



# PARLIAMENT OF VICTORIA

Legislative Council

Legal and Social Issues Committee

## Inquiry into machinery of government changes

Interim Report

Parliament of Victoria  
**Legal and Social Issues Committee**

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# Chair's foreword

I am pleased to present the *Machinery of Government: Interim Report* to the Legislative Council.

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

The interim report updates the Legislative Council on the evidence the Committee has gathered so far and raises issues about the current methods of reporting machinery of government ("MOG") changes in Victoria.

I am concerned about the lack of consistency in reporting and assessing MOG changes.

In order to assess the effectiveness of any government restructure it is important that government agencies have in place a transparent, objective reporting process. Reporting of costs should be aligned against a set of agreed benchmarks. Currently, such a set of criteria does not appear to exist.

The lack of consistency is illustrated by the different and contradictory evidence provided by government to this Inquiry and separately to the Public Accounts and Estimates Committee.

I am also concerned that the full MOG costs are not understood. The Committee was told repeatedly that many costs are 'absorbed in existing budgets'. However, little explanation about the impact on service provision of absorbing these costs was provided.

In 2016 the Committee will seek further information about the outcomes of the November 2014 restructure and ongoing machinery of government costs in order to report on the long term effectiveness of the changes that were made. The Committee may also examine what models exist to improve the transparency and consistency of reporting of the MOG costs.

I would like to thank the Departmental Secretaries and other senior staff who appeared at the Committee's Hearing, provided a submission 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.



**Hon Edward O'Donohue MLC**  
**Chair**





# Introduction

Following the November 2014 election, the newly elected Victorian Government undertook a departmental restructure, which saw nine departments merged into seven, a reallocation of functions between departments and a number of changes to Ministerial portfolios. The details of this restructure can be found at Appendix 4.

On 27 May 2015, the Legislative Council passed a motion that the Legal and Social Issues Committee inquire into machinery of government changes. The Committee is to provide a Final Report to Parliament in May 2016. This Interim Report flags preliminary issues investigated by the Committee.

Although machinery of government changes may take place at any time during a parliamentary term they are common practice following a change of government.

The purpose of machinery of government changes is to better position the government to meet existing and emerging policy challenges and goals.<sup>1</sup> Machinery of government changes allow the government to arrange functions in a way that it believes will assist in delivering its policy priorities. The changes are intended to ensure that there is a structure in place that facilitates the execution of the new Government's mandate. Machinery of government changes include creating new departments or agencies, abolishing existing departments or restructuring functions and responsibilities and their allocation to Ministerial portfolios.

The challenges for the bureaucracy in executing machinery of government changes can include lack of time for planning and implementing a restructure. A report by the Institute for Government on machinery of government changes in Whitehall departments found that other issues may include lack of funding, overloaded staff and minimal central support.<sup>2</sup> Evidence on those issues was not sought and did not form part of the Committee's Terms of Reference.

The opportunities arising from machinery of government changes include: greater synergies between related policy or service delivery areas being located within the same department; economies of scale in relation to highly specialised services; and/or avoidance of diseconomies of scale.

Generally, major machinery of government changes are associated with substantial cost expenditure, as financial implications involve funding practical considerations, ranging from stationery changes and office allocations to employment and staffing arrangements. The Committee believes that changes that are not properly planned or executed may result in greater cost expenditure.

It is important for government to monitor and make transparent any changes undertaken in order to evaluate their effectiveness and determine whether and where the process may have been executed more efficiently.

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1 Institute for Government, *Making and Breaking Whitehall Departments - A guide to machinery of government changes*, May 2010, pp. 3 & 7.

2 *ibid.*, p. 2.

The Committee believes that it is also good practice to examine machinery of government changes to determine the benefits or otherwise that have been achieved, and to identify improvements that could be made to the process.

Because of the lack of consistency in reporting on machinery of government changes there is a lack of consistent criteria for assessing changes. To assess the success and value of machinery of government changes it may be useful to identify a set of reporting criteria that could be used to evaluate them. The framework could be used for future ongoing monitoring, including regular cost reporting.

The purpose of this Inquiry is to examine the process, cost and effectiveness of the machinery of government changes made following the November 2014 election.

Machinery of government changes can impose substantial costs to the public. These costs and the extent to which machinery of government changes result in identifiable policy and service delivery gains, or otherwise, should be the ongoing subject of examination.

## 1.1 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 machinery of government 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 (Machinery of Government changes) following the November 2014 election.

## 1.2 Submissions

The Committee received two whole-of-government submissions to the Inquiry into machinery of government changes – one submission on costs and one statement on machinery of government changes. One submission outlines estimated costs associated with the machinery of government changes, the other is a departmental overview of the changes. The submissions are attached at Appendix 1.

## 1.3 Subcommittee

On 24 June 2015, the Committee agreed to establish a subcommittee of three Members to receive evidence on 21 July 2015 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.

## 1.4 Hearings

The subcommittee held a public hearing at Parliament House in Melbourne on 21 July 2015, receiving evidence 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.

The Committee will hold further hearings for this Inquiry as required.

## 1.5 Further information

The Department of Education and Training provided follow up information to the Inquiry which updated the Committee on machinery of government related issues for their portfolio. This information can be found at Appendix 3.

# 2

## Overview of machinery of government changes

On 4 December 2014, the Premier announced a number of machinery of government 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 machinery of government 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 Department of Education and Training (DET) retained the portfolios of Families and Children, Education and Training and Skills. However, the Department was renamed to reflect the Government's priorities.

The Department of Health and Human Services (DHHS) brought together officers from the former Departments of Health, Human Services and Sport and Recreation Victoria. The medical research functions from the former Department of State Development, Business and Innovation were also transferred to the new Department. The portfolios DHHS support are Health, Ambulance Services, Families and Children, Housing, Disability and Ageing, Mental Health, Sport and Youth Affairs.

The Department of Environment, Land, Water and Planning (DELWP) was created, bringing together the portfolio areas of Environment, Climate Change, and Water from the former Department of Environment and Primary Industries and the portfolios of Planning and Local Government from the former Department of Transport, Planning and Local Infrastructure.

Six bodies were transferred from the Department of Justice and Regulation (DJR) to the Department of Premier and Cabinet (DPC). Namely the Freedom of Information Commissioner, the Independent Broad-based Anti-corruption Commission, the Commissioner for Privacy and Data Protection, the Public Interest Monitor, the Victorian Inspectorate and the Victorian Electoral

Commission. Four 'outputs' were shifted out of the department - privacy regulation, the state electoral role and elections, anticorruption and public sector integrity.

The Department of Economic Development, Jobs, Transport and Resources (DEDJTR) was created from portfolio areas formerly across five Departments. The agriculture, forestry and fisheries functions from the former Department of Environment and Primary Industries; all of the former Department of State Development, Business and Innovation; the transport function from the former Department of Transport, Planning and Local Infrastructure; Arts Victoria from DPC; and Industrial Relations Victoria from the Department of Treasury and Finance (DTF). On 7 January 2015, the Linking Melbourne Authority, which was directed to manage the East West Link project, was disbanded.<sup>3</sup> In the Premier's statement on 4 December 2014 announcing machinery of government changes he indicated that DPC would assume responsibility for Major Projects Victoria. Mr Chris Eccles, Secretary of DPC advised the Committee that subsequently the government made a policy decision that this would not occur.<sup>4</sup> This new Department serves nine Ministers and 13 portfolios.

The Department of Treasury and Finance experienced minimal machinery of government changes. Their workplace relations function moved to the new DEDJTR, the Victorian Competition and Efficiency Commission (VCEC) moved to DPC and CenITex moved from the former DSDBI to the DTF portfolio.

Changes to the Department of Premier and Cabinet included the establishment of the prevention of family violence function, establishment of the equality function, support for the creation of Infrastructure Victoria and the transfer of the Office for Women into the Department. DPC also now provides support in relation to the Auditor-General, the Commissioner for Privacy and Data Protection, the Freedom of Information Commissioner, the Independent Broad-based Anti-corruption Commission, the Local Government Investigations and Compliance Inspectorate, the Public Interest monitor, the Victorian Electoral Commission, the Victorian Competition and Efficiency Commission (which has subsequently been discontinued), and the Victorian Inspectorate. Public sector ICT and Digital Government were transferred into DPC. DPC also resumed responsibility for the Port Transaction Unit and the establishment of Service Victoria. Arts Victoria was transferred out of DPC.

<sup>3</sup> Acting Minister for Roads, *Media Release*, 7 January 2015 'Linking Melbourne Authority to be Disbanded'.

<sup>4</sup> Mr Chris Eccles, Department of Premier and Cabinet, *Transcript of Evidence*, 21 July 2015, p. 60.

## 2.1 Rationale for the machinery of government changes

The whole-of-government statement (Submission No 2) sets out the rationale for the machinery of government changes. They are principally to assist the Government in achieving its objectives through:

- Improving service delivery
- Supporting economic development priorities
- Managing Victoria's natural and built environments
- Increasing accountability and transparency in government (see Appendix 1).





# 3 Machinery of government changes: key issues

The key areas the Committee has initially examined in relation to the November 2014 machinery of government changes include determination of costs; relocations resulting from changes; and structure and staffing developments. These are considered below.

3

## 3.1 Reported costs

The whole-of-government submission to the Committee reported the Government's estimated direct costs for each Department associated with the machinery of government changes. In their submission the Government indicated that costs involved with implementing the machinery of government changes include both direct and indirect costs and stated that these are generally absorbed within existing budgets.<sup>5</sup> In its submission, the Government stated that it has reported only the direct costs which were incurred over and above 'business-as-usual' costs and that can be solely attributed to implementing the machinery of government changes.<sup>6</sup>

Figures reported in the whole-of-government submission differ to those provided to the Victorian Parliament's Public Accounts and Estimates Committee (PAEC) for their Report on the 2015-16 Budget Estimates.

A summary of the reported costs to this Inquiry and PAEC is shown in Table 3.1, below. Full details of Departmental expenditure in specific fields is provided in the Government's submission on costs (Submission No 1) at Appendix 1.

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5 State Government of Victoria (2015) *Submission 1*, p. 1.

6 *ibid.*

**Table 3.1** Direct costs associated with machinery of government changes, 30 November 2014 to 31 May 2015

Department	Total direct costs reported to PAEC in June (11 to 26) 2015 (\$)	Total direct costs reported to LSIC on 21 July 2015 (for 30 Nov 2014 to 31 May 2015) (\$)
Economic Development, Jobs, Transport and Resources	Estimate of 1.5 to 2 million	1,302,507
Education and Training	N/A	10,200
Environment, Land, Water and Planning	70,000	770,568
Health and Human Services	150,000	618,000
Justice and Regulation	0	0
Premier and Cabinet	Reported "costs involved in implementing changes are absorbed within existing budgets"	341,430
Treasury and Finance	Reported no costs incurred	23,000
<b>TOTAL</b>		<b>3,065,705</b>

The Government indicated to the Committee that differences in the figures reported to this Inquiry compared to the figures reported to PAEC (in response to their 2015-16 Budget Estimates Questionnaire) can be explained by "the ongoing realignment of administrative structures" which continued to be undertaken by the departments most effected by the machinery of government changes.<sup>7</sup> The Committee notes, however, that there was only a six week time difference between the submissions to PAEC and the whole-of-government submission to the Committee.

In the whole-of-government submission on costs to this Inquiry (see Appendix 1) the explanations provided for the cost differences reported are not set against any consistent, established or agreed criteria. The reported cost discrepancies for each department are examined in further detail in section 3.2 of this Report.

### Indirect costs

The Government believes that impacts on service delivery arising from the machinery of government changes will be minimal. The whole-of-government submission indicated that:

As the MOG changes are largely an administrative process, productivity losses in service delivery or advisory functions are negligible.<sup>8</sup>

<sup>7</sup> *ibid.*

<sup>8</sup> *ibid.*, p. 5.

## 3.2 Discrepancies in reported costs

The cost discrepancies between the figures reported to this Inquiry and those reported to PAEC in response to their 2015-16 Budget Estimates Questionnaire are outlined by department below. The submission reporting expenditure to this Inquiry was received on 21 July 2015. PAEC received responses on this question from each department between 11 June 2015 and 26 June 2015.<sup>9</sup>

### Department of Economic Development, Jobs, Transport and Resources

DEDJTR explained that the estimated figures provided to the two Inquiries covered different time periods. The estimated figures provided to PAEC were for the 2014-15 year and the figures provided to this Inquiry were for the six month period ending May 2015. Furthermore, DEDJTR did not include the cost of consultants when reporting to PAEC and stated that they reported them in a subsequent question for PAECs Budget Estimates Inquiry.

### Department of Education and Training

DET reported to PAEC that they had not been affected by the machinery of government changes, however subsequent to reporting to PAEC, the department incurred some costs associated with its name change, which is reflected in the \$10,200 reported to this Inquiry for 'Physical rebranding'.

### Department of Environment, Land, Water and Planning

DELWP reported \$70,000 in costs attributable to machinery of government changes to PAEC on 22 June 2015 and one month later, on 21 July 2015, reported to this Inquiry \$770,568 in costs attributable to machinery of government changes. Their reasoning for this increase of \$700,000 was that the department had only incurred costs relating to signage and other related material when they reported to PAEC and that they incurred additional costs following that.

### Department of Health and Human Services

DHHS reported costs of \$150,000 attributable to the transfer of staff to PAEC and reported costs of \$618,000 to this Inquiry. They stated that costs reported to PAEC were confined to the transfer of staff despite PAECs request for information about "what impact these changes [machinery of government] had on departments' output expenses".<sup>10</sup>

On 19 August 2015, the Minister for Families and Children, Ms Jenny Mikakos, stated that the then Secretary of the Department of Health and Human Services, Dr Pradeep Philip, announced a restructure of the department the previous

<sup>9</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2015-16 Budget Estimates*, November 2015, p. 7.

