But before that, do you have any concerns that your department experienced costs other than financial — for example, loss of expertise, institutional memory or strategic focus — as a result of MOG changes? You have referred already to movement of staff to Infrastructure Victoria as being one area.

Mr ECCLES — It is a good question. I actually think that the experience of staff in their engagement with machinery of government actually rounds out their role as a public servant, because they need to think in terms of structure, they need to think in terms of organisational design. For those who apply their minds to issues of machinery of government I think it is a good discipline to socialise more broadly across departments, because it is not only the formal machinery of government changes that occur with election outcomes but we are engaged in machinery of government changes frequently, and to have people exposed to the best way in which to design parts of government to respond to priorities I think is a good thing.

Mrs PEULICH — But you have not answered my question. I agree with you that it is a valuable experience, obviously, but as part of the process at the moment and given that it has been 12 months in place, has there been a loss of expertise, institutional memory or strategic focus as a result of the MOG changes?

Mr ECCLES — Institutional memory: I do not believe that as an organisation we have lost institutional memory. I would argue that in our case because we are essentially a net acquirer of functions that we have brought parts of government — —

Mrs PEULICH — A more talented pool. Is that what you are trying to say?

Mr ECCLES — Yes, that is a much more elegant way of describing it.

Mrs PEULICH — I should be on the other side of the microphone. Thank you. In view of your answer, could you point to areas where perhaps the response to policy and program challenges has not been up to expectation as a result of machinery of government changes? Have there been areas where we have been sluggish, tardy, slow or ineffective, and can you point to those?

Mr ECCLES — Sluggish, tardy and slow — —

Mrs PEULICH — Ineffective.

Mr ECCLES — Ineffective. I will speak for my department. I cannot think of an area where as a result of the machinery of government change we have been sluggish, tardy or slow in responding to the priorities of the government. In fact I would argue the opposite — that the machinery of government change was designed to align the structures of government to the agenda of government and that as a result of the machinery of government change we have a more direct, pointed and relevant focus. So I cannot call to mind any areas where I think there has been a net deficit as a result of the machinery of government change. In fact I think it is the opposite.

Mrs PEULICH — One example that I was thinking of is within my own portfolio responsibilities, and that is in relation to multicultural affairs and the slow speed with a whole range of matters have occurred in that portfolio, which is coming into public focus more and more each day. Are you able to make a comment on that and maybe others that might come to mind as you answer that question?

Mr ECCLES — Thank you for the prompt. I would benefit from some greater specificity around the areas that you see as having been slow to start. I am not saying that they do not exist; it is just that they are not visible to me. In fact I look to the responsiveness in the multicultural area to the emerging risk of countering violent extremism and the fact that we created Australia's first chief resilience officer. We have a cabinet task force directed to social cohesion. We have a series of programs and a government investment in last year's budget to putting the government's money where its mouth is around that as an example of in fact the opposite — of there being a very contemporary approach to some of the biggest challenges that face our community.

Mrs PEULICH — Contemporary but slow, and I think some of my contributions in the past and also here previously would — —

Signal theory is where I think, for example, the social cohesion unit has been very slow in releasing some resources for short-term responses to issues connected to radicalisation of young people in particular. There is the situation in Bendigo where the government was very slow in being proactive and allowing the situation surrounding the mosque planning application to boil to such public concern, and more recently the riots that occurred in the CBD — —

Mr MULINO — How are you relating it to MOG?

Mrs PEULICH — No — hang on a tick. What I am suggesting is that some of the machinery in relation to serving the long-term interests of the state are sensible, but I am not sure that the short-term responses are there. That is the basis of my question. Is this a more complex, more integrated model of government slowing down our responses to challenges in the area of policy and programs?

Mr ECCLES — I understand you are asking me to offer an opinion about the rate of change — —

Mrs PEULICH — The rate of response.

Mr ECCLES — Again, from my vantage point, and we all have different vantage points, I do not detect the same lack of speed to outcome that you have detected, but I am not sure that I can offer anything more helpful at the moment.

The CHAIR — Mr Eccles, just before concluding I have two final questions. You said in response to an earlier question that you think the MOG changes have been approached with energy and vigour. Mr Bolt, when he appeared before us earlier today, gave us a handout and spoke to the new organisational structure as having come into effect on 3 September last year for his department. With the caveat that his department is large, substantial and involved significant restructure and change, do you think that that change has been implemented in a speedy fashion, sufficiently quickly, given the effluxion of nine months between the change of government and 3 September?

Mr ECCLES — If the activities of the portfolio had been put on hold while the formality of the structure was embedded, then the answer to your question is, yes, it would be too slow. But I think the record of achievement of that portfolio over the nine months leading up to September shows that you can deliver on the government's agenda while at the same time consolidating the organisational pieces. So to the extent that there are obvious achievements in that portfolio space, then I do not think the fact that the finalisation occurred nine months diminishes the success of the machinery of government change. The reality is that in an organisation of that size, it will take time to finalise. The trick in the finalisation is that you continue with an aggressive agenda of reform, and I think the portfolio achievements demonstrate that.

The CHAIR — Some regional rail commuters may beg to differ, but I will leave that there. Mr Eccles, just finally, when you appeared before us last year there was some discussion about the Premier's section 30 declaration. I think at the time you said you would take on notice about whether a redacted version of that could be provided to the committee. I am not aware of that having been released. Are you able to update the committee on the status of that document?

Mr ECCLES — Unfortunately, Chair, I am not, and my officials are not prompting me in any particular direction, so I think I will have to repeat my need to take that on notice, but we will get back to you immediately with the answer to that rather than wait for any length of time.

The CHAIR — Mr Eccles, thank you very much for appearing before us and again for providing that information from coordinating from all departments about the MOG changes.

Mr ECCLES — Thank you, Chair.

Witness withdrew.

TRANSCRIPT

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Subcommittee

Inquiry into machinery of government changes

Melbourne — 16 March 2016

Members

Mr Edward O'Donohue — Chair

Mrs Inga Peulich

Mr Cesar Melhem

Mr Gordon Rich-Phillips

Mr Daniel Mulino

Staff

Secretary: Ms Lilian Topic

Research officer: Ms Annemarie Burt

Witnesses

Mr David Martine, Secretary,

Ms Gayle Porthouse, Deputy Secretary, Corporate Government Services, and

Mr Joe Bonnici, Chief Financial Officer, Department of Treasury and Finance.