<sup>10</sup> *ibid.*, p. 140.

week.<sup>11</sup> At the Committee's Hearing in July, just days before this announcement, Dr Philip did not indicate that a restructure was imminent. The Committee has not received an update outlining the costs or details of this further restructure.

### Department of Justice and Regulation

DJR consistently reported no direct costs attributable to the machinery of government changes to both Inquiries.

### Department of Premier and Cabinet

DPC reported to PAEC that costs involved in implementing machinery of government changes were absorbed within existing budgets. They reported an expenditure of \$341,430 to this Inquiry stating that their statement to PAEC remains the case and that costs that could be attributed to machinery of government changes were extracted.

### Department of Treasury and Finance

DTF reported to PAEC on 12 June 2015, that they had not incurred any direct costs associated with machinery of government changes at the time of reporting. They stated that the discrepancy in that response and the \$23,000 in costs reported to this Inquiry on 21 July 2015 reflected the timing of their reporting to PAEC.

In his evidence to the Committee, Mr David Martine, Secretary of DTF stated that:

The view that is always taken is that any costs that are incurred — and generally they are not substantive — are generally met by the relevant departments.<sup>12</sup>

He went on to further state that:

...there has not been a budget hit or impact as a result of the MOG changes in the departments. As normal, we are required to absorb all the costs.<sup>13</sup>

The Committee is concerned that the central agency approach that costs are “absorbed” may lead to a failure by Departments to identify and track costs transparently.

The Committee believes that closer monitoring of the process of implementation of change is important and must be supported by accurate recording of costs. Scrutiny of the process, objectives and understood criteria surrounding costs associated with machinery of government changes would be assisted by the development of a clear framework for ongoing reporting.

Discrepancies in reported costs raise concerns about the government's approach to reporting on changes.

11 J. Mikakos, Minister for Families and Children (2015) 'Questions without Notice', *Debates*, Victoria, Legislative Council, 19 August, p. 2565.

12 Mr David Martine, Department of Treasury and Finance, *Transcript of Evidence*, 21 July 2015, p. 47.

13 *ibid.*

This inconsistent and unclear approach to reporting costs compares to the approach at Whitehall where expenditure in areas is reported by each department in the following:

- Accommodation
- HR systems integration
- IT investment
- IT integration
- Differential pay settlement
- Productivity.<sup>14</sup>

The Committee also notes that departments did not include staff time in cost estimates to either the Public Accounts and Estimates Committee or to this Committee. The Committee believes that a substantial cost (or opportunity cost) of machinery of government changes lies with costs in staff time.

Mechanisms for long term, ongoing assessment are required in Victoria. The Committee notes Recommendation 39 of the PAEC Report, 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 machinery of government 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.<sup>15</sup>

Based on the evidence gathered by the Committee the approach of departments to understand and report on changes seems to differ substantially from department to department and from inquiry to inquiry. This is to the detriment of accountability and public transparency.

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<sup>14</sup> Institute for Government, *Making and Breaking Whitehall Departments - A guide to machinery of government changes*, May 2010, pp. 51, 59, 66 & 74.

<sup>15</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2015-16 Budget Estimates*, November 2015, p. 142.



# 4 Issues to be further considered by the Committee

The purpose of this Interim Report is to provide information to the Parliament about the machinery of government changes following the November 2014 election.

The Committee may seek further advice from departments in 2016. In its Final Report, to be published in May 2016, the Committee will return to questions about the effectiveness of the changes.

The Report may discuss the extent to which policy goals that drove the machinery of government changes have been achieved, the criteria that should be used to determine the success and effectiveness of the changes made and how best these changes can be monitored in the long-term.

The Committee recognises that it will sometimes be difficult to clearly identify the impact of a machinery of government change on service delivery effectiveness and outcomes.

The Committee may consider the following issues in its Final Report in 2016:

- Benefits of the machinery of government changes and the effectiveness of the changes in supporting Government
- Costs associated with the machinery of government changes, including longer term cost implications (positive or negative)
- The accuracy and recording of costs
- Inconsistencies identified and explored, for example, different responses to PAEC and this Inquiry
- Any further changes
- Internal departmental restructures, office relocations and departmental staffing
- Development of a framework for monitoring the implementation of machinery of government change
- Development of best practice processes for evaluating machinery of government changes, including comparisons to other jurisdictions
- Constraints on achieving effective machinery of government changes.

The Committee is concerned with ensuring government departments maintain best practice in reporting on machinery of government changes. The Committee believes that machinery of government changes should be reported accurately and consistently across all departments according to objective standards. This would assist in quantifying costs, comparing efficiencies, determining best practice for the future and ensuring changes are driven by innovation rather than politics.





# Appendix 1

## Submissions

### Index of submissions

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2. Machinery of Government Changes: Whole of Victorian government statement	22



# 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.

**A. Department of Health & Human Services**

	<i>30/11/14 - 31/5/15</i>
<b>Direct Costs</b>	<b>Cost (\$)</b>
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
<b>TOTAL</b>	<b>618,000</b>

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**

	<i>30/11/14- 31/5/15</i>
<b>Direct Costs</b>	<b>Cost (\$)</b>
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
<b>TOTAL</b>	<b>1,302,507</b>

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.

**C. Department of Environment, Land, Water & Planning**

	30/11/14- 31/5/15
<b>Direct Costs</b>	<b>Cost (\$)</b>
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
<b>TOTAL</b>	<b>770,568</b>

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
<b>Direct Costs</b>	<b>Cost (\$)</b>
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
<b>TOTAL</b>	<b>341,430</b>

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.

**E. Department of Treasury & Finance**

	30/11/14 - 31/5/15
<b>Direct Costs</b>	<b>Cost (\$)</b>
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
<b>TOTAL</b>	<b>23,000</b>

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
<b>Direct Costs</b>	<b>Cost (\$)</b>
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
<b>TOTAL</b>	<b>10,200</b>

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.

**G. Department of Justice & Regulation**

	30/11/14- 31/5/15
<b>Direct Costs</b>	<b>Cost (\$)</b>
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
<b>TOTAL</b>	<b>0</b>

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.



## 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.

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.

### **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.

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).

# Appendix 2

## Public Hearing: Transcripts of evidence

**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



# TRANSCRIPT

## STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

### Subcommittee

#### Inquiry into machinery of government changes

Melbourne — 21 July 2015

#### 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

Ms Gill Callister, Secretary, Department of Education and Training.

**The CHAIR** — I declare open this public hearing of the Legislative Council legal and social issues committee. This hearing is in relation to the machinery of government inquiry. I welcome Ms Gill Callister, the Secretary of the Department of Education and Training. Thank you, Ms Callister, for making yourself available for this hearing.

I 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 the information you give today is protected by law. However, any comment repeated outside this hearing may not be so protected. All evidence is being recorded. You will be provided with a proof version of the transcript in the next couple of days.

We have allowed half an hour for this session. To ensure there is sufficient time for questions the committee asks that any opening comments be kept to approximately 5 to 10 minutes. We invite you to make an opening statement. Thank you again for your presence this morning.

**Ms CALLISTER** — Thank you, Chair. I do have very short opening comments. Good morning. I appear before the committee in my capacity as the Secretary of the Department of Education and Training and as a representative of the ministers for the education and training portfolio. I understand that the purpose of my attendance is to give evidence regarding the process, cost and effectiveness of any changes that resulted from machinery of government changes following the November 2014 election.

On 4 December 2014 the Premier announced a number of machinery of government changes to be effective 1 January 2015. For my department, the Department of Education and Training, portfolios were established for the Minister for Families and Children, the Minister for Education and the Minister for Training and Skills. The impact of these changes were minimal for the Department of Education and Training as all of the previous functions in the department were retained and no structural changes were required. The only practical change was the renaming of the department to the Department of Education and Training from the previous name of the Department of Education and Early Childhood Development. That renaming of the department was designed to reflect the government's priorities with respect to improving social service delivery and driving Victoria's economic development.

The process to rename the department was straightforward. The department had the capability and the capacity to complete the tasks through business-as-usual activities. The estimated cost to rename the department was \$10 200. That estimated cost comprises the write-off of some redundant stock of stationery. While most of our stationery is held electronically, there is a small stock of printed items such as envelopes and business cards that were then written off. Essentially, given there were no functions removed from the department and no functions brought into the department and the essential focus was on that renaming of the department, that is the extent to which any machinery of government changes have affected us. I leave my opening comments there.

**The CHAIR** — Thank you, Ms Callister. I take this opportunity to introduce members of the committee who are present today. Mr Melhem will be joining us shortly. There is Mr Mulino, me, Mr Rich-Phillips and Mrs Peulich. I will hand over to Mr Rich-Phillips for the first question.

**Mr RICH-PHILLIPS** — Ms Callister, welcome. I do not have a lot of questions with respect to the education department, obviously on the back of what you have said about machinery of government and there not being interdepartmental transfers with respect to your department. But with respect to the structure within your department, you have had a number of different ministerial portfolios appointed that your department is responsible to. Have you made any internal changes to the structure of your department or are you planning to make any internal changes to the structure of your department?

**Ms CALLISTER** — I have not made any significant internal changes to the structure of the department at this point. From time to time secretaries will make structural changes depending on the emphasis that we want to give to particular functions or, in my case, whether I think I have enough dedicated capacity around particular functions. I have created an assistant deputy secretary position, early childhood, to bring a stronger focus to how we are working in the early childhood area, but I would not call that a particularly large structural change. It is about bringing a more senior emphasis to that part of the portfolio. As I said, I have not made any structural changes at this point. I may at some point. It is not something I have a current plan for.



**Mr RICH-PHILLIPS** — In respect of the current structure, how many direct reports do you have as secretary? I assume they are at the deputy secretary level.

**Ms CALLISTER** — I have seven direct reports, and I have said that the new head of the integrity division will also report to me, so that will be eight.

**Mr RICH-PHILLIPS** — I wanted to come to the issue of integrity. Obviously there has been some public discourse around issues in previous iterations of your department and you have said you will make some changes with respect to that. Can you outline to the committee what you are proposing around integrity in view of some of those public disclosures to date?

**Ms CALLISTER** — I think that is pretty well outlined in the statement that I made to the IBAC hearing, which is a public statement now. There are a large number of commitments in that statement about how the department will go forward, both in a systems sense and in a culture sense, right from the department through to the school system about how we improve integrity. One of those, as I said, is the creation of a separate integrity division in the department with a direct report to the secretary. There is a whole range of other commitments in that statement that I have made publicly that I think speak for themselves about the way we are taking things forward.

**Mr RICH-PHILLIPS** — Just on the structural aspect, will the integrity division be headed by a deputy secretary at the dep sec level, so on a peer level with your other seven dep secs?

**Ms CALLISTER** — We are currently considering the best way to head up that division. It will certainly be a very senior position.

**Mr RICH-PHILLIPS** — Close to you? Close to the secretary's office, so there is the direct — —

**Ms CALLISTER** — That is right.

**Mr RICH-PHILLIPS** — Just with respect to costs outlined, the submission from the secretary of DPC came through last night. You referred to 10 200 in the submission for direct costs. I note that when PAEC asked for costs with respect to MOG changes, they were advised at that time that there had not been any costs. Ten thousand two hundred seems very low. I note you said that it is the write-off of stationery — business cards for 100 people would cost \$10 000. Does that reflect the full cost of all your senior people getting new stationery, new business cards et cetera, plus physically changing signage and — —

**Ms CALLISTER** — To the best of my knowledge, it does. Yes, to the best of my knowledge, that is essentially our costs.

**Mr RICH-PHILLIPS** — Are your syndicates still using old stationery? Is it literally on a replacement need basis? Would there still be old stationery in circulation? It just seems very low, business cards for 100 people. I assume you have more than 100 people with business cards, for example?

**Ms CALLISTER** — I am not sure about that. The old stationery that might be in circulation might be being used internally, for internal kind of use, but new stationery would have to be used for public use. But as I said, most of that is electronic; we try and not have too much pre-printed stationery. And I did ask the question about signage, and we have not gone to changed signage.

**Mr RICH-PHILLIPS** — Thank you.

**The CHAIR** — That will come down the track, presumably.

**Ms CALLISTER** — It may.

**Mr MULINO** — Thank you very much for making time for the hearing, Ms Callister; I know that you are very busy. As you said, your department was not affected in a particularly significant way given that there were not interdepartmental transfers. But I was wondering if you have views about some areas in other departments that you might have interactions with in a policy sense. I was thinking, for example, of some areas in DEDJTR like industry, employment, trade and innovation. Some of the changes in that department, for example, are

trying to bring together areas that might have synergies and where alignment might be useful. Do you see potentially some indirect benefits in the way in which you might interact with other policy areas?

**Ms CALLISTER** — Yes. So we are building a strong relationship with DEDJTR around particularly the role of education and higher education and skills in building stronger economic outcomes and agenda. Certainly education plays a very strong role in both the social fabric of the community but also the economic fabric, and our role in the VET system and the higher education system is quite critical to a lot of what DEDJTR do, so we have a strong relationship with that department and are looking for those connections quite actively. The secretary and I have met on a number of occasions about that.

**Mr MULINO** — Good. Thanks.

**Mrs PEULICH** — Congratulations on heading up what I think is an exciting opportunity.

**Ms CALLISTER** — Thank you.

**Mrs PEULICH** — Just a couple of questions. One of the challenges for any head of department in education is managing its physical resources — assets, schools, maintenance — and the interface between capital works and maintenance needs and maintaining a track of maintenance needs and funding. Are you implementing any new processes for dealing with those challenges?

**Ms CALLISTER** — Not at this stage. I have not looked at any particularly new structural changes around capital, other than we have a very strong focus on our building program. There are a number of new capital programs for schools, and capital investment for schools, so there is certainly an increased emphasis in that area. What we have done is increased the capacity there so we can deliver on that bigger capital program.

**Mrs PEULICH** — So is your plan to continue with regular audits of schools' maintenance needs as a process for the department to inform its decision-making?

**Ms CALLISTER** — Yes.

**Mrs PEULICH** — Annual? An annual audit?

**Ms CALLISTER** — I would have to take that on notice. We have just recently done a very large piece of work to get a picture of the maintenance needs of schools across the state.

**Mrs PEULICH** — So you have undertaken a full audit since the change of government?

**Ms CALLISTER** — No, I think that has happened over the previous 12 months. So I think we have a good picture of the current — —

**Mrs PEULICH** — So the one that was undertaken by the previous government?

**Ms CALLISTER** — Yes.

**Mr MULINO** — Chair, can I just ask for a bit of clarity about the scope of what we are looking at today and just whether or not internal processes around capital management are really a machinery of government change? Because this was something that was within the department's purview previously; the machinery of government has not changed that. I just want to be careful about us veering off into all sorts of policy issues.

**Mrs PEULICH** — If it covers process cost and effectiveness — —

**Mr MULINO** — If it — —

**The CHAIR** — With regard to the point of order which I think you are making, this is fundamentally an inquiry about machinery of government changes of course. Members have the opportunity to confirm that certain things they may have knowledge of have not changed, and I think that is what Mrs Peulich was doing. But this is an inquiry about the machinery of government changes, so I do not uphold the point of order. I think Ms Callister has answered the question from Mrs Peulich.

**Mrs PEULICH** — Thank you. Just more question, if I may. We were recently briefed on the broad role of Infrastructure Victoria and learnt that indeed it covers social infrastructure as well. So in terms of the changes to the machinery of your department, it clearly has a strategic role, a coordinating role. Have you considered how that may impact upon your department and how you would interface with that body?

**Ms CALLISTER** — Infrastructure Victoria is being developed. There has been some early consultation with secretaries. I would say I will wait to see how Infrastructure Victoria is actually bedded down and understand then what the right synergies and interface will be with education. I could not yet give you a firm view about that.

**Mr MULINO** — Just to reinforce a point you have already made, we have basically said machinery of government changes after almost every change of government, and this is governments trying to — largely what they are trying to do, of course, is realign policy arms together so they work better. One of the incidental impacts can be stationery, for example, but it sounds like what you are saying is that those kinds of costs can be pretty effectively managed by departments, given that they are moving more and more towards electronic documents, and it does sound like that is a pretty minor issue for the department.

**Ms CALLISTER** — I think it has been a minor issue for the Department of Education and Training.

**Mr RICH-PHILLIPS** — Ms Callister, I have another question with respect to a cost issue we are seeking clarification on. It relates to a contract your department has recently concluded. I will give you the number, which may not mean much to you, but CW6938, which was a six-week, or thereabouts, engagement from late May to early July with the company Bevington Consulting Pty Ltd for \$121 979 for what is described as ‘understanding the role of senior advisors’. That is the published description of this particular engagement. I am keen to understand what that is about. I am assuming that relates to interaction between the department and government. Are you able to clarify the nature of that engagement?

**Ms CALLISTER** — I think it will be better if I take it on notice in order to be absolutely accurate, but just to be clear, the senior advisers that I believe to the best of my knowledge that it is about are the senior advisers to schools that we have out in our regions. So I believe this is about the role of our senior advisers who we have had in place for quite some time.

**Mr RICH-PHILLIPS** — Do you want to take advice or receive advice?

**Ms CALLISTER** — I am just checking whether I am getting a nod or not. But I think it is probably best if I take it on notice to give the committee an accurate understanding.

**Mr RICH-PHILLIPS** — If we just clarify if it relates to schools — —

**Ms CALLISTER** — Yes, but to the best of my knowledge it is about the role of our senior advisers in regions who work with schools, just to be clear. That is what I believe. If I am wrong, I will correct it.

**Mr RICH-PHILLIPS** — Okay. Thank you.

**The CHAIR** — Ms Callister, thank you very much for your presentation this morning and for your answering of questions. I note that the committee is not required to table a final report prior to 1 May next year. If in the subsequent period your department determines that signage changes are necessary as a result of the name change referred to, advice to the committee about the costs associated with that would be appreciated and expected. Thank you for your presence this morning.

**Witness withdrew.**



# TRANSCRIPT

## STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

### Subcommittee

#### Inquiry into machinery of government changes

Melbourne — 21 July 2015

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#### Staff

Secretary: Ms Lilian Topic

Research officer: Ms Annemarie Burt

#### Witnesses

Dr Pradeep Philip, Secretary, and

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

**The CHAIR** — I declare open again this public hearing of the Legislative Council Legal and Social Issues Committee. This hearing is in relation to the machinery of government changes inquiry. I welcome Dr Pradeep Philip, Secretary of the Department of Health and Human Services, and Mr Lance Wallace, the deputy secretary.

I caution you both that 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 the information you give today is protected by law. However, any comment repeated outside this hearing may not be so protected. All evidence is being recorded. You will be provided with proof versions of the transcript in the next couple of days.

We have allowed half an hour for this session. To ensure there is sufficient time for questions, the committee asks that any opening comments be kept to 5 to 10 minutes. Members of the committee present today are Mr Melhem, Mr Mulino, Mr Rich-Phillips and Mrs Peulich. We welcome your statement, and thereafter the members will have questions. Thank you very much for your presence this morning.

**Dr PHILIP** — Thank you very much, Chair, and thank you for the invitation to be here. I might make just a few opening remarks, and I will keep them to a minimum.

As the committee would be aware, the Premier on 4 December last year announced a number of machinery of government changes effective from 1 January 2015. In particular the machinery of government changes created a new Department of Health and Human Services, bringing together people from the Department of Health, the Department of Human Services, and Sport and Recreation Victoria, and also the transfer of medical research functions from the former Department of State Development, Business and Innovation. These machinery of government changes are quite a common practice following a change of government, and it is a government's prerogative to make changes to government functions as it sees fit to deliver on its priorities.

At a higher level, the recent machinery of government changes are 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 and managing Victoria's built and natural environments, while increasing accountability and transparency of government.

Improving social service delivery was a major driver for the creation of the new Department of Health and Human Services. I understand that the government's intention of consolidating the former Department of Health, the Department of Human Services and Sport and Recreation Victoria was to better align functions with the following government policy objectives: firstly, to develop integrated and innovative policy service delivery responses which have a greater client focus, which seek to improve the health and wellbeing of Victorians and to tackle the issues associated with social disadvantage in a holistic manner; secondly, to strengthen the focus on prevention and early intervention by better linking universal health services with the more targeted and specialist services, particularly in human services and mental health; and thirdly, 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 and disability.

In terms of the logistics of this, the Premier is responsible for machinery of government changes that involve changes to portfolio and the transfer of functions and staff from one public service body to another, and, as the first minister's department, the Department of Premier and Cabinet has responsibility for overseeing the implementation of the Premier's machinery of government changes.

The Premier, as first minister of the government, has the power to make a general order to establish portfolios and to allocate ministerial responsibility for all Victorian legislation. That general order establishes a framework for all other machinery of government changes, including changes to departments and administrative offices, and the transfer of staff and their functions.

As I have mentioned at the start, the machinery of government changes were announced on 4 December 2014 with implementation required by 1 January 2015. The implementation process was overseen and coordinated with a whole-of-government IDC chaired by DPC. Departments, though, were individually responsible for working with DPC to develop relevant sections of the declaration made under section 30 of the Public Administration Act, procuring the agreement of secretaries — as employers — to the proposed transfer of staff and functions, and to work together to progress the transfer and consolidation of corporate services such as

payroll, IT et cetera, with the Department of Treasury and Finance on the realignment of the financial estimates for the new administrative structure.

With respect to the Department of Health and Human Services, the creation of this new department involved the amalgamation of approximately 1372 EFT from the former Department of Health, 9691 EFT from the former Department of Human Services, 63 EFT from the former Sport and Recreation Victoria, the transfer out to the Department of Premier and Cabinet of approximately 10 EFT related to the women's affairs and equality portfolio and the transfer of inner functions related to medical research without any staff transfer.

The implementation process needs to be seen within the context and history of the two former departments of health and human services. From 1996 to 2009 the former departments of health and human services had been amalgamated. In 2009 when the departments were separated they agreed to continue to be co-located in the same central and regional offices and to continue to use many common support functions. The common support services included payroll; financial systems; document management systems; administrative services such as mail, fleet and accommodation; and executive services, such as freedom of information, corporate integrity and ministerial support. The extent of these shared arrangements has minimised the scope of work involved in the amalgamation and creation of a new department.

As secretary, I established a transition process to oversee and implement the machinery of government changes, and that transition project operated from December 2014 until the end of March 2015. That project involved consultation with staff from the three former departments and focused on key priorities: firstly, finance, closing the accounts, developing the budget and identifying the relevant paperwork and processes needed; secondly, information management, ensuring we have system access and telephony, particularly for the Sport and Recreation Victoria staff; thirdly, our own communications informing staff and stakeholders of the changes; fourthly, around legal, ensuring that all the delegations had been put in place; fifthly, around people and culture, creating the new senior staff structure, new board arrangements and so forth; and finally, around administration, particularly accommodation for Sport and Recreation Victoria staff.

I can report that the implementation has proceeded smoothly without any significant impact at all. The new senior structure was announced on 19 December ahead of the 1 January start date, and delegations and other key legal and financial documents were legalised and finalised for the commencement of the department on 1 January.

In accordance with government policy, there were no forced redundancies associated with the machinery of government changes. I also contacted the secretary of the CPSU to communicate the proposed changes and confirm that the changes would be implemented consistent with the government's policy commitments and that there would be no forced redundancies. I am happy to take any questions, Chair.

**The CHAIR** — Thank you Dr Philip.

**Mr MULINO** — Thank you very much, Dr Philip, and also Mr Wallace, for your time today. I want to start with a couple of questions around some of the policy goals in this machinery of government change. These two changes that I want to allude to sound like they were already at the forefront of the departments' thinking, and even before this change they were sharing a lot of resources and were co-located. The first one is around preventive approaches, which I think is an increasing focus of governments here and in other countries. I just wanted to ask how you think the machinery of government change will help by bringing together human services and health in achieving long-term savings by being able to bring about policy changes that will see a whole-of-government approach to policy development and the cost to government of certain changes.

**Dr PHILIP** — Thank you for that question. As you alluded to in your preamble to your question, prevention is one of the key objectives for the government, and that primarily revolves around better linking what generally would be considered a universal platform of health with a lot of target services. Previously most of the target services have sat in the Department of Human Services, particularly dealing with the issue of social disadvantage and quite often delinked from the universal health platform. This is an opportunity to think a bit differently and to bring the two together. That is essentially one of the key tasks we have. By bringing these things together we can get a much richer understanding of social capital, so that is essentially the task I have set for the new department.

**Mr MULINO** — The second related question is around another issue you raised, which is more integrated service delivery, because often people who are being dealt with by the health department and/or the human services department have complex needs. They are often coming from a position of vulnerability, and I imagine it is going to be possible to get better outcomes and potentially even savings if we can look at people from more of a whole-of-government perspective. That would hopefully be more able to be achieved through better alignment of these two departments.

**Dr PHILIP** — That is correct. One of the things we tend to find is that people with complex needs often have to see multiple providers, often set across a number of departments, particularly around health and human services. What bringing the departments together can achieve is better integration of services so that you minimise fragmentation and provide a more seamless pathway for people across the service provision spectrum. So I think that is one of the keys to our work because I think that is what will deliver better outcomes for people with complex needs.

**Mr MULINO** — Just one last question on these two things I have raised. If we get a better approach on prevention and more integrated service delivery, are the potential savings very significant over time?

**Dr PHILIP** — To the extent that you get better outcomes for people, then you enhance wellbeing, and that leads to a much more cohesive and productive society. So to that extent, yes, you would be right.

**Mr RICH-PHILLIPS** — Dr Philip, thank you for your introductory statement this morning; it was very helpful in understanding the changes going on in your department. Just with respect to one of the changes you outlined at the starting point, the transfer of medical research from the previous innovation department to human services, you noted that that is without a staff transfer — that is the function. What is the rationale for that coming out of the innovation area — that is obviously something I had some considerable interest in previously — and moving into your operational department?

**Dr PHILIP** — Again, the government has a clear priority around medical research, particularly around translational research. We know that a lot of the innovation in the medical field now is at that interface between clinical and what would have previously been considered pure research. It is at that interface where we are actually seeing the richness of innovation now come to pass. So that is one of the things we are trying to focus on with the medical research function coming into the new department.

**Mr RICH-PHILLIPS** — How do you achieve that engagement with the innovation community, for want of a better term, given that the transfer of responsibility has been without any of the key staff who have those relationships with the medical research community and with the broader innovation community? Obviously it is quite dynamic in Victoria. It is quite well linked in Victoria into Europe, Israel and the US, but all of that intellectual property exists with staff in the former industry department whom you have not taken on.

**Dr PHILIP** — It is an agreement that the secretary in the new department of employment and I came to, which was that there were only a small number of staff anyway, and we had already in the former Department of Health been building up some capacity. We thought this might be a good way to ensure that expertise remained in that economic portfolio while we built up our capacity, and interchange between them is what we are encouraging. We do not expect any loss of impact, knowledge or expertise from having staff remain in the former department of state development and innovation, now the new department of economic development. We actually have put in place some close working relationships.

**Mr RICH-PHILLIPS** — Can I ask you about structure now? You brought together pretty large blocks of the public service — 1300-odd from health, 9500 out of human services, a small number from SRV in what I think was the former DTPLI and shared some into DPC. Have they come together in your new structure simply as blocks alongside each other, or have you made or are you going to make internal structural changes in the department?