The CHAIR — I would now like to welcome Mr David Martine, the Secretary of DTF, Ms Gayle Porthouse, the deputy secretary, corporate government services at DTF, and Mr Joe Bonnici, the chief financial officer at DTF. Thank you all very much for appearing before the committee today.

Before I invite you to make some opening remarks, I will just caution that all evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Therefore you are protected against any action for what you say here today, but any comments made outside the hearing are not afforded such privilege.

Today's evidence is being recorded. You will be provided with proof versions of the transcript within the next week, and transcripts will ultimately be made public and posted on the committee's website.

We have allowed 45 minutes for our time today. Thank you again for appearing before us, and I invite you to make some opening remarks.

Mr MARTINE — Thank you, Chair, and thanks for the invitation to appear today. I was not planning to make any opening comments, and I am happy to go straight to questions. We have obviously read the committee's interim report, so we are happy to answer any questions or make comments on that along with the DTF aspects of the whole-of-government submission or any other matters that the committee may wish to raise with us.

The CHAIR — Thanks, Mr Martine. I will kick it off, and I note the costs incurred by DTF are quite small compared to some of the other departments. I wish to go to your role as a central agency, a coordinating agency. As was just discussed with Mr Eccles, it is clear from the evidence we have heard from different secretaries both last year and this morning that some departments have approached the concept of MOG costs in different ways. That is something which we alluded to in our interim report and no doubt will give further consideration to as part of our final recommendations back to the Legislative Council, but I would invite you to make some comments about that or whether DTF has done any work or thinking about how to apportion MOG costs, what is a MOG cost, how you also measure matters that are less tangible such as time spent on implementation, staff changes and the like.

Mr MARTINE — Thank you, Chair. They are all very important issues, and I would agree with your comment and I think the committee is correct to say that, having been through this process both now at the committee but also internally within government, we need to get better at how we specify what MOG costs are — so a consistent kind of framework across government.

I note in the committee's interim report there are some recommendations along those lines, which, as the secretary of DTF, I would think are quite sensible recommendations. We have been doing some thinking internally on what that actually means, how we put it in practice and what would be the right sort of vehicle and mechanism for departments to report both to Parliament but also publicly on what those costs might be. Obviously if you report too quickly after a machinery of government change, you may not necessarily pick up all of the relevant costs. But likewise, if you report too far down the track, then you are potentially picking up things that are not really a machinery of government change. So from where I sit, in principle I think it is a very sensible thing.

The issues that we are thinking about in consultation with other departments, including DPC, are: specifying a better definition of what actually is a machinery of government change. Clearly at the time of an election it is easier to identify what they are. The question then becomes: if there is a change 12 months later within government, is that a machinery of government change or not? That is kind of the first issue that we need to do a bit of work on, and then what sort of costs should get captured? What is the guidance that can be sent around the bureaucracy to ensure that we do get a bit more of that consistency?

It is always a tricky one trying to identify some of those indirect costs that you alluded to, Chair — time taken from a staff point of view in terms of implementation — because we do not, as you are probably aware, in the public sector maintain time sheets. We do not allocate our time to say that we spent 3 hours preparing this brief for the Treasurer and 2 hours doing some costings et cetera, so it is very difficult to try to pick up some of those costs in a machinery of government reporting framework. But certainly more clarity around what a MOG is and also more clarity around what the direct costs are for a MOG change I think is very sensible

Then trying to pick the right time to report: my view would be potentially within that 12-month period, which would lend itself to perhaps the annual reporting framework. With the election in late November, you could envisage some quite useful reporting in the annual report released 11 or 12 months later, so around October of the following year. Just thinking off the top of my head, that would probably be a useful kind of framework and reporting time frame.

The CHAIR — Just to go back to when we last met in relation to this matter, I think you said, Mr Martine, at the time that DTF was required to absorb any costs associated with MOG. I suppose that is often the instruction: to implement a change within existing resources. Do you think that instruction or that requirement has the potential to lead to an underreporting of MOG costs?

Mr MARTINE — I do not think it necessarily leads to an underreporting. It is not an unusual practice in pretty much most jurisdictions that machinery of government changes are implemented without any adjustments to budgets, and it does actually work both ways. So at DTF we incurred a very small amount, I think \$23 000. Other departments incurred some higher costs, but likewise we do not go through an exercise to harvest back to the centre savings — for example, we have gone from nine departments down to seven. So technically there are salaries for two less secretaries, two less CFOs et cetera. The view we take is that a lot of these things are quite marginal and there are sort of swings and roundabouts, but it is not an unusual practice in most jurisdictions that if there is a change of government and there are MOG changes, the instruction is that everyone just lives within their budget.

The CHAIR — That is true, but I suppose it does not address the point of whether that can potentially lead to underreporting, or perhaps more accurately, a lack of clarity about what those MOG costs may be.

Mr MARTINE — I think whether it leads to underreporting is hard to determine. I think what would improve the reporting is what we talked about earlier, which is to come up with a more consistent framework and then I guess more consistent advice that would go out to all of the departments at the time that, ‘These are the costs that you need to report on’ — whatever the mechanism is, such as the annual report — ‘and you need to track those costs through the next 11 months’, or whatever the time period is. I think that would be probably a more useful way of ensuring that things are captured. Whether the fact that agencies have to absorb the costs means that they do not track them, it is a hard one to form a judgement on.

The CHAIR — Mr Martine, since we last met there has been some different data presented to the committee about the total quantum of the MOG costs. I put this question to Mr Eccles, but I would be interested in your view as well. Obviously, as we discussed just before, there are different approaches across departments. But as it stands I think the MOG costs from when we last met have increased from \$3.065 million to \$5.214 million, taking into account the additional costs since we last met in July last year and anticipated future MOG costs. Has DTF done any work on it, or do you have confidence that that figure represents, as we stand today, an accurate figure of the total MOG costs across government?

Mr MARTINE — Thank you, Chair. Certainly from the DTF point of view — sort of little DTF — our costs have been very small and have not changed over that period. You are quite right that there are some differences between the whole-of-government submission submitted to the committee, I think it was earlier this year, in the last couple of months — it might have been last month, I think, or January — compared to July 2015.

We in DTF centrally are not monitoring the machinery of government costs, so what appears in both of these submissions is essentially what the relevant departments have put forward. I think all of these came through DPC. So we are not actively monitoring what those costs might be, and one of the reasons is they are quite marginal in terms of the total budgets of some of these entities we are talking about.