**Dr PHILIP** — We have made some changes to align with the government's priorities. We have not just plonked them all side by side, so there a couple of instances where they have been brought together in some significant areas. I can allude to a couple of them: one is that there is a division now in the new department titled mental health, wellbeing, social capital and ageing. In that division we have brought together — the focus is on, for example, Aboriginal health and Aboriginal services, from the two departments into one. This sits alongside community health, primary care, mental health and ageing to try to build that interface. Secondly, we have



brought community development, which previously sat in human services, into this area to drive greater interaction with all those different areas that I have mentioned but also including prevention and population health. Through that, alongside sport and recreation, we have quite a large division where we ought to see a lot of the functions interrelate much more with each other. That is one.

The second is that in the regulation, health protection and emergency management division that we have created we have pulled together the various emergency management functions that sat in the two previous departments, sitting alongside health protection, because quite often the two have a lot to do with each other. In this way we are trying to build some greater synergies between the work that used to take place in separate departments. So they are just two areas that I would highlight where there have been some structural changes bringing together the best of two departments, co-located where they interact with each other a lot more.

**Mr RICH-PHILLIPS** — Approximately what number of people are involved in those areas? Is it a significant part of the department?

**Dr PHILIP** — There were not significant numbers of people involved in those changes, and one of the principles that — —

**Mr RICH-PHILLIPS** — A couple of hundred?

**Dr PHILIP** — I think probably less than a couple of hundred. What was significant about our change was there is very little change to people shifting between units; so if you sat in a unit or branch, you moved as a group, because I did not want to lose the way they worked.

**Mr RICH-PHILLIPS** — That was going to be my next question, as to how you managed the process internally. I assume there was not, from what you have said, the abolition of existing roles and the creation of new roles as a consequence?

**Dr PHILIP** — That was minimised to a handful, so from recollection perhaps only one team was split apart. Everything else stayed the same. This is important; people have built good team relations, so that was important to preserve.

**Mr MULINO** — Dr Philip, you have talked about the fact that even before this MOG change health and human services had some shared functions — they had shared payroll, financial and document management, because it made sense in terms of costs and risk management. Some of the direct costs that we see arising from this MOG change — for example, in IT and records management — involve some upfront costs. Will they lead to some long-run savings potentially?

**Dr PHILIP** — Over time you might expect that we will get some efficiencies out of this. Certainly bringing in Sport and Recreation Victoria was an opportunity to refresh, for example, on their IT offering, and that will last us a good 7, 8 or 10 years, so we would expect some benefits out of that. By and large the machinery of government changes were made for a whole range of other significant reasons, particularly around policy and service integration, but to the extent that we can drive further synergies by having more consistent platforms for all our staff, then, yes, to that extent we expect to see some benefits.

**Mr MULINO** — And in this case is it fair to say that the MOG changes have to some degree at least reinforced sharing of resources and attempts to align between the departments that had already existed, so this is really moving further in a direction the departments had already thought was a good idea?

**Dr PHILIP** — Yes.

**Mrs PEULICH** — Just a quick question: remind me what is the size of your annual budget?

**Dr PHILIP** — About 20 million.

**Mrs PEULICH** — You inherited some decisions, or it was close after, on the change of government, including of course the Ambulance Victoria situation. Could you explain what transitional arrangements were put in place or that you were given in terms of the plans of taking Ambulance Victoria forward to develop a comprehensive plan to save lives, and have we done so?

**Dr PHILIP** — We have gone about implementing the government's election commitments in this area. I am not sure I know what — —

**Mrs PEULICH** — With the sacking of the board and the departure of the chief executive officer, were there transitional arrangements, and how effective were they that were handed over to you as your remit, or was it something that you had to deal with? So what were the transitional arrangements, and are we making progress to develop a comprehensive plan that saves lives? How far are we there?

**Dr PHILIP** — The government had a commitment around Ambulance Victoria, particularly around the board. They were implemented consistently with all other election commitments. Transitional arrangements? Arrangements were put in place to deal with that situation — with an administrator and acting CEO — as we would for any other organisational change or issue that came up. In terms of implementing the election commitment, I can report that all our election commitments are well under way in terms of being implemented.

**Mrs PEULICH** — Are the response times improving?

**Dr PHILIP** — Are response times improving? We are early into this government, and we are in the process of implementing those changes. The government has objectives in budget paper 3, and they will be reported accordingly.

**Mr MELHEM** — I am not sure of the relevance of the question by Mrs Peulich relating to response times in relation to the reference of the committee.

**The CHAIR** — Dr Philip has answered the question.

**Mr RICH-PHILLIPS** — Dr Philip, can I assume from your previous answer around the structural changes you have made that that concludes any planned structural changes within the department now, or do you have further plans around internal structural changes?

**Dr PHILIP** — I do not think any CEO would ever say they have made changes and that is the end of it. I think there will be, as always is the case, more structural changes taking place as required.

**Mr RICH-PHILLIPS** — Do you envisage any currently?

**Dr PHILIP** — There are things that I would like to see done differently, but all done in stages and all through consulting with staff. There are different schools of thought about whether you make big bang changes or you make them in stages. I subscribe to the latter. That is the way I operated in the previous Department of Health and will continue to do as long as I stay in this role.

**Mr RICH-PHILLIPS** — In that sense, do you have a plan for some progressive changes?

**Dr PHILIP** — Always. I think modern-day organisations are always driven by performance. You take feedback as you go about running a business and make changes accordingly, which is why I do not subscribe to a view that says you do not ever make changes on an ongoing basis. I always leave it open.

**Mr RICH-PHILLIPS** — I guess what I am trying to get to is: are those changes imminent? Are you ready to push the button on further structural changes, or are these things you would like to see two years, three years hence? Is it something you are progressing as an agenda currently on the back of the changes you have already made?

**Dr PHILIP** — There are a lot of changes I have been making pretty much every month, and I will continue to do so.

**Mr RICH-PHILLIPS** — What is next in the pipeline?

**Dr PHILIP** — I would rather talk to my staff who are affected first rather than communicating them publicly. It is an ongoing task, and I think CEOs always have to be concerned about that.

**Mr RICH-PHILLIPS** — With respect to that, how are you evaluating the success, firstly, of the integration of the chunks of Health and Human Services and the subsequent internal changes that you are making? You said you had consulted with the staff through the process.

**Dr PHILIP** — Ultimately it will be for ministers to judge how effective we have been in aligning the structure of the organisation and delivery of their priorities, as is always the case. I think that will be the number one test, and then internally the wellbeing of staff is always forefront of my mind, and the extent to which we make changes and improve their wellbeing and delivery will matter. That is measured through lots of different ways, as it always has been.

**Mr RICH-PHILLIPS** — Is that something you have measured in the last six months, since the main integration of the two departments?

**Dr PHILIP** — Not specifically on integration.

**Mr RICH-PHILLIPS** — Was that included in assessments you have done in the last six months of staff morale or similar?

**Dr PHILIP** — No. Health and wellbeing of staff is a general measure that we measure on a regular basis. One ought not, I think, link that to any structural changes in a specific way. I think it is important to have an ongoing dialogue with your staff and measurement of how staff are feeling and operating.

**Mr RICH-PHILLIPS** — Have any trends emerged since the integration of departments on 1 July?

**Dr PHILIP** — I get very positive feedback by and large, and where people have had any specific issues they have always been resolved. I can generally report that I think the integration or the creation of a new department has gone incredibly well.

**Mr MULINO** — We have been talking about ongoing internal change within the department. Is it fair to say that whether or not there had been any machinery of government changes, your philosophy would be that it is healthy for an organisation to think about ongoing internal change?

**Dr PHILIP** — Yes.

**Mr MULINO** — So in a sense this is something that any large public sector organisation should have on its agenda regardless?

**Dr PHILIP** — Yes. I would agree with that proposition.

**Mr MULINO** — Just in terms of evaluating success, it sounds like you are quite happy with the way the two departments have come together in terms of the administrative cohesion, in terms of processes, in terms of systems, in terms of beginnings of culture change. Is it also fair to say that the evaluation of its impact on policy would probably take a bit longer to evaluate in a sensible way?

**Dr PHILIP** — I think that is true. Our test will be whether we deliver on the government's commitments and if ministers see that there is greater alignment between the structure of the department, the processes of the department and delivery of their commitments.

**Mr MULINO** — In terms of the former set of changes — the administrative, the systems — you are pretty happy with how things have gone so far?

**Dr PHILIP** — Yes. The changes are being made and continue to be refined, and I do not have any cause for major concern.

**Mrs PEULICH** — I note your comments in relation to ongoing improvement of the performance of the department. One of my roles has been to attend all of the Auditor-General briefings. The consistent theme that has been made by the Auditor-General across all of the departments — yours of course being the biggest one — is the lack of direct linkage between funding and outcomes rather than just funding and activities, which tend to be a focus of much of the budgets, and that one of the constraints on that is the gathering of data and the management of that data, especially between delivery agencies and the departments. Given that you have now grown bigger with the merging of the two departments, is this going to be made easier or more challenging, and what are your plans for responding to the need to gather and manage that empirical data so that you can make more informed decisions?

**Dr PHILIP** — I think all public service organisations — indeed all organisations — recognise increasingly the power of data in making decisions. Does the machinery of government change make it any better or worse? I do not think it makes it any better or worse, but the challenges that we face can be better addressed through the creation of the new department, bringing together functions that were previously fragmented. I think you will probably get a better perspective on the data needs and the questions that need to be answered when you have previously fragmented groups now sitting together. So I think we will ask better questions and as a result ask different things or have different data needs, and I think we will address those accordingly.

**Mrs PEULICH** — So you are optimistic about that?

**Dr PHILIP** — I am generally an optimistic person about most things. It is a prerequisite, I think, of being a public servant.

**Mrs PEULICH** — If I may, I have one more question, Chair. Having been briefed only yesterday on the plans for the establishment of Infrastructure Victoria and noting that it has quite a broad remit, which includes social capital infrastructure, could you explain what consultations occurred between your department and the government in relation to any changes on the way that this will impact on you, and how do you envisage the two interfacing?

**Dr PHILIP** — We have had a lot of discussions across the public service about the establishment of that organisation and its function. In the new department we have a pretty good approach to infrastructure and capital, so we do not see this as having any major impact on our department. We will fit in very well with the structures that have been put in place.

**Mrs PEULICH** — So do you anticipate that the strategic plans that Infrastructure Victoria is required to develop will be simply uploading your own strategic plans, or do you see those roles duplicating, overlapping or perhaps trumping yours?

**Dr PHILIP** — We see this as a good vehicle for a much better integration of health and human services capital within the broader infrastructure debate within government, and I am confident that we have very, very good people to develop very, very good plans in health and human services, so I am very confident about good outcomes.

**Mr RICH-PHILLIPS** — Dr Philip, I would like to ask about some of the logistics of integration and the costs associated with that, and Mr Wallace might provide some detail there. Did you use any third-party providers, consultants et cetera in working through the integration exercise?

**Dr PHILIP** — We did use a third-party provider to assist on some of our integration. As you would expect, it is a large endeavour that we had.

**Mr RICH-PHILLIPS** — Who was that that you used?

**Dr PHILIP** — I can get that detail for you, unless Mr Wallace knows.

**Mr WALLACE** — It was Cube Consulting.

**Mr RICH-PHILLIPS** — And that was the \$90 000 engagement?

**Mr WALLACE** — It was part of that; we also sought some external legal advice in relation to some matters, so there was a small amount of external legal consulting, and the balance was Cube Consulting, which was for project management support.

**Mr RICH-PHILLIPS** — In terms of physical relocation, was it necessary to relocate — I am talking CBD — any of your staff in the integration from the two departments?

**Dr PHILIP** — We brought in Sport and Recreation Victoria.

**Mr RICH-PHILLIPS** — None of the health or human services people needed to be relocated from Lonsdale Street?

**Dr PHILIP** — We are in the same building, but Sport and Recreation Victoria were outside, and we felt it was really important to make them feel part of this new department, so they were brought in.

**Mr RICH-PHILLIPS** — So the costs that have been reported with respect to relocation costs — furniture and fit-out, 60 000; relocation, 11 000 et cetera — relate to those 60-odd SRV staff?

**Dr PHILIP** — Pretty much.

**Mr RICH-PHILLIPS** — With respect to — I think Mr Mulino referred to it before — efficiencies through integration of back of house, you indicated earlier, though, if I understood correctly, that human services and health had been using common systems anyway. Would that suggest that we cannot expect any significant savings from integration of those back-of-house corporate functions?

**Dr PHILIP** — The reason for this machinery of government change was not to drive all those sorts of things. What has minimised disruption, minimised costs associated with the creation of a new department, was the fact that we had a lot of common systems, but you would expect over time as we do more work together that we will certainly see some benefits by having everyone on more common systems. That is the best I can answer.

**Mr RICH-PHILLIPS** — Is there much scope for the use of common systems?

**Dr PHILIP** — The use of systems is one thing, and starting to use common practice is another. I think our approach to budget, our approach to briefings and all those things can start to generate some benefits for us by being on a more consistent basis, and they use a lot of these backup office functions.

**Mr RICH-PHILLIPS** — In that regard will your department continue to use CenITex as a core service provider — a desktop services provider?

**Dr PHILIP** — We have been, and we are currently still doing so.

**Mr RICH-PHILLIPS** — Is it your intention to remain with CenITex?

**Dr PHILIP** — I have no intention to change at this stage.

**Mr MULINO** — Very briefly, we have had a bit of a discussion around direct costs and potential long-run savings, which should not be huge given that you have already achieved a lot of integration beforehand. I want to very briefly return to the broader context. I think you said your budget is around 20 billion.