The CHAIR — A final question before going to the committee: when we met last time, Mr Martine, I think you sort of hinted at or referred to potential changes at DTF as a result of the MOG changes.

Mr MARTINE — Yes.

The CHAIR — Can you update the committee as to whether there in fact has been any structural change to the operation of your department, including any location changes of your team?

Mr MARTINE — Okay. Thank you, Chair. I think last time I would have mentioned to the committee that as a result of the machinery of government changes the workplace relations function moved from my department to DEDJTR, VCEC as an entity moved to DPC and then CenITex as an entity transferred from the old DSDBI to DTF. They are the only machinery of government changes that affected us at the time. The only change that has occurred since then that is relevant and that I will mention to the committee is back in September of last year a decision was made to transfer most of the functions of VCEC back into DTF. We now have a red tape commissioner that has been appointed and a commissioner for better regulation, and there were staff sitting behind those two individuals. So those resources have transferred back, which were not quite the total amount that transferred in the original MOG. So a small number of staff stayed within DPC. That is really the only change to report since our last discussion.

The CHAIR — With those functions coming back to DTF, are you confident, with VCEC no longer operating, that the important work it used to carry out is still being done by government under this new framework?

Mr MARTINE — Yes, I do. Given the Treasurer's central role in regulation, appointing a commissioner for better regulation I think is an important priority in terms of trying to reduce red tape and improve the regulatory impact particularly on the small business community, so I think that is quite an important function of the red tape commissioner. I think there is quite a bit of logic and sense, given the Treasurer's role, that both of those commissioners and the supporting resources are sitting within DTF, and that was effective last September, I think, from memory.

Ms PORTHOUSE — 20 September.

Mr MULINO — I have just a couple of quick questions on the possible framework that we might develop. I think everybody is agreed that consistency would be a good thing in reporting costs. You have alluded to the fact that some of those costs, when they occur some distance in time from the election, can be more difficult to ascribe to the MOG or not. One of the issues that has been raised by a couple of secretaries has been the fact that some expenditure perhaps 9, 12, 15 months down the track probably was going to occur anyway. Do you agree with the broad principle that we should include some kind of notion in the guidance that we give to departments that where costs were probably going to occur anyway, they should probably be excluded from being attributed to MOG?

Mr MARTINE — Thanks for the question. If the exercise is to report on what the costs are from a MOG change, then by definition non-MOG costs should be excluded. But I agree with you, and I suspect these are the comments made by some of my secretary colleagues, it can get quite difficult to work out what is the direct cost of a machinery of government change because in a 12–18-month period after a machinery of government change, as you alluded to, other things do happen. In the absence of knowing what the counterfactual world is, it is very hard to identify what some of those costs might be. There is a bit of a grey area. That is why my view would be definitely a better framework and guidance to departments to get that consistency, because it does appear we are a bit inconsistent across the bureaucracy in how we report these things, and then perhaps limit it to a particular time period, which might be that 12-month period after a machinery of government change.

Then one thing the committee could perhaps think about is, if a department believes that beyond that 12 months there is still a significant future cost that has yet to be realised that is directly attributed to a machinery of government change, then one would assume that a good framework would require that department to identify what that future cost might be.

Mr MULINO — Just a quick question on indirect costs. You have already talked about the fact that it is difficult to accurately measure indirect costs in part — for example, because we do not measure people's time put into time sheets. Just to follow up on the earlier discussion, is it your assessment that it would be disproportionate to try to require a whole range of people to start measuring their time so that we could determine what meetings were or were not related to MOG changes?

Mr MARTINE — If we are in a world of total machinery of government costs in the order of \$5 million, for example, out of a budget of \$55 billion, I think the costs and the loss of productivity in requiring everyone in a bureaucracy to track their time would far outweigh the machinery of government costs. That is why most bureaucracies do not go down that path of time sheets, because we do not bill our key client for work we do, like a law firm, an accounting firm et cetera. They introduce those for a particular need; we do not have that

need. We could start charging ministers for briefs we prepare; I am not quite sure how well that would go down! I think the productivity loss and the cost would far exceed the \$5 million or whatever the machinery of government change might be. That is why I think it is difficult, though, to measure those indirect costs.

The CHAIR — Unless a framework is established, basically. Unless there is some sort of mechanism — sorry to intercede — or unless there is some appropriate framework that can be applied to apportion time and cost.

Mr MARTINE — One thing the committee could perhaps think about is whether, for those indirect costs, there is within the framework more of a sort of qualitative kind of statement. For a department like DTF, our direct costs were \$23 000 and our indirect costs I have no idea, but they would be very, very, very small. But if you had a situation where there was a machinery of government change that was quite material, there might be something in the framework which requires that department in a qualitative sense to express some commentary around what the impact might have been on some of the staff and on the workload. It is a very hard thing to actually put a dollar figure on — very hard.

Mr MELHEM — Can I just follow up on that. I agree with you totally. Unless you are fully dedicating an individual to run a particular project, it is crazy to go and use time sheets and stuff. For example, for your time today you could say, ‘Well, that’s cost X’. I think it is just crazy; I think it is backward. It goes against any productivity and efficiency principles. I hope it is not going to be part of any proposal to measure that, because I think it is just a waste of time and money.

Mr MARTINE — But certainly in a qualitative sense, I know that some departments probably have set up at the time a machinery of government implementation team or something like that, and it could be reported as part of the framework in a qualitative sense to say, ‘Department X set up a team to implement this’, but to actually measure, as you say, on a consistent basis over that period, unless the bureaucracy makes a decision to introduce time sheets on a full-time basis, is very hard.

Mr MULINO — One last question, and I guess I just wanted to ask this of you in your role as a central agency, ultimately if we are going to look at the machinery of government change, it has got to be looking at the costs and the benefits, and we have had lots of discussions with secretaries around the difficulty of identifying some of the benefits. Some are readily identifiable, like increased capacity and forecasting or data analysis; some outcomes are probably more difficult to identify in the longer term. I guess I am just interested in this: Mr Eccles, as you have seen, has made an overarching kind of observation about his assessment of the MOG changes. Do you have a comment on your take on it from a whole-of-government kind of perspective?

Mr MARTINE — Thanks for the question. It is very hard to measure benefits flowing out of machinery of government changes, which is not to say that there are no benefits at all, but it is really difficult to track back to, for example, output performance measures to say that a particular measure changed by X as a result of the machinery of government changes. But history tells us that it is not an unusual thing that when governments change there will be machinery of government changes. A lot of that actually is driven by a desire of the government at the time to structure its ministry in a certain way, and the role of the bureaucracy is to then support that structure. Some of the machinery of government changes flow from the desire of the government of the day to structure its ministry in certain ways, and other changes are driven by a desire to leverage off synergies, so it is kind of a combination of those. Then trying to attribute that is very, very difficult.

On the changes that the new government or the current government introduced, I guess all I can really comment on is that they were sorted through and implemented pretty quickly. I have been through a few MOG changes in my time. This is my first state one; I have been through a few at the commonwealth level, and I have to say this has probably been one of the smoothest, from where I sat, that I have observed. Some of them can get quite complex. I think from an implementation point of view it seemed to go pretty smoothly and be implemented pretty quickly, which is really what you want. That is probably the key with all machinery of government changes — they need to be done quickly because the bureaucracy needs to be in a position to be supporting the government of the day very quickly. So overall I think it was reasonably smooth.

Mrs PEULICH — Thank you very much. Perhaps just an opportunity to sum up, so if you are able to say what are the main challenges that you have noticed arising out of the MOG changes for your department and what role the Victorian Secretaries Board may play in helping to address those changes.

Mr MARTINE — Thank you for your question. From a departmental point of view, just thinking about DTF as an entity, obviously the machinery of government changes for us were not that significant. We lost a couple of functions. They were sort of self-contained functions like the workplace relations function — the whole team just moved across — and CenITex as an entity coming in. They are not really difficult or complex machinery of government changes. So from a departmental point of view it was not that complex. It was relatively smooth, and it did not really throw up any major issues or concerns.

Certainly at the whole-of-government level and the fact that we are having this discussion today around better reporting, I think there is an issue there of the bureaucracy getting better at that. We have had some discussions at secretaries board around those matters. The secretaries board is also quite a useful way — I think early on in the piece, if there were some machinery-of-government issues, that is a good vehicle to raise it, in that forum. We meet every fortnight, so it is a good kind of vehicle to use that as a mechanism to iron out any sort of issues that might be bubbling along behind the scenes.

I have been through a few of these machinery of government changes in my former career in Canberra. Fortunately it did not really happen here, which is why I think it was quite a smooth exercise. Sometimes you do get two departments and two ministers arguing about the spoils — what really should transfer — and a lot of that comes down to the corporate function. So the larger a machinery of government change is, the more complex it can become, because you have got to then work out how much of the corporate function also follows that function. For me, in the workplace relations area, which was quite small, that team just moved. There was no consideration about working out how much of our corporate area would go with them, because it was just too small. But if we lost 200 people, then there is a valid discussion around: how much of our corporate area goes? I have seen those debates go on for a very, very long time. Fortunately here that was really smooth, which is good.

The CHAIR — In a final observation, Mr Martine, I would just make the point that while \$5.25 million is modest in the scheme of the Victorian budget, \$5.25 million could buy a new primary school site in a growth corridor, or it could upgrade a dangerous intersection. So whilst the quantum we are talking about in the total budget is minor, it is still a significant piece of money that, put to other use, could deliver other community benefits. I suppose that is the prism through which this committee is looking at this issue.

Mr MARTINE — I do not disagree with your metrics, because — —

Mrs PEULICH — His analytics.

Mr MARTINE — Analytics. I guess my main comment, though, is why I think getting better reporting is a really useful sort of direction the committee is heading in. How we sort of frame that is obviously the issue for more detailed work and discussion.

The CHAIR — Thank you, Mr Martine, Ms Porthouse and Mr Bonnici, for your time this afternoon. The committee stands adjourned.

Committee adjourned.

Appendix 3

Correspondence with further information

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A3

Rec'd 18/11

COR011117

The Hon. Mr Edward O'Donohue MLC
Chair, Standing Committee on Legal and Social Issues
Parliament House
Spring Street
East Melbourne VIC 3000

Dear Mr O'Donohue,

On 21 July 2015, I gave evidence before the Legal and Social Issues Committee regarding the process, cost and effectiveness of any changes for the Department of Education and Training that resulted from machinery of government changes following the November 2014 election.

I would like to provide answers to the following questions that I took on notice:

- Calculation of costs associated with replacement stationery
- Frequency of condition audits for Victorian Government schools
- Engagement of Bevington Consulting to 'understand the role of senior advisors'

Calculation of costs associated with replacement stationery

The Hon. Mr Gordon Rich-Phillips MLC sought clarification of the calculation of costs associated with replacement stationery. I would like to provide further detail about the calculation of \$10,200.

The Department of Education and Training manages pre-printed stationery prudently, particularly in preparation for potential Machinery of Government changes. Administration staff consciously refrain from ordering items too far in advance to mitigate the impact of any staff movements. Further, as stated in my evidence, staff actively attempt to minimise waste by reusing redundant stock of stationery for other purposes such as internal mail or notepads.

To calculate the cost staff worked with our stationery provider, Finsbury Green, to analyse ordering patterns over the previous 12 months. An estimate was then made of redundant stock and the number of supernumerary orders following the change of government.



Frequency of condition audits for Victorian Government schools

The Hon. Mrs Inga Peulich MLC asked about the regularity of audits of schools' maintenance needs, specifically the frequency of the audit process.

The most recent condition audit of Victorian Government schools was undertaken in 2012. The program of work resulting from the condition audit findings is ongoing. On 10 July 2015 the Minister for Education noted the Department's response and approved the list of 153 schools identified for the 2015—16 Planned Maintenance Program.

Engagement of Bevington Consulting to 'understand the role of senior advisors'

The Hon. Mr Gordon Rich-Phillips MLC sought clarification of the purpose of the engagement of Bevington Consulting Pty Ltd for six-week project to understand the role of senior advisors.

The project was commissioned as an input to a broader strategic program of work called *Strengthening Regional Relationships and Support*.

The Bevington Group was selected through a Request for Quote process undertaken by the Regional Services Group to review the regionally-based Senior Advisor roles and develop options for alternative models of support to schools. The final report was presented to the Regional Services Group executive team on 31 July 2015. This was not related to any Machinery of Government changes.

The Department is committed to transparency and cooperation with the Committee. Please let me know if there is any further clarification you require.