**Dr PHILIP** — Yes.

**Mr MULINO** — What is really driving this — and this is the first discussion we had — is to try to get better outcomes in service delivery and more integrated service delivery, lowering whole-of-government costs but at the same time perhaps getting better outcomes and perhaps getting better outcomes in prevention. The savings we are talking about here potentially are many, many orders of magnitude greater than the kinds of amounts of money we are talking about if we can get that right. I just want to put this in context. We are talking hundreds of millions — billions — over the long run in one of the real pressure points on government spending.

**Dr PHILIP** — To the extent that you improve wellbeing of people, particularly earlier than you otherwise would, then there are significant benefits not only for individuals but also for governments.

**The CHAIR** — Perhaps I could ask the final question, Dr Philip. Just noting the furniture and fit-out costs of \$60 000, as provided by the whole-of-government submission, does that relate to departmental expenditure? Does that relate to the department itself, or does that relate to ministerial offices as well?

**Dr PHILIP** — It is mainly, as we answered earlier, Sport and Recreation Victoria coming in.

**The CHAIR** — Dr Philip and Mr Wallace, thank you both very much for your presentation this morning and for your preparedness to answer questions from the committee. Thank you very much.

**Witnesses withdrew.**



# TRANSCRIPT

## STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

### Subcommittee

#### Inquiry into machinery of government changes

Melbourne — 21 July 2015

#### 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 Adam Fennessy, Secretary, Department of Environment, Land, Water and Planning.

**The CHAIR** — Welcome, Mr Adam Fennessy, Secretary of the Department of Environment, Land, Water and Planning, and thank you for making yourself available this morning. I 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 the information you give today is protected by law. However, any comment repeated outside this hearing may not be so protected.

All evidence is being recorded. You will be provided with proof versions of the transcript in the next couple of days. We have allowed 45 minutes for this session. To ensure there is sufficient time for questions, the committee asks you to keep your opening comments to 5 to 10 minutes. Together with myself, Mr Melhem, Mr Mulino, Mr Rich-Phillips and Mrs Peulich, we form the committee this morning. I now invite you to make your opening statement. Thank you.

**Mr FENNESSY** — Thank you very much, Chair. I appear today before the committee in my capacity as Secretary of the Department of Environment, Land, Water and Planning. I thank you for the opportunity to present. The department was established on 1 January 2015. It brought together the portfolio areas of environment, climate change and water from the former Department of Environment and Primary Industries; the portfolio of planning from the former Department of Transport, Planning and Local Infrastructure; and the portfolio of local government, again from the former Department of Transport, Planning and Local Infrastructure. The department has been established to manage and protect Victoria's natural and built environments, to foster economic growth and livable, sustainable and inclusive communities.

In terms of some of the details of the machinery of government movements, as you would be aware, from the former Department of Environment and Primary Industries, or DEPI, the agriculture portfolio went out and moved into the Department of Economic Development, Jobs, Transport and Resources. All staff and functions were transferred pursuant to a section 30 declaration. As I said in my opening remarks, from the former Transport, Planning and Local Infrastructure, the planning and local infrastructure groups came in to form the new department.

A memorandum of understanding was signed between myself and the secretary of the Department of Economic Development, Jobs, Transport and Resources, or DEDJTR as I will try to acronymise, and that MOU between Richard Bolt and myself was to smooth that transition process and also, importantly, to ensure continuity of services over the summer period. We had a very strong focus at the secretary level, between Richard and I, to make that as quick and efficient as possible. Most of that work occurred throughout the December 2014 to March 2015 period, when the majority of all critical MOG transfers occurred. As per the whole-of-government submission, the total direct costs of the machinery of government process for DELWP was \$770 568.

Going to the committee's terms of reference about the effectiveness of the machinery of government process, in bringing together the DELWP portfolios, that has given us the ability to focus on partnering with all levels of government to respond to climate change through risk mitigation and adaptation. To give you an example, in bringing together the planning system, where a lot of adaptation responses are implemented, also local government, where a lot of local responses are carried out, and then other focuses across our department, of land use, water resource management, our regional footprint and, importantly, response to extreme events like fire and flood, that has allowed us to take that integrated approach to climate risk, extreme climate events and climate change.

It has also given us the ability to look at and focus on accommodating Victoria's population growth while maintaining urban and regional livability and protecting our built and natural heritage. Thirdly, it has allowed us to assist local governments to support people, communities and population growth, bearing in mind that as a Crown land manager and a land manager we then work very closely with the local government sector that also manages land for local communities. That goes to the effectiveness issue.

To put it in the broader context in terms of the profile of the new department, we have more than 3000 staff. We have 101 locations across Victoria, being at both offices and depots. That is in particular related to our land management and fire management functions. We manage 8.3 million hectares of public land in partnership with portfolio agencies and in particular Parks Victoria. We own and manage about \$2.1 billion of other assets, including 40 000 kilometres of roads and tracks, principally forest roads and tracks, office buildings, depots, public toilets, recreation facilities, particularly on forest and Crown land that is not national parks. We have, as you would be aware, quite significant firefighting and road maintenance equipment so that we can manage fire



risk on public land. Finally, we maintain a lot of crossings, water bores and mobile plant around our water resource management requirements and our road management requirements.

To give you a sense of our appropriations, for 15–16 it is about \$1.6 billion. For 14–15, which takes into account some of the pre-MOG and post-MOG splits, it is about \$1.9 billion. That is more to give you an order of magnitude of the size of our appropriations.

Finally, through you, Chair, in terms of how the new department is set up, we have six groups working across land, fire and environment; planning; water and catchments; local infrastructure; and then we have our regional services group and our corporate group. Our regional service delivery model is based very strongly on local decision-making, local partnerships, and, as you would be aware, we have major offices in all the major regional centres of Victoria and small offices and depots distributed to each corner of the state.

That is an overview of the department and some of the questions that go to the committee's terms of reference. I am happy to hand back through you, Chair.

**The CHAIR** — Thank you, Mr Fennessy.

**Mr RICH-PHILLIPS** — Thanks, Mr Fennessy. I would just like to ask you about structural issues first. You said you had around 3000 — headcount or FTE?

**Mr FENNESSY** — FTE.

**Mr RICH-PHILLIPS** — FTE. Are you able to give the committee a breakdown, please, of the ins and outs in terms of your structure, by headcount or FTE, arising from the MOG — the elements you spoke about coming in — just to give us an idea?

**Mr FENNESSY** — Yes. In terms of the ins and outs, if I can use that phrase, we had a departure of specifically 1237.9 staff.

**Mrs PEULICH** — Sorry, what was the number?

**Mr FENNESSY** — Sorry, 1237.9 — that is FTE — and arrivals of 640.5 FTE. When we then take into account other minor issues like leave without pay, total change of hours et cetera, that was a net transfer out of 583.1 staff over the machinery of government period, and that was principally described or explained by our large agriculture cohort going out of the department and a smaller planning and local government function coming in.

**Mr RICH-PHILLIPS** — Are you able to break that down by the groups you refer to — the planning, the local government — just so we can understand where those movements were as well as the net numbers?

**Mr FENNESSY** — I have not got the specific group breakdowns, but I am certainly able to take that on notice and give that information back to the committee.

**Mr RICH-PHILLIPS** — Thank you.

**Mr FENNESSY** — To give you that broader picture, at the end of last year, immediately pre-MOG, we had the overall staffing numbers of 3556.1 FTE in the former DEPI, and following the machinery of government changes, as at 31 January, new staffing levels of 2973 FTE. I can get that specific breakdown for the committee, across each group.

**The CHAIR** — Thank you; that would be appreciated.

**Mr RICH-PHILLIPS** — In terms of integrating the elements that have come into the department, what approach have you taken there? Is it largely preserving the DEPI structure and adding, or is it a different direction?

**Mr FENNESSY** — It is largely preserving. With the agriculture function going out, that was the policy group going straight out from the department and the regional elements going straight out, and from the former Department of Transport, Planning and Local Infrastructure, the planning group as a whole came in as a discrete whole, likewise local infrastructure, which includes Local Government Victoria and other related functions.

One exception for local infrastructure is the local government inspectorate and oversight function went into the Department of Premier and Cabinet, where it was consolidated with all of the governance and oversight entities. But from a machinery of government point of view, it was very much 'discrete out' and 'discrete in', if I can use those terms, because the planning and local government functions were already integrated under those ministerial portfolios. We elected to take a very clean and straight process for continuity of service.

**Mr RICH-PHILLIPS** — Is it your intention to remain with that structure? Have you subsequently restructured internally or are you looking to restructure internally?

**Mr FENNESSY** — We are not looking to restructure internally. What we have done very consciously is look at cost-cutting priorities, but using that as a way to drive our business rather than change our structure. To give you an example, I mentioned climate change before. If I think of other areas like planning reform, that relates to how that flows through the water sector or the local government sector or even the Crown land sector. So we are looking at cost-cutting priorities but keeping the structure as it is. The one other area where we have had to look but we have maintained a discrete approach is a very small regional planning function came from the former Department of State Development, Business and Innovation. That regional planning function was housed in Regional Development Victoria, so that has just come into the structure direct, and at a regional level we are looking at how that regional service is delivered. In short, that has just come straight in, but it allows us to think regionally — how we work with regional local governments and regional land use planning issues.

**Mr RICH-PHILLIPS** — Is that planning in the sense of statutory planning?

**Mr FENNESSY** — Statutory planning.

**Mr RICH-PHILLIPS** — Within the industry department — that regional?

**Mr FENNESSY** — Under the previous machinery of government settings, it was actually in Regional Development Victoria, providing a service for the planning department. That was how the former DTPLI and DSDBI delivered regional statutory planning.

**Mr RICH-PHILLIPS** — With respect to the structure, your executive group, you have not outlined the size of — I assume they are all dep secs, reporting to you — —

**Mr FENNESSY** — Yes.

**Mr RICH-PHILLIPS** — the number of dep secs you have in your executive structure and how that compares with the old DEPI.

**Mr FENNESSY** — In terms of my direct reports, I have one less direct report. I mentioned those six groups; I have a deputy secretary for each group. I have a separate direct report from our capital projects groups just because of the risk associated with capital project delivery, and I also have a direct report for a very small office of the secretary, where I have, I think, about five staff, but that plays a coordinating, oversight function for me so I can assist the three ministers and the four ministerial portfolios. So I have essentially gone from what was nine direct reports to eight, with six of those being deputy secretaries.

**Mr RICH-PHILLIPS** — Thank you.

**Mr MULINO** — Thank you very much for your time, Mr Fennessy. Thank you for usefully pointing out that your appropriations are significant, to put your department's activities in context, but is it fair to say that in a sense your take is even greater than the appropriations in that your role through planning directly impacts on tens of billions of dollars of investment that is either approved or in the pipeline, and the leverage is even greater still, potentially, through the huge natural resources that you manage, so the impacts of your department have a very significant impact on the economy and our natural resources?

**Mr FENNESSY** — In terms of that statement I would agree. The planning and statutory planning function is quite specific and narrow in terms of FTE and the cost of providing that service. However, it does underpin billions of dollars of urban development activity and regional development activity, and it provides the support and the integrity to statutory planning services. It also links in with local government, which is the delegated provider of most or the majority of statutory planning services. This is the opportunity in the department to have that close link maintained from the previous DTPLI between planning and local government with the additional

integration with Crown land, which is often the subject of land use change or development or at least processes for that.

Similarly in terms of our natural resource base, that does provide a strong underpinning to the Victorian economy, if you think about productive land that supports urban development, industrial development, agricultural development or what is often termed ecosystem services — so that is keeping our water pure through catchments or keeping our biodiversity strong to keep the health of the landscape up. Those benefits are not just environmental; they keep Victoria a good place to live, keep the air fresh and keep the water clean and pure.

That natural resource base is significant, and in fact working with the commonwealth government we are doing a lot of work to capture that in economic and environmental accounts so that we can value the longer term benefits of that — but that goes beyond the terms of the machinery of government. It does reflect the fact that the natural resource base for Victoria is significant.

**Mr MULINO** — So a follow-on question: your impact as a department is very broad. There are the appropriations, there is the economic impact and there is the impact you will have on natural resources. In terms of some of the risks that you have identified, for example, population growth is very high and has been for some time. We have climate change. Do you see the machinery of government changes bringing planning and local government together with resource management? Do you see that as being a positive change in terms of your capacity to deal with some of these important risks for our state?

**Mr FENNESSY** — We do see an opportunity for integrated land management and what I call land capability management. If we look across the state, there will be landscapes that very much underpin regional growth in terms of population or industry growth or agricultural growth, and our understanding of the risks for that landscape — particularly around fire, flood or coastal inundation — are very much linked to longer term climate risks, climate change and climate adaptation. So if we are looking at long-term economic and statutory planning for cities across the state or in Melbourne, it is very important to know what the catchment management risks and opportunities are, what the flood risks and opportunities are, and how they move into the planning system and likewise with other risks and opportunities for our landscape around, as I mentioned, fire and emergency management. It does give us that opportunity to do that in a very direct and integrated way, and it allows us then to deliver on all of our outcomes and our budget priorities in a way that is joined up across the four ministries and the four content groups of the department.

**Mrs PEULICH** — Could I say sympathies? In relation to local government and the movement of the inspectorate outside of your department into the Department of Premier and Cabinet, in some regards that defies a theoretical concept of how to deal with complaints — that first of all it has to be happening at a local level, then the departmental level and then it is escalated. Do you see that as something that is actually going to improve your ability to deal with local government complaints? No doubt the number will escalate given that we are leading up to the next council elections next year. How is one going to inform the other? What sort of communication is there between the inspectorate and your department?