Yours sincerely



Gill Callister
Secretary

8/9/2015



Department of Environment
Land, Water & Planning

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Ms Lilian Topic
Committee Secretary
Legal and Social Issues Committee
Parliament House
Spring Street
EAST MELBOURNE VIC 3002

Ref: SBR008125

14 OCT 2015

Dear Ms Topic *Lilian,*

RESPONSES TO QUESTIONS ON NOTICE FROM MACHINERY OF GOVERNMENT INQUIRY

I refer to the Committee Secretariat correspondence of 24 July 2015 outlining the questions on notice taken at the hearing of the Legal and Social Issues Inquiry into Machinery of Government changes on 21 July 2015.

The detailed responses from my department are included as attachment 1 to this letter.

If you or the Committee have any further questions I will be pleased to receive them and respond accordingly.

Yours sincerely

Adam Fennessy
Secretary

Any personal information about you or a third party in your correspondence will be protected under the provisions of the *Privacy and Data Protection Act 2014*. It will only be used or disclosed to appropriate Ministerial, Statutory Authority, or departmental staff in regard to the purpose for which it was provided, unless required or authorized by law. Enquiries about access to information about you held by the Department should be directed to the Privacy Coordinator, Department of Environment, Land, Water and Planning, PO Box 500, East Melbourne, Victoria 8002.



A3

Department of Environment, Land, Water and Planning

Standing Committee on Legal and Social Issues – Inquiry into machinery of government changes

Responses to Questions on Notice

Question 1

DELWP will provide the Committee with a breakdown of the ins and outs of DELWP structure within specific groups

DELWP has conducted a thorough review of its staffing data as part of its end of financial year processes for reporting in the Annual Report for 2014-2015. This review has resulted in a minor adjustment in the number of FTE staff recorded as transferring out of the department as a result of the MOG (1231.9 FTE compared with 1237.9 FTE) on 1 January 2015. This is due to a refinement in the classification of MOG transfers and other non-MOG related movements.

Prior to 31 December 2014, the former DEPI had 3556.1 FTE.

On 1 January 2015, 1237.9 FTE transferred to the new Department of Economic Development, Jobs, Transport and Resources (DEDJTR). At the same time, 640.5 FTE transferred to DELWP from the former Department of Transport, Planning and Local Infrastructure (DTPLI) and from the former Department of State Development, Business and Innovation (DSDBI). These FTE were attributed to the Local Infrastructure and Planning outputs in DTPLI (excluding the 29 Regional Planners from DSDBI).

The table below shows the breakdown of groups* within DELWP pre and post the MOG:

Group	December 2014	January 2015
Water and Catchments	189.9	193.0
Corporate Services	502.7	501.4
Land, Fire and Environment	443.9	444.8
Regional Services	1514.4	1185.7
Planning	0	221.3
Local Infrastructure	0	390.6
Capital Projects	9.6	9.6
Office of the Secretary	24.0	7.0

* Table does not include figures for Office of the Victorian Government Architect, Office of the Victorian Environmental Water Holder or the Commissioner for Environmental Sustainability as these do not sit within the group structure and there was minimal change due to MOG. The Office of the Victorian Architect transferred to the Department of Premier and Cabinet in April 2015.

Question 2

DELWP will furnish the Committee with details surrounding DELWP's complaints management system.

DELWP considers that this question relating to complaints management was primarily focused on the local government sector and asked in two parts, as outlined in a) and b) below. The answers are in response to each part.

- a) Are those complaints logged in a manner that allows those agencies to interface and to get an overall picture of complaints?
- b) Is there a plan to perhaps produce an information sheet or a flowchart advising the community about the processes of lodging complaints in relation to local government so that there is an understanding of how they all interface?

a)

DELWP provides a range contact points for the public to lodge complaints relating to the functions and services it provides. As part of this complaints management process, DELWP has implemented a centralised complaints gateway on its website. This provides the public with a single point of contact to submit a complaint and allows the department to more effectively facilitate the management, monitoring and reporting of complaints.

The aim of this centralised system is threefold: it is to ensure members of the public understand where to direct their complaints and how they will be managed; to resolve specific complaints; and to identify any patterns in the nature of the complaints that will allow the department to improve its service delivery.

b)

Local Government Victoria (LGV) in DELWP supports the Hon Natalie Hutchins MP, Minister for Local Government in responding to complaints about local government.

Complaints specific to local government may be made to the DELWP website and these will be redirected to LGV via the complaints gateway. LGV also receives complaints about local government directly through letter/email correspondence or over the phone.

Complaints in writing (letter/email) to Minister Hutchins are tracked through the Department's systems. This allows for summary reports on the subject matter, target council and source of the complaints to be generated in real time. Such reports have informed the basis and rationale for the development of guidance documents and capacity building programs to improve council performance.

Phone complaints are fielded by officers who make a determination if they are queries about what authority councils have under the Act, or are complaints about council decisions/actions or councillor behaviour. If the matters raised can be resolved through advice or guidance, officers will act accordingly. For more complex issues, the complainant is advised to write in with details about the matter and the nature of their concerns so that the Department can formally take the matter up with the relevant council.

In cases where the matter may be more appropriately dealt with by the Local Government Inspectorate, the Auditor-General or the Ombudsman, the complainant is advised to write to or contact the relevant authority. LGV does not make referrals on behalf of complainants. However, if a trend is observed in relation to complaints received, LGV will discuss such observations with the relevant authority to determine any further action that may be appropriate.

In regard to advising the public about a process for lodging complaints, LGV has published comprehensive information on the DELWP website that details how complaints about local government can be lodged and who the appropriate authority for dealing with a particular type of complaint may be. The information can be found at <http://www.dtpli.vic.gov.au/local-government/guide-to-how-councils-work/consultation-and-complaints/complaints-and-resolutions>

Machinery of Government changes – Department of Treasury and Finance (DTF)

Questions on Notice

Please find below DTF's response to the two matters on notice from the July 2015 Legal and Social Issues Committee's Inquiry into the Machinery of Government Changes.

Question 1: Please provide a summary table that includes all budget revenue split by the old department structure and the new department structure.