**Mr FENNESSY** — My perspective on that is that it is a very critical integrity function, and to me there is sense in having an aggregation of integrity functions away from the policy-making function of local government oversight. There are lots of different ways to set these things up, but to me we still have a very close relationship with any information or data that comes out of the inspectorate. So we have a good understanding of how local government is performing, and separate to that we are also delivering on a whole performance and reporting approach for local government. In a sense that latter process will give us a very good understanding of how local government is performing across a number of metrics. Then, going back to the integrity function, I do think there is some benefit to having those oversight functions separated from a department in general terms. We have a focus of Ombudsman, Auditor-General, Independent Broad-based Anti-corruption Commission and local government inspectorate all being managed within the centre of government.

**Mrs PEULICH** — If I may, just a follow-up question: it is not unusual for a local councillor or a resident to phone up the department to seek guidance about what may or may not be a breach or concern. Does your department still then retain a role for persisting with the resolution of complaints?

**Mr FENNESSY** — In an administrative sense, we certainly do as a first port of call, both directly to the department and via the Minister for Local Government. If the complaint is of a nature that it is appropriate for

specific independent oversight, we will refer it to the local government inspectorate or through the minister. If it is of a general nature from the service delivery point of view, it is our role to be clear to the person making the inquiry what their options are with their local government directly, with Local Government Victoria, which is in our department, or, if the complaint is of a certain nature, up to the inspectorate. There is also the Ombudsman's oversight as well as the Auditor-General. In a sense there is quite a menu, and for the citizen who might be thinking, 'Where do I go?', we consider ourselves the first port of call, so it is like an administrative referral approach.

**Mrs PEULICH** — So are those complaints logged in a manner that allows those agencies to interface and to get an overall picture of complaints, conflict of interest obviously being a significant one for that particular sector?

**Mr FENNESSY** — In terms of the specific referrals they attract, in terms of how we manage that broader administrative process, I would have to take that on notice, because some of them might be a quick 'This is where we recommend you take your query', and I would have to check to see what our logging process is for that. In terms of overall performance of the sector, we have been developing through the minister and she has been talking publicly about how we are having an overall performance monitoring approach. One of the drivers is to allow the citizen to see directly the metrics of their local government and how they are performing to bring that citizen focus closer.

**Mrs PEULICH** — I think we had that in the 1990s.

**Mr FENNESSY** — Yes. We have had lots of attempts and effective approaches at overall performance monitoring, and one of the opportunities is with the evolution of technology and also individual citizens' requirements for direct information. It is really making that relevant for the current times based on current technology and direct citizen engagement. The idea is certainly not new. Some of the tools are being upgraded as particularly mobile and smart technology evolves.

**Mrs PEULICH** — 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?

**Mr FENNESSY** — There is certainly a lot of work going on with this new approach to performance monitoring. Again, how we specifically provide that service, I will take that on notice through local government.

**Mrs PEULICH** — It is not really the monitoring of the performance of the department; it is the complaints management system.

**Mr FENNESSY** — Yes. I will take that on notice for the department itself and how that then fits into that broader context for the whole sector.

**Mrs PEULICH** — That would be greatly appreciated.

**Mr MELHEM** — Thank you, Mr Fennessy. One of your responsibilities you said in your opening was responding to extreme events — that is, fires. Have the changes been positive or enhanced your department's capabilities to respond to fires, for example, to protect real estate? Does it make it worse or reduce your capability or no change? Can you just take us through what impact that would have on — that is, emergency management with the old DEPI and so forth as far as your firefighting capability to protect real estate?

**Mr FENNESSY** — Thank you for the question. I will talk a bit about firefighting capability in particular, because that really represents our biggest risk in terms of what we are funded to manage, and I will then make some comments on other emergency management. To me, the opportunity for more integrated land management and firefighting management has been improved or enhanced. Obviously Victoria has a large, varied and dry landscape over the summer period and many of the events that we seek to manage are across the state, and particularly in terms of first-line response but in particular recovery they are led by local government on the recovery side and also DHHS. Our ability to link in at the local incident control level with local government and with the frontline recovery has been enhanced because of our direct link in through the local government sector. That is very much the short-term response.

In terms of long-term response, as the landscape evolves and we have a better understanding of where the greatest risks are, it allows us through the planning system to respond to that. There have been many reforms over many years in this regard, particularly around bushfire overlays, vegetation control and how new townships are planned and delivered in terms of fire risk. That also then plays out in terms of other risks that we work with like flood risk. By bringing that planning function in alongside land management and environment management, and then alongside local government, you are bringing together the short-term response capability and the longer term planning response.

The other comment I will make is that through the transition period Richard Bolt and I, as the two responsible secretaries, were very clear about the fire risk, because the machinery of government process was taking place over the summer season. The first agreement we signed between the departments, just to be very clear and transparent, was a memorandum of understanding about emergency management transition over the summer period. We did not want anything to be distracting the effort over summer, and that made sure that the larger base of staff we have across the regions who have expertise in emergency management were all ready and able and none of the systems to respond to fire were impacted by machinery of government. In fact in my experience, the broader capabilities we have across biosecurity, flood, fire and a range of emergencies, we have a good network now that has been working together very well over the last many years. The MOU that Richard and I signed in January this year made sure that we had that very much short-term continuity, and that is an MOU that continues.

To go back to your question, there have been benefits in bringing the short-term focus between local government response and recovery with statewide response and recovery and also the longer term planning system response to flood risk, fire risk, whatever the adaptation and climate change risks constitute.

**Mr RICH-PHILLIPS** — Mr Fennessy, can I ask you about some of the mechanics of MOG changes? Can you just clarify, your lead minister is — —

**Mr FENNESSY** — The lead minister is Minister Neville, the Minister for Environment, Climate Change and Water.

**Mr RICH-PHILLIPS** — With respect to the additions to the department, you said you have 101 sites across the state. But in respect of your CBD locations, are all staff consolidated in your — — You are based at?

**Mr FENNESSY** — We are based primarily at 8 Nicholson Street. Sorry, I will not anticipate your question.

**Mr RICH-PHILLIPS** — Have those additions been moved into Nicholson Street?

**Mr FENNESSY** — They have not. We have primarily four CBD sites. Most of our staff are at 8 Nicholson Street. We also have Land Victoria, which is a major service provider of land title services, at 570 Bourke Street. They have been there for quite a number of years. As a discrete business entity with a customer service focus, we thought it appropriate for them to continue there. We have had a staff presence in 2 Lonsdale Street, which is over the road from 8 Nicholson Street, and is sometimes known as Casselden Place. We have had staff in there for a number of years. We now have our local government and local infrastructure group there, so they are over the road. And we also have staff at 1 Spring Street, from the planning group. We have taken a very practical and pragmatic approach where we have quite a lot of our organisation already in 8 Nicholson Street. We now have another major part of the organisation literally over the road and the other part down the road at 1 Spring. From an integrated services point of view, it made sense to keep Land Victoria where it is.

In the long term of course we will always ask and work with government and with ministers. We will ask, 'How is our service best provided?', and given we have a lot of primary policy services, that approach works, and we did not see the need to go any further beyond those four CBD locations.

**Mr RICH-PHILLIPS** — So there is no plan to relocate the planning staff from the Spring Street site to Nicholson?

**Mr FENNESSY** — There is no broader plan. We are looking at some discrete parts of that group. We are looking at moving Heritage Victoria to 8 Nicholson Street, on the pragmatic approach that they are a smaller, discrete entity of the planning portfolio. In the longer term we will work with ministers and other parts of the Victorian government — the Department of Treasury and Finance, and DPC — on what makes sense from the

service delivery point of view. If there are specific discrete entities that could easily be moved around at minimum cost, we will look into that. So there is some plan to look at Heritage Victoria; in fact we are actively planning for that, and that move is underway.

The one other point I will make is that from CBD out is our Port Phillip region, which looks after lots of our land management and fire management services across Port Phillip — which is, if you like, the water catchment of Port Phillip. It has very recently moved from 8 Nicholson Street out to Knoxfield. That was a long planned move over the last two to three years, with the idea that Knoxfield is closer to fire risk, being particularly in the Dandenongs and east and south-east Melbourne. The regional focus of Port Phillip puts it closer to a lot of the regional landscapes that it looks after. That move was planned a number of years ago and was going to happen anyway, and it has freed up a bit of space at 8 Nicholson. It has the benefit as well of putting land management services closer to the suburban communities in eastern Melbourne.

**Mr RICH-PHILLIPS** — Presumably you also have local government at 1 Spring?

**Mr FENNESSY** — No, local government is now in 2 Lonsdale.

**Mr RICH-PHILLIPS** — In 2 Lonsdale?

**Mr FENNESSY** — Yes. The group is called Local Infrastructure, but Local Government Victoria functions within that, with the nomenclature. That move was an opportunity because there was space, and with the accommodation pressures in all of our buildings if there is a simple and low-cost approach, we will look at that, hence Heritage Victoria and local government.

**Mr RICH-PHILLIPS** — So the costs that have been supplied by DPC with respect to the relocation, 11 900, that reflects the local infrastructure move from Spring to Lonsdale?

**Mr FENNESSY** — Yes. I think that reflects that cost, and to put it into very simple terms, that is just moving staff, so the relocation costs are not particularly high.

**Mr RICH-PHILLIPS** — And bringing heritage will be an additional cost?

**Mr FENNESSY** — That will be an additional cost. For the purposes of this committee inquiry, if there are any other additional costs which we may incur over the period of the inquiry, we will certainly make sure that we report those back.

**The CHAIR** — That would be appreciated.

**Mr RICH-PHILLIPS** — Thank you. With respect to your IT costs, reported as 451 966, that reflects CenITex changing the staff designations of the staff that you have gained, I assume?

**Mr FENNESSY** — There were some quite specific IT functions associated with the agriculture portfolio, and there are some quite significant IT functions as well with what is now DELWP. A lot of those IT costs reflected the overall service requirements through CenITex but making sure any transition costs were very carefully supported and transitioned out or in. In general terms, for IT there were some significant agricultural systems migrated out and the planning and statutory planning and Land Victoria functions migrated in, but in terms of the actual cost of that, it is really just maintaining the short-term integrity of those systems rather than changing those systems. But as you would know, maintaining the data integrity and so on is partly a business-as-usual cost, but in the spirit of being very transparent, anything we could attribute to functions going out or in, we have identified the cost against that. Then, I think consistent with the answer to the question for the previous secretary, Pradeep Philip, the whole-of-government approach to CenITex support will be reflected across each department.

**Mr RICH-PHILLIPS** — You referred to the cost of agriculture going out.

**Mr FENNESSY** — Yes.

**Mr RICH-PHILLIPS** — What was the position reached with the IDC on those costs? Your department is paying some of the costs for an exiting unit as well incoming units. What was the basis of the agreement?

**Mr FENNESSY** — The approach taken by the IDC was to look at the underlying corporate functions for essentially three departments. Pre-MOG — if you will excuse all the acronyms — we had DEPI, DSDBI and DTPLI. They had a corporate function each, so three departments, three corporate structures. Instead of mixing and matching them, we kept our underlying corporate base in DELWP, and instead of segmenting that we just brought across a small number of planning and local government corporate experts. So they would be a very small number of communications experts, a very small number of information and communications technology experts and, again, a very small number of legal and FOI experts. By ‘small numbers’ I am talking in the tens for each of those.

Likewise, to use that phrase ‘going out’, people who had specific corporate expertise about agricultural communications, agricultural human resources, agricultural legal and other skills. That meant that we did not have wholesale segmentation and move of three times three sets of corporate; we kept our corporate and the two corporate entities in what is now DEDJTR were brought together. I will not go into the detail about DEDJTR — Richard Bolt will be better placed to speak to that — but the principle as worked through the IDC was to make the move less disruptive and more discrete. Where there was specific corporate expertise — whether that be IT, legal, comms, HR — those functions were moved.

Perhaps just to add one more point just for the committee’s clarification, a lot of what I will describe as general professional skills around budget and HR stayed where they were. That just stopped us carving up three by three across three old departments into two new. I apologise if that is confusing, but that was the principle that we followed.

**Mr RICH-PHILLIPS** — Thank you. That is helpful. That is a prelude to the discussion with David Martine this afternoon.

**Mr MULINO** — We have married a few functions here which, as we discussed earlier, have some policy interdependencies which could be quite productive. The department is operating across quite a number of locations, and a number of these functions are quite complex in terms of being operated across a number of different sites and/or dealing with a number of stakeholders across a number of sites and/or dealing with, for example, resources or risks across a number of sites. Do you see long-run savings potentially in marrying up some of that complexity across geographic dispersion so that instead of having government operate in parallel across a number of sites we can marry some of those at the same location?

**Mr FENNESSY** — What I have experienced in this period post the machinery of government changes is that there are clearer relationships and interrelations in regions. Particularly if I comment on issues like statutory planning, that is very closely linked to the economic and regional development of towns and cities across the state, so to have that function, firstly, within our department very closely aligned with environmental planning and land use planning or land use management is of benefit. Secondly, the ability to have one point of focus into the economic development department is of benefit. That means that regionally we have less but more significant state government relationships, and I see that as a benefit — thinking from a regional point of view that if you are at the CEO of a local council, you have a clearer line of sight into your local regional manager or director for environment, land use, planning issues and economic development issues, and likewise stronger visibility between those two departments in that region.

I think that is very important across regional Victoria. The committee may or may not know that in terms of the secretaries, I am the only secretary who lives outside Melbourne. I am in Bendigo, and one benefit is that I see the linkages in that regional city. Bendigo is like any other big regional city, but with Melbourne being such a huge economic driver of Victoria’s economy, it is good to see how the services are delivered across the regions. That has been a very specific focus for me and us because we do have 101 locations across the state. We are not the regional development or economic development department, but we are very much an enabler of that function. To me, working very closely with Richard Bolt, we see that opportunity to be really clear about the relationships and accountabilities in regional cities and towns, particularly thinking about it from the point of view of local government, industry or business. We are thinking about the outcomes rather than purely the interactions.

**Mr MULINO** — I think, firstly and most importantly, that will hopefully lead to better outcomes for the state government and its dealings with external agencies, as we say, in regional Victoria in particular. But could that potentially also lead to administrative savings over time?

**Mr FENNESSY** — I guess, and consistent with some of the comments from Pradeep Philip to this committee we are certainly seeing the opportunities now. How we quantify the savings is an ongoing task. In particular we are very focused on customer service feedback as to how we are working with a range of stakeholders, whether they be industry, citizens or local government. As well as measuring our performance through the budget papers, which is what we are required to do to the Parliament, we are also putting a lot of our focus into our customer service feedback and intelligence. That is something we were doing prior to MOG and will continue to do post-MOG. That will give us as a department some real-time feedback on our effectiveness, and it can also assist through parliamentary processes, including PAEC or this committee, when we need to measure how we are performing. Apart from the traditional BP3 measurements, which we are very much accountable for, it is also that customer service feedback, whether it be land management services, time taken for statutory planning, support and oversight of local government performance or metrics like our planned burning deliverables every fire season. They are the sorts of metrics that we have been very focused on in terms of how we know we are travelling as a new department.

**Mrs PEULICH** — Just three reasonably quick questions so that I can better understand how the machinery of government changes are being made to align with the government's priorities. One question is in relation to the sacking of water boards. Given that they ended up getting glowing reports from VAGO and given that the government has given as one of the justifications for its sacking its plan to lift the performance and also to lift the composition, especially with regard to the number of women and people from multicultural backgrounds on those boards, which were already reasonably substantial, what have been the short-term impacts on the performance of those water entities, and what are the medium-term impacts in terms of the next water entities audit?

**Mr FENNESSY** — Thank you for that question. My comments will reflect some of the government policy statements, and I will pick up in particular on your comments about diversity. We see a very substantial benefit in bringing more diversity into the water corporation boards, and that covers a range of diversity issues, particularly professional or sectoral diversity, so encouraging applications from areas that may not have been traditionally aligned with water service delivery — the education services sector, the health services sector, the community services sector — because those sectors have very strong financial, legal and other deliverable experiences. In particular across regional Victoria that very much reflects the regional leadership that helps local economies thrive. Clearly there is a commitment to gender diversity, and that had been made clear by the Premier. I do know that statistically there is a skew across the water sector towards men, and also there is a skew towards certain professions. In my experience a well-governed board will cover a range of skills and capabilities, and this is not a new insight. It will be specific sectoral skills like water service delivery and engineering but also in particular financial management, customer/community engagement, regional development, legal et cetera.

**Mrs PEULICH** — Mr Fennessy, with all due respect, all of those skills are currently represented amongst most of those board members who have been sacked — and I have looked at pretty much every single one — so I am not sure what new dimension you are bringing into the mix. But please continue.

**Mr FENNESSY** — In particular there is a clear lack of gender diversity, so that will be addressed.

**Mrs PEULICH** — So you will have more than 21 per cent?

**Mr FENNESSY** — In terms of the short-listing process, the minister was on the public record as saying there has been 53 per cent women in the short list. The process is very much run independently in terms of the department and the board selection process, so we do not know what the final composition will be, but I think 53 per cent women in the short list augurs well for a good gender diverse outcome, but the process will determine that.

**Mrs PEULICH** — Especially if they have the skill set. Thank you for that. Are you anticipating the performance of the water entity audit will be better as a result of the transitional changes that have the sector in abeyance and the changes that are yet to be made?

**Mr FENNESSY** — One area that we are particularly looking for — and this was reflective of the minister's comments — is an increased focus on climate change. The government's view was that the composition of boards previous was not as specifically focused on climate change. That was a narrative that the government had suggested was absent from the water sector, so that was one of the very specific policy reasons given. So



our job as a department is implementing that policy to make sure that the composition reflects skills relating to that sector as well as the gender diversity.

In my experience gender diversity is a very thorough way of ensuring a broader range of people coming into a sector. The benefits have been documented internationally by lots of leading firms and businesses that increased gender diversity on boards leads to increased board performance. What I expect to happen is, based on international data on performance of boards, we will end up with more diverse boards, and if we follow the international data on board performance — and I think Deloitte, KPMG and Ernst & Young have been publishing this over many years — that will suggest an improved board performance. That will not be specific just to the water sector; that will be wherever there is increased diversity on boards, from the international literature.

**Mrs PEULICH** — From theory into practice. I have a second question; I will leave my third because we are running out of time. Just to understand how the machinery of government is going to impact on key stakeholders, I am trying to understand where the statewide resource recovery plan sits. Is it with agriculture, or is it with your department?

**Mr FENNESSY** — The statewide resource recovery plan in terms of the waste sector is in DELWP, so it is partly an environment policy function, and it relates quite specifically to Sustainability Victoria as well as the environmental regulation role of the EPA, but the development of the statewide infrastructure investment resource recovery plan, which I think was the full title, that has been led by Sustainability Victoria with the department and then through the Minister for Environment, Climate Change and Water as the relevant Minister for Sustainability Victoria.

**Mrs PEULICH** — With the MPA, the Metropolitan Planning Authority, clearly there are some further changes afoot. Given that everyone has a very keen interest in planning as a driver of a lot of economic activity, what is happening? What are the machinery of government changes?

**Mr FENNESSY** — With MPA there is a clear government direction about a Victorian Planning Authority, so moving from that specific metropolitan focus to a broader Victorian focus. The Minister for Planning has not yet announced the full detail of that, so from a department point of view we will be implementing the key policy announcements of the minister, but it is too early to say.

**Mrs PEULICH** — Given that reappointments have been made only to 1 October, we assume it is imminent.

**Mr MULINO** — Can we leave that to the minister?

**Mr FENNESSY** — We are certainly expecting the minister to have something to say about that.

**The CHAIR** — Mr Fennessy, the committee thanks you very much for your presentation this morning and your preparedness to answer questions from the committee. I note you have taken some matters on notice. We appreciate that and look forward to further information. I note in your evidence you referred to some imminent changes, specifically in relation to Heritage Victoria's relocation. Whilst we appreciate the whole-of-government submission, which identified \$770 000 of costs for your department associated with the machinery of government changes, as you noted in your opening comments, we are due to table our final report by 1 May next year, so as the implementation process advances and as other costs are incurred, we would appreciate it if you would keep the committee informed of those. Thank you very much for your attendance today.

**Mr FENNESSY** — Thank you, Chair. Thanks to the committee.

**Witness withdrew.**



# TRANSCRIPT

## STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

### Subcommittee

#### Inquiry into machinery of government changes

Melbourne — 21 July 2015

#### 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 Shaun Condron, Chief Finance Officer, Department of Justice and Regulation.

**The CHAIR** — I reopen the public hearing of the Legislative Council Standing Committee on Legal and Social Issues in relation to machinery of government changes. I welcome Mr Shaun Condron, the chief finance officer of the Department of Justice and Regulation. Thank you, Mr Condron, for making yourself available this morning.

I 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 the information you give today is protected by law; however, any comment repeated outside this hearing may not be so protected. All evidence is being recorded. You will be provided with proof versions of the transcript in the next couple of days.

We have allowed half an hour for this session, so I would welcome a short introductory statement from you. Thereafter committee members will have questions. Thank you again for being here, Mr Condron.

**Mr CONDRON** — Thank you, Chair. Just briefly, the changes as they affected the Department of Justice and Regulation were reasonably minor compared to some of the other matters you would have been looking at today. We had six bodies transferred out of the department and over to the Department of Premier and Cabinet. They were the Freedom of Information Commissioner, the Independent Broad-based Anti-corruption Commission, the privacy and data protection commission, the Public Interest Monitor, the Victorian Inspectorate and the Victorian Electoral Commission. Out of those six bodies only one of them was technically part of the department, which was the Public Interest Monitor. Another three were separate, stand-alone statutory entities, and the alignment essentially shifted from the Department of Justice to DPC. Therefore, in relation to them, there was no need to transfer staff or anything like that; they just shifted. We also shifted four outputs out of the department, which were privacy regulation, the state electoral roll and elections, anticorruption and public sector integrity, and the Freedom of Information Commissioner. They are all now wholly reported under DPC's output structure.

Because of the reasonably minor changes as they affected the department, there were no specific benefits or limitations to the department as a consequence of the MOG changes. We incurred no costs, excluding staff time, to manage the transfer of those bodies out of the department, although I do understand that DPC incurred some costs in incorporating those entities into its systems. For us it was a matter of relinquishing them, so the cost was non-existent. There are no expected office closures or any other changes to public service points as a result of the MOG changes. We did essentially transfer one office, which was for the Public Interest Monitor, where they were operating out of — it is no longer the department, and it is part of DPC, but because the Public Interest Monitor is only two staff it was a very small change. This response is consistent with our response to the Public Accounts and Estimates Committee, which was provided earlier this year.

That is really all I have to say in terms of the changes as they affected us. We had a name change as well; we went from the Department of Justice to the Department of Justice and Regulation, which reflected more fully the function of the department, but other than that it was a very minor change. I am happy to answer any questions.

**The CHAIR** — Thank you, Mr Condron.

**Mr MULINO** — Thank you for your time, Mr Condron. As you said, this machinery of government series of changes had a very minor impact in terms of costs. In terms of the broader strategy of bringing some integrity functions together in DPC, is that something you think is going to improve some of the functionality, potentially, of a number of those different oversight functions?

**Mr CONDRON** — I am not going to give a personal opinion, because it is a government policy in terms of that a government structures its arrangements as it feels it best needs to. I can understand the logic of bringing together public integrity oversight functions in one place — in a central agency rather than in a line department. If you think about the justice department's obligations, they involve integrity and oversight in terms of the broader community, police and courts, or previously the courts; they are separated from the department. The rest of the department does have that sort of regulatory role, but oversight of the public sector itself — I can see why it makes sense for that to be in a central agency and bringing together the Auditor-General as well, and the Ombudsman and so forth, in one space. So I can understand the logic of it, yes.

**Mr RICH-PHILLIPS** — Mr Condron, I do not have a lot to ask you this morning, obviously, with the relatively minor changes at justice and regulation. Just with respect to costs, a whole-of-government submission came in from DPC last night that recorded zero cost against your department.

**Mr CONDRON** — Yes.

**Mr RICH-PHILLIPS** — What costs have been incurred just with the name change, with the stationery, rebranding and so forth?

**Mr CONDRON** — We issued a directive to staff to re-use all the existing stationery, because again the name change was so minor — adding on ‘and Regulation’ to the end — that we decided to re-use all the existing envelopes, paper and everything. While we did order new stationery, it was only ordered in line with when we would normally order new stationery. No stationery was discarded or written off.

In terms of signage change, we have changed some signage at some sites — only six in the state so far. We have taken a view again that we are not changing as a result of the machinery of government change, because to do so would have incurred a large amount of additional cost over and above what we had in terms of existing funding that we had. We looked at it and said, ‘We will replace it as needed’, so we have had six sites where we have had to change it only because the signage was in poor condition or there was some sort of policy change, such as the smoking ban in prisons and so forth, so that we had to change signage. At that point we changed the name at the same time. That is why we reported it as zero in response to the question.

**Mr RICH-PHILLIPS** — You have lost the Public Interest Monitor and those integrity functions. You said they are outside — with the exception of the PIM — the department structure. What impact has the creation of Court Services Victoria had on the department structure?

**Mr CONDRON** — That had a lot larger impact on our structure. Unfortunately I have not come prepared to talk about that.

**Mr RICH-PHILLIPS** — Sorry; that took effect — —

**Mr CONDRON** — It took effect from 1 July last year. But, yes, in terms of impact on the department that was a much larger change and did impact on the department quite substantially. The department and Court Services Victoria still share a lot of functions, because again it was a zero cost commitment that we were trying to implement. The idea was to do it as efficiently as we possibly could. I, for example, still provide financial systems support and a number of financial support functions to courts, but we shifted all of the responsibility for managing budget and so forth over to courts, so they manage their own.

All of their own accommodation requirements were handed over, so they manage all their own accommodation, but we assist them in areas which made sense to still do so: payroll, finance systems, IT and so forth. However, the decision to continue those or otherwise rests with the courts, so they could decide at any point that they would like to go on their own, and that is fine for them to do so. It is within their right. Obviously there would be a cost to that. So, again, it was done in line with trying to ensure it was as efficient as possible. There were a number of staff, mainly those who were already court staff, who shifted out of the department and over to courts — just under 2000, from memory — and a number of corporate staff as well were shifted into roles with the courts, again to support the establishment of Court Services Victoria predominantly. That was a much larger change. I am happy to give detail on that, but I do not have it with me today.

**Mr RICH-PHILLIPS** — That is fine. That predates the — —

**Mr CONDRON** — Yes.

**Mr RICH-PHILLIPS** — Yes, that is fine. Thank you for that. With respect to the transfer of the integrity bodies to DPC, has that resulted in any internal structural change within the department of justice, or are any other changes planned with respect to the internal structure of justice?

**Mr CONDRON** — No, the structure of the department is exactly the same after the MOG change as it was before.

**Mr RICH-PHILLIPS** — And Mr Wilson has no plans to alter that?

**Mr CONDRON** — Not that I am aware of.

**The CHAIR** — Mr Condon, as you said earlier, five independent bodies and the PIM have relocated to DPC. Have they physically relocated to 1 TP or are they still at 121?