Response to Question 1:

Total 2015-16 Budget Revenue by Department

Department	2015-16	
	Post MoG Change (\$million)	Pre MoG Change (\$million)
Department of Education and Training	1,316.8	
Department of Education and Early Childhood Development		1,316.8
Department of Health and Human Services	7,332.5	
Department of Health		7,292.0
Department of Human Services		38.3
Department of Economic Development, Jobs, Transport and Resources	3,574.8	
Department of Transport, Planning and Local Infrastructure		4,133.8
Department of State Development, Business and Innovation		132.2
Department of Justice and Regulation	3,130.5	
Department of Justice		3,130.5
Courts	78.0	78.0
Department of Premier and Cabinet	5.6	93.7
Department of Environment, Land, Water and Planning	2,020.5	
Department of Environment and Primary Industries		1,292.0
Department of Treasury and Finance	37,637.9	37,637.5
Parliament	14.8	14.8
Regulatory Bodies	417.5	369.2
General Government Sector	55,528.7	55,528.7

Source- Department of Treasury and Finance

Question 2: Please provide the aggregate costs of physical moves / relocations as a result of the Machinery of Government Changes (MoG)

Response to Question 2:

DTF can confirm that Departments with the exception of DEDJTR, managed their own MoG related projects and the costs associated with these projects have been previously reported separately by Departments. DTF, through its Shared Service Provider (SSP), managed the DEDJTR MoG project and can confirm the DEDJTR figure reported to the Inquiry as \$301,038.

For Official Use Only

The SSP provides Real Estate, Facilities Management, Project Management, Car Pools and Library Services to government and was requested by DEJTR to assist with its MoG project owing to the scope of work, unlike other Departments with relatively minor impacts who elected to complete minor works themselves.

A3

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A3

Mr Edward O'Donohue
Chair
Legal and Social Issues Committee
Parliament House, Spring Street
EAST MELBOURNE VIC 3002

D16/40263

Dear Chair


Thank you for the opportunity to provide evidence to the Legal and Social Issues Committee's Inquiry into the Machinery of Government Changes.

I have reviewed the transcript of my evidence from the hearing held on 16 March 2016. Please find enclosed my suggested corrections that aim to improve its accuracy.

As requested by the Committee, I also enclose a redacted version of the declaration made by the Premier pursuant to s30 of the *Public Administration Act 2004* relating to the 1 January 2015 Machinery of Government change.

I look forward to seeing the outcomes of the Committee's Final Report.

Yours sincerely


Chris Eccles
Secretary

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address.



PUBLIC ADMINISTRATION ACT 2004

DECLARATION

I, Daniel Andrews, Premier of Victoria, make this declaration pursuant to section 30 of the *Public Administration Act 2004*.

I declare that, in relation to each item of the Schedule to this Declaration, following the transfer of the functions specified in Column 1 of that Schedule (“the transferred functions”) from the Agency specified in Column 2 of that Schedule (“the old Agency”) to the Agency specified in Column 3 of that Schedule (“the new Agency”), the employees identified in Column 4 of the Schedule are necessary to carry out the transferred function or support the carrying out of the transferred function, and are transferred, on the date this Declaration takes effect, to duties in the new Agency on terms and conditions of employment that are no less favourable overall.

This declaration takes effect on 1 January 2015.



The Hon Daniel Andrews MP
Premier

Date: 29. 12. 14

SCHEDULE

Item	Column 1 Transferred functions	Column 2 Old Agency	Column 3 New Agency	Column 4 Employees
1	Provision of policy advice, program and service delivery and necessary corporate and executive support in relation to: <ul style="list-style-type: none"> • housing; • community services; • disability services; • youth affairs; • child protection; and • emergency management; including support for: <ul style="list-style-type: none"> • Commission for Children and Young People; • Community visitors; • Suitability Panel; • Therapeutic Treatment Board; • Youth Parole Board; • Youth Residential Board; • Disability Services Board; • Disability Services Commissioner; • Victorian Disability Advisory Council; • Victorian National Disability Insurance Scheme Implementation Taskforce; • Director of Housing Advisory Committee; and • Queen Victoria Women’s Centre Trust. 	Department of Human Services	Department of Health and Human Services	

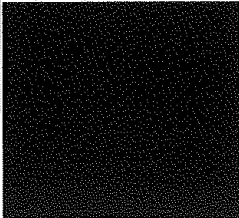
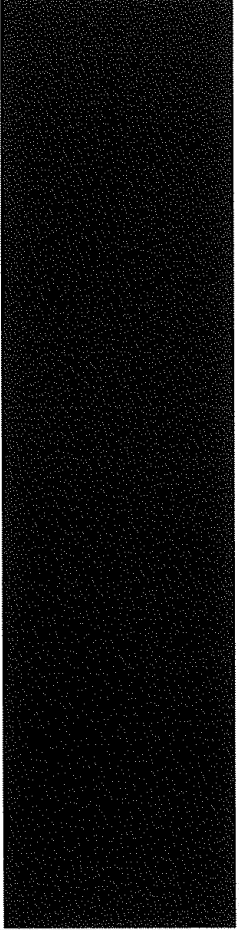
	Column 1	Column 2	Column 3	Column 4
Item	Transferred functions	Old Agency	New Agency	Employees
2	Provision of policy advice and program delivery in relation to women's affairs.	Department of Human Services	Department of Premier and Cabinet	
3	Provision of services to create and support productive and competitive agricultural industries: <ul style="list-style-type: none"> • Agriculture Policy; • Agriculture Research and Development; • Biosciences Research; • Trade and Investment; and • Strategic Partnerships. Coordination, oversight and policy development in relation to the above functions.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
4	Provision of programs, research, policy and regulatory services that support and enhance the management of: <ul style="list-style-type: none"> • Biosecurity; and • Fisheries. 	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
5	Provision of regulatory and enforcement services to support the agriculture portfolio.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	

	Column 1	Column 2	Column 3	Column 4
Item	Transferred functions	Old Agency	New Agency	Employees
6	Coordination and strategic and operational oversight of the functions listed in items 4 and 5.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
7	<p>Provision of extension and regulatory services to the agriculture sector to increase and protect agriculture productivity, sustainability and market access.</p> <p>Developing frameworks, providing advice and delivering services and programs that promote and ensure the Government and the agricultural sector's preparedness, response and recovery for agriculture and biosecurity emergency incidents.</p>	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
8	Provision of regional delivery programs in relation to fisheries operations.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
9	Provision and coordination and oversight in relation to fisheries operations, agriculture and biosecurity.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	

	Column 1	Column 2	Column 3	Column 4
Item	Transferred functions	Old Agency	New Agency	Employees
10	Provision of specialised agriculture portfolio legal and legislation services.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
11	Provision of specialised agriculture portfolio communications advice, strategies and services.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
12	Provision of specialised regional agriculture portfolio communications advice, strategies and services.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
13	Provision of specialised agriculture portfolio regional facilities and site services.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	

Item	Column 1 Transferred functions	Column 2 Old Agency	Column 3 New Agency	Column 4 Employees
14	Provision of broad corporate services functions required to support the functions listed in items 3 to 9.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
15	Provision of specialised agriculture portfolio regional leadership and business support functions.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
16	Strategic oversight and co-ordination of the agriculture portfolio functions.	Department of Environment and Primary Industries	Department of Economic Development, Jobs, Transport and Resources	
17	Policy advice and program delivery to support arts agencies, infrastructure, policy, programs, and strategic marketing and communications.	Department of Premier and Cabinet	Department of Economic Development, Jobs, Transport and Resources	
18	Public sector information and communication technology functions: <ul style="list-style-type: none"> • creation of whole of government ICT policy and standards to support departments and agencies focus on quality, reduce risk, and improve ICT planning and project delivery; • provision of advice on ICT issues; 	Department of State Development, Business and Innovation	Department of Premier and Cabinet	

Item	Column 1 Transferred functions	Column 2 Old Agency	Column 3 New Agency	Column 4 Employees
	<ul style="list-style-type: none"> • conduct of ICT procurement on behalf of government agencies; • increasing the innovative application of new or existing ICT services, technologies and delivery models; • procuring value for money services from the market to replace the ICT services provided by CenITex and to plan the embedding of these services in the Victorian Government; and • undertaking projects that seek to transform the current Telecommunications Purchasing and Management Strategy into a whole of government ICT and telecommunications platform. 			
19	Corporate services functions required to support the functions listed in item 18.	Department of State Development, Business and Innovation	Department of Premier and Cabinet	
20	<p>Local presence and single point of engagement for regional communities to provide support and delivery of planning portfolio services.</p> <p>Coordinate planning and action to better target local responses to community and business needs, to enable economic and community development.</p>	Department of State Development, Business and Innovation	Department of Environment, Land, Water and Planning	

Item	Column 1 Transferred functions	Column 2 Old Agency	Column 3 New Agency	Column 4 Employees
21	<p>Local presence and single point of engagement for regional communities to provide support and delivery of sport and recreation portfolio services to enable economic and community development.</p> <p>Management of Sport and Recreation Victoria related grants in regional offices.</p>	<p>Department of State Development, Business and Innovation</p>	<p>Department of Health and Human Services</p>	
22	<p>Provision of advice on strategic sporting policy, events, facilities and funding at a community level.</p>	<p>Department of Transport, Planning and Local Infrastructure</p>	<p>Department of Health and Human Services</p>	

Item	Column 1 Transferred functions	Column 2 Old Agency	Column 3 New Agency	Column 4 Employees
23	Provision of communications strategies and services for Sport and Recreation Victoria.	Department of Transport, Planning and Local Infrastructure	Department of Health and Human Services	
24	Provision of strategy and policy advice for infrastructure governance arrangements.	Department of Transport, Planning and Local Infrastructure	Department of Premier and Cabinet	
25	Provision of land administration services including: <ul style="list-style-type: none"> • land registration and property information; • land valuation; and • land surveying and the allocation of geographic names. 	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
26	Provision of policy advice in relation to local government and support to the Victorian Grants Commission.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	

	Column 1	Column 2	Column 3	Column 4
Item	Transferred functions	Old Agency	New Agency	Employees
27	Delivery of local infrastructure programs to plan for and support local and community infrastructure.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
28	Provision of executive advice and management on local infrastructure and local government.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
29	Provision of executive advice and management of the State's planning, heritage and building systems.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
30	Provision of policy advice, business strategy, planning information services, Government Land Monitor and Heritage Council secretariat.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
31	Maintenance and reform of the planning and building systems.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	

	Column 1	Column 2	Column 3	Column 4
Item	Transferred functions	Old Agency	New Agency	Employees
32	Planning project and planning policy implementation.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
33	Support for independent planning panels, advisory committees, Ministerial call-ins relating to planning permit applications and environment effects inquiries.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
34	Statutory planning and impact assessment, statutory approvals and support for Heritage Victoria.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
35	Provision of specialised planning legal advice, Cabinet and Parliamentary support.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
36	Provision of specialised communications advice, strategies and services in relation to planning.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
37	Provision of corporate executive advice and business project management in respect the functions listed in items 25 to 36.	Department of Transport, Planning and Local Infrastructure	Department of Environment, Land, Water and Planning	
38	Executive management of major sporting events and sports infrastructure.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	

	Column 1	Column 2	Column 3	Column 4
Item	Transferred functions	Old Agency	New Agency	Employees
39	Investigation and advice in relation to transport safety matters.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
40	Executive advice on the transport portfolio, including project facilitation and major project development.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
41	Management of security risks and emergencies within the transport sector.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
42	Management of transport relationships with all levels of government and regional stakeholders.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
43	Strategic policy and planning advice for freight and logistics, commercial and local ports and marine development.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
44	Coordination of a whole of portfolio view of transport challenges and setting network-wide priorities.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
45	Provision of portfolio wide transport program and projects development, including data and outcomes reviews.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	

	Column 1	Column 2	Column 3	Column 4
Item	Transferred functions	Old Agency	New Agency	Employees
46	Provision of regulatory services for bus, rail and marine safety.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
47	Coordination of the delivery of major transport and infrastructure projects.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
48	Transport Projects Division in support of transport functions listed in items 40 to 47.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
49	Provision of transport infringement and enforcement, CCTV, insurance and Over - dimensional regulatory services.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	

Item	Column 1 Transferred functions	Column 2 Old Agency	Column 3 New Agency	Column 4 Employees

	Column 1	Column 2	Column 3	Column 4
Item	Transferred functions	Old Agency	New Agency	Employees
50	Transport and Planning Properties.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
51	Provision of support to the functions listed in items 40 to 47.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
52	Provision of strategic and operational human resource services and accommodation and facilities management.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
53	Provision of strategic communications services, including strategies, events, media, design, online and internal communications.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	

Item	Column 1 Transferred functions	Column 2 Old Agency	Column 3 New Agency	Column 4 Employees
54	Provision of information communications technology strategy and services, governance and information management services.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
55	Provision of corporate planning, cabinet, parliamentary, audit and risk services.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
56	Provision of legal and legislation services, including FOI and privacy.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	

	Column 1	Column 2	Column 3	Column 4
Item	Transferred functions	Old Agency	New Agency	Employees
57	Provision of financial services, including tax, accounting, budget, reporting, and procurement.	Department of Transport, Planning and Local Infrastructure	Department of Economic Development, Jobs, Transport and Resources	
58	Provision of services to support the Public Interest Monitor.	Department of Justice	Department of Premier and Cabinet	
59	Provision of advice and support on integrity matters.	Department of Justice	Department of Premier and Cabinet	
60	Provision of: <ul style="list-style-type: none"> • strategic whole of government advice on the management of industrial relations in the public sector; • analysis and advice to government on the renegotiation of major and minor enterprise agreements; and • advice and assistance on private sector industrial relations matters, support government participation in the national industrial relations system and prepare submissions to major industrial relations reviews and inquiries. 	Department of Treasury and Finance	Department of Economic Development, Jobs, Transport and Resources	
61	Corporate support services required to support the functions listed in item 60.	Department of Treasury and Finance	Department of Economic Development, Jobs, Transport and Resources	
62	Victorian Competition and Efficiency Commission secretariat functions.	Department of Treasury and Finance	Department of Premier and Cabinet	

Item	Column 1 Transferred functions	Column 2 Old Agency	Column 3 New Agency	Column 4 Employees
63	Corporate services functions required to support the functions listed in item 62.	Department of Treasury and Finance	Department of Premier and Cabinet	
64	Provision of policy advice, and support for stakeholder engagement, on equality issues.	Department of Health	Department of Premier and Cabinet	

Questions taken on notice**Legal and Social Issues Committee – Inquiry into the Machinery of Government Changes**

Department of Environment, Land, Water and Planning**1. In relation to the Local Government Act review, what is the timeline for any reforms?**

The review of the Local Government Act commenced in 2015 with the release of a Discussion Paper and establishment of a website www.yourcouncilyourcommunity.vic.gov.au in September. This has been accompanied by research papers that have been placed on the website, community forums and technical working groups drawing on expertise from the sector. A further round of consultation on reform directions is planned for later in 2016 followed by development of the new legislative framework, including release of an exposure draft of a bill, in 2017. It is the Government's intention to have the new legislation introduced into the Parliament in 2017.

Rec. 21/4/16



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Hon Edward O'Donohue MLC
Chair, Legal and Social Issues Committee
Parliament of Victoria
Parliament House
Spring Street
EAST MELBOURNE VIC 3002

Dear Mr O'Donohue

INQUIRY INTO MACHINERY OF GOVERNMENT CHANGES

I refer to the public hearing held by the Legal and Social Issues Committee on 16 March 2016, as part of the Inquiry into Machinery of Government Changes.

In providing evidence to the Committee, I took on notice questions relating to:

- the number of people in the department who were in acting roles as at the date of the organisational review
- the number of people in the department who were in acting roles as at the end of the last calendar year; and
- whether there are still any either acting or unfilled positions

I can advise the committee that at 3 September 2015, the date of implementation of the organisational review, 237 people were in acting roles. By 31 December 2015, this figure was 267.

At 31 March 2016, the most recent data shows the number of people in acting roles has fallen to 215.

Vacancies arise out of usual attrition and movement, and so a number of employees will always be acting in other roles. Of DEDJTR's approximately 3300 positions, 224 positions (6.8%) were vacant and in the process of being filled at 31 March 2016.

Please contact me if the Committee requires any further information regarding this matter.

Yours sincerely

Richard Bolt
Secretary

11/4/16



A3

Appendix 4
**Department structure
comparison – 57th and
58th Parliaments**

A4

VICTORIAN GOVERNMENT DEPARTMENT STRUCTURE
57TH AND 58TH PARLIAMENT COMPARISON

Key: New portfolio
Extinct or merged portfolio

	58TH PARLIAMENT	57TH PARLIAMENT		
PREMIER AND CABINET	Premier	Premier	PREMIER AND CABINET	
	Deputy Premier	Deputy Premier		
ECONOMIC DEVELOPMENT, JOBS, TRANSPORT AND RESOURCES	Special Minister of State		TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE	
	Aboriginal Affairs	Aboriginal Affairs		
	Equality			
	Multicultural Affairs	Multicultural Affairs and Citizenship		
	Family Violence Prevention			
	Veterans	Veterans Affairs		
		Arts		
	Women	Women's Affairs		HUMAN SERVICES
	Public Transport	Public Transport		STATE DEVELOPMENT, BUSINESS AND INNOVATION
	Ports	Ports		
Roads and Road Safety	Roads			
Employment	Employment and Trade (from 13 Mar 2013)			
Energy and Resources	Energy and Resources			
Industry				
Regional Development	Manufacturing (to 13 Mar 2013) Regional and Rural Development Regional Cities State Development (from 13 Mar 2013)			
Small Business, Innovation and Trade	Small Business (from 17 Mar 2014) Innovation (to 17 Mar 2014)			
Tourism and Major Events (including major sporting events)	Tourism and Major Events			
Agriculture	Major Projects Technology Aviation Industry	ENVIRONMENT AND PRIMARY INDUSTRIES		
Creative Industries	Agriculture and Food Security			
EDUCATION AND TRAINING	Education	Education	EDUCATION AND EARLY CHILDHOOD	
	Training and Skills			
	Families and Children (in respect of children and early years responsibilities)	Children and Early Childhood Development Higher Education and Skills Teaching (to 17 Mar 2014)		
ENVIRONMENT, LAND, WATER AND PLANNING	Environment, Climate Change and Water	Environment and Climate Change Water	ENVIRONMENT AND PRIMARY INDUSTRIES	
	Local Government	Local Government	TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE	
	Planning	Planning		
HEALTH AND HUMAN SERVICES	Health	Health	HEALTH	
	Ambulance Services Families and Children Housing, Disability and Ageing			
	Mental Health	Ageing Mental Health	TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE	
	Sport (except for major sporting events)	Sport and Recreation		
	Youth Affairs	Youth Affairs	HUMAN SERVICES	
		Community Services Disability Services and Reform Housing		
JUSTICE AND REGULATION	Attorney-General	Attorney-General	JUSTICE	
	Consumer Affairs, Gaming and Liquor Regulation	Liquor and Gaming Regulation (from 2013) Consumer Affairs		
	Corrections	Corrections		
	Emergency Services			
	Police	Police and Emergency Services		
	Racing	Racing Crime Prevention Bushfire Reponse Responsible for IBAC (from 13 Mar 2013)		
TREASURY AND FINANCE	Treasurer	Finance	TREASURY AND FINANCE	
	Finance	Industrial Relations (from 13 Mar 2013)		
	Roads and Road Safety (in respect of the Transport Accident Commission)			