**Mr CONDRON** — No, they are all exactly where they were previously. That is my understanding. So the Freedom of Information Commissioner is still located on level 27 at 121 Exhibition Street. Even the PIM is still located exactly where it was previously. Some of them have varying reasons for why they are located where they are in terms of the integrity oversight bodies, so they have not shifted at all. All that has shifted in terms of staff from the department to DPC is two staff who shifted along with those changes: one policy staff member who provided legislative and policy support for those functions that shifted in terms of the integrity legislation and one corporate staff member who provided predominately financial support to those bodies, because they are all quite small other than IBAC — and the electoral commission, which operates largely independently — but IBAC is large enough to have its own financial support structure.

The other ones are very small, and we have tended to provide support services and so forth to them. We had one staff member for whom that would have been 50 per cent of her role. She shifted over as well, and she was available to do other corporate support functions for DPC as well. So there were only two staff, and they did shift from 121 Exhibition Street to 1 Treasury Place.

**The CHAIR** — Is there any plan or thought in the future for those bodies that are still at 121 to relocate to 1 Treasury Place?

**Mr CONDRON** — I have not heard anything about that. If there is, I would not know.

**Mr RICH-PHILLIPS** — Does justice provide accommodation for those bodies, or do they have their own separate process?

**Mr CONDRON** — All of the accommodation is managed through the Shared Service Provider. We went through a process following the MOG change of identifying which sites, including at 121, even which parts of the floor — level 27 at 121 is a floor that is structured such that there are a number of integrity bodies, and there is a conference facility there as well. It includes the FOI commissioner, the racing integrity commissioner and the road safety camera commissioner; they are all on that one floor. But the part that was the FOI commissioner has always been charged separately, and so Shared Services just identified how much of that floor space was for them, and that shifted to DPC's responsibility.

**The CHAIR** — With the change in the ministerial portfolios, the crime prevention portfolio no longer exists as a separate portfolio, but as I understand it the community crime prevention unit now reports to the Minister for Police.

**Mr CONDRON** — Correct, yes.

**The CHAIR** — There is no longer a minister for bushfire response, so I assume that the functions of that portfolio had now report to the Minister for Emergency Services.

**Mr CONDRON** — Yes, they do.

**Mr RICH-PHILLIPS** — I have just one question. With respect to IT service provision in justice, is the department continuing to use CenITex services?

**Mr CONDRON** — At the moment, yes, we are currently continuing to use CenITex services. We are still considering the results of the recent announcement that was made in terms of what is happening with CenITex going forward. We understand that CenITex will continue to provide some services; however, there will be some services which may be taken out to market. At the moment I think the department is reserving its position in terms of what it does as a result of that and is still considering things, so I would not know what is likely to happen in the future, but at the moment we are still with CenITex, yes.

**Mr RICH-PHILLIPS** — How many desktops does justice have — or a headcount, approximately?

**Mr CONDRON** — How many desktops? There are around 7000 staff, but the desktops would be quite considerably more than that, I would imagine. And then there are other computers that are used in justice service centres and so forth for public use and other things. It would be probably more than 10 000, but I do not know off the top of my head.

**The CHAIR** — One thing came to my attention while reading a bill that is before the Legislative Assembly at the moment, the Corrections Legislation Amendment Bill. I noted that some of the amendments there are to change the name of the department from the Department of Justice to the Department of Justice and Regulation. That has obviously incurred costs in terms of the office of parliamentary counsel and other processes to make those sorts of changes; and presumably other departments that have had name changes will also similarly update their names in legislation at the relevant time. Noting that there is no itemised cost for the Department of Justice and Regulation, I assume it is the position of the department that those costs have been managed within the current budget framework, noting that any change incurs staff time and some cost.

**Mr CONDRON** — Yes, that is correct. It has just been staff time involved in managing those changes.

**The CHAIR** — Mr Condon, thank you very much for your presentation this morning and your preparedness to answer questions from members of the committee. If things do change down the track with regard to, for example, the relocation of some of those integrity bodies, we would appreciate being kept up to date with the costs that the Department of Justice and Regulation is incurring as a result of the MOG changes. Thank you again.

**Mr CONDRON** — Thank you.

**Witness withdrew.**





# TRANSCRIPT

## STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

### Subcommittee

#### **Inquiry into machinery of government changes**

Melbourne — 21 July 2015

#### 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,

Ms Sue Jaquinot, Lead Deputy Secretary, People and Executive Services, 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 again this public hearing of the Legislative Council’s legal and social issues committee in relation to the machinery of government changes inquiry. Welcome, Mr Richard Bolt, the Secretary of the Department of Economic Development, Jobs, Transport and Resources; Ms Sue Jaquinot; and Ms Sue Eddy.

**Mr BOLT** — I will provide the titles later, but they are both deputies in the corporate area.

**The CHAIR** — Thank you very much. I caution you 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 the information you give today is protected by law. However, any comment repeated outside this hearing may not be so protected. All evidence is being recorded. You will be provided with proof versions of the transcript in the next couple of days.

We have allowed 45 minutes for this session. To ensure there is sufficient time, I ask you to keep your opening comments to between 5 to 10 minutes. Thank you for your preparedness to appear before us. We look forward to your presentation.

#### **Overheads shown.**

**Mr BOLT** — Thank you, Chair. I will be brief. The Department of Economic Development, Jobs, Transport and Resources, as you are aware, was formed as of 1 January as one of five line agencies, with the shortened title up there of Economic Development. We have 13 portfolios within the department or attached to the department, which you will see up there — I will not name them all, but any of those can be explored — with, as you know, nine ministers handling those 13 portfolios. Some ministers of course with portfolios attached to other departments.

**Mr RICH-PHILLIPS** — Which is the lead one?

**Mr BOLT** — The lead minister is the Minister for Public Transport and Minister for Employment, being Minister Allan. The various services that the department and its agencies provide are listed up there. I can expand on any of those, but I will show which departments were, in a sense, merged into the new one and that will perhaps make it more obvious what those collections of activities are. But it is a department with, as you would expect, a range of services all dedicated towards the economic development objectives of the government.

There were parts or all of five departments brought together to form Economic Development. The agriculture, forestry and fisheries functions of the former DEPI; all of the former DSDBI, with its business-facing services; the transport function from the former DTPLI — I hope you do not mind me speaking in acronyms but I guess they are all still reasonably well known to us all — the Industrial Relations Victoria group from DTF; and Arts Victoria from Premier and Cabinet were all brought in to form Economic Development, Jobs, Transport and Resources. You will see there the nine ministers and 13 portfolios are mentioned.

Forty-seven agencies and other portfolio bodies, so we have a range of a statutory agencies in transport, in the creative sector and elsewhere that are within the portfolio but not part of the department proper. We have 18 overseas offices and 87 sites across Victoria that have now been consolidated into the new department with, as you will see there, in the vicinity of 3000 staff. The headcount is at a little over 3000, the FTE count is a little under, but roughly that is our staff complement.

This will be hard to read on the screen, but it is elaborated on the paper copies you have with you. We have eight groups in the department. The coordinator general, responsible for both the Melbourne Metro rail project and for the level crossing removal projects. There are two administrative offices under the one coordinator general, Corey Hannett. We have economic development, employment and innovation — which is largely the former DSDBI — under Justin Hanney; Creative Victoria — which is Arts Victoria plus the design functions of the former DSDBI — under Andrew Abbott; agriculture, energy and resources — that is the agriculture and resources function out of DEPI with the energy function that was in DSDBI — under Luke Wilson; transport, which was under Gary Liddle at the time the department began, is now under Gillian Miles.

I created a new group, strategy and planning, which is now headed by Anthea Harris. People and executive services is under Sue Jaquinot, to my left, and financial management and technology services under Sue Eddy,

also to my left. That is how we structured. That top-line structure was what we began with on 1 January; it is now in the process of being reorganised underneath those headings, and I can talk more about that should the committee be interested.

How did we go about implementing the machinery of government changes? We did a great deal of initial work in December prior to becoming a legal entity and prior to my becoming the secretary. I spent a good deal of time working out an interim organisational structure and holding, I think, at the time two meetings with the executive group prior to us beginning operations. We went through an extensive and I think intensive period of planning for the staff and budget transfers. That particularly involved Adam Fennessy and I ensuring that it was done rapidly, efficiently, collegially across the two portfolios that we were heading into. That resulted in the section 30 declarations that took effect on 1 January.

Adam Fennessy and I signed an MOU between the two departments to facilitate the transition and to ensure that corporate service movements were done in a managed way. So rather than trying to do everything on 1 January, which would have entailed in some cases significant and unnecessary disruption, we planned to have it done over a phased period, with a good deal of transfer occurring on 1 January, but we will work through this year to, as I said, in an orderly and managed way, transfer services or transfer staff into the corporate service offerings of our respective departments. We have had no staff redundancies or regional office closures as a result of the machinery changes.

You are interested of course in the additional costs of these changes. From 30 November 2014 to the end of May this year we have incurred direct costs of \$1.3 million, and that has been in pursuit of the relocation of staff, which process is still underway, but the large share of it was done in that time frame. There has been expenditure on telephony that is associated with the relocations of course and also with support from CenITex, and IT and records management is the other major cost component. We will incur further costs in 15–16, by which time we would expect the majority of our systems consolidation to have occurred. That consolidation will in fact realise significant efficiencies in an ongoing fashion. The net cost of all of that we have not yet worked out. Overall it should mean the department functions better and in a more streamlined fashion compared to the four entities or so that preceded its establishment. We will also be looking to undertake those systems changes in the context of a new model for shared ICT services being led from DPC.

We have done a lot of work on our strategic plan. When I say ‘our strategic plan’, we have taken of course the program the government was elected with and integrated it into a plan for the department with a set of priorities and very clear milestones and actions, and we are very close to finalising that first plan. We have had an interim plan essentially with our staff from close to day one. I cannot remember the precise date of the initial plan now, but it was important to give staff a sense of the purpose of the department, its core mission, so to speak, as well as the early deliverables that everyone needed to be focused on producing. That was done then; we are now finalising a more thoroughgoing plan based around the four-year priorities you see there. That is my introduction, Chair.

**The CHAIR** — Thank you very much, Mr Bolt, for that detailed presentation.

**Mr RICH-PHILLIPS** — Mr Bolt, I would like to start on the issue of costs associated with the MOG changes and reorganisation that you referred to. Just to get some context, can we go to the slide where you show the areas that came in to form the department, the four or five. Are you able to give headcount numbers for each of those areas, just to put some context, that add up to the 3000?

**Mr BOLT** — Sorry, so you mean this particular — —

**Mr RICH-PHILLIPS** — No, the one with the bubbles. How many from DEPI, how many from DSDBI — —

**Mr BOLT** — That came out of all of those parts? Yes, I can give you some numbers there, if you will just bear with me to find them. Out of the former DSDBI, we have 1120 staff transferring across or transferred into the new entity, largely located in the new economic development area but also some corporate staff, I presume. Out of DTPLI, 531 — —

**Mr RICH-PHILLIPS** — Sorry, 531?

**Mr BOLT** — Five hundred and thirty-one, yes. I can certainly furnish all of this to you later if you wish, but I will go through the numbers now.

**The CHAIR** — Thank you; that would be appreciated.

**Mr BOLT** — From the former DEPI, 1378; from Treasury and Finance, 13; and from Premier and Cabinet, Arts Victoria, 65.

**The CHAIR** — Thank you.

**Mr RICH-PHILLIPS** — Just in the context of essentially the two — DEPI and DSDBI coming together were the large blocks — I am just curious about the costs that have been reported. Things like telephony, \$474 000; IT, \$235 000; relocation, \$301 000 are some of the key costs in the \$1.3 million you referred to. I am just keen to understand why those costs are what they are, what has been involved in moving people that has incurred those costs — why we have half a million dollars in telephony costs, for example — with that structure?

**Mr BOLT** — It was important to make a number of moves to have staff co-located in the right place relative to other parts of the department, to where ministers were. Corporate staff needed to be in the same place, and that required removal costs and fit-out costs. I believe they are the two major components of the relocation costs. On telephony, what that comes down to is that we needed to shift to the CenITex platform in some cases. No, in fact I think I have that one wrong. We needed some support from CenITex for telephony reorganisation, so there was a core service from them that we are paying for there as well as simply providing new facilities for people moving to new locations. It is driven essentially by the movement of people, having to come with new facilities, fit-outs, removal of their files and the rest of it. That is my best description of it. Sue could add to that, potentially.

**Ms EDDY** — Yes, it is things like, for instance, handset charges. With our provider, NEC, there is a fixed cost per handset when people are relocating. We had to increase our videoconferencing facilities. We did not necessarily have everything we needed to be able to collaborate across the department and its regional sites, so those types of facilities were established. There were also project manager costs in relation to planning and executing those moves for both ourselves and with CenITex in relation to the interface with CenITex.

**Mr RICH-PHILLIPS** — So the department is now essentially consolidated at 121 Exhibition Street?

**Mr BOLT** — No, it is at 1 Spring Street and 121 Exhibition Street primarily, as far as the CBD precinct is concerned. As you know, there are of course staff all over the state at those 87 sites I mentioned earlier. Indeed most of our staff are outside Melbourne. I believe that is still true.

**Ms JAQUINOT** — Yes.

**Mr BOLT** — The agriculture staff, in particular, some mining staff and Regional Development Victoria. We have quite a contingent outside the metropolitan area.

**Mr RICH-PHILLIPS** — I want to get some context about where the department is at and the numbers to understand some of the costs that have been incurred. As I said, the \$1.3 million is what has been reported to date through the DPC submission last night, which was \$37 800 on consultants, \$301 000 on relocation, \$474 000 on telephony, \$235 000 on IT records management, \$146 000 on payroll and \$107 000 on physical rebranding. There are a couple of other things that have not been caught in that summary, which I would like to ask you about. The first is a four-month engagement with KPMG which the department undertook. It was described as the establishment of the new Victorian Department of Economic Development, Jobs, Transport and Resources, which, as I said, was a four-month engagement costing \$1.194 million. Can you outline how that fits with the set-up of the new department and why it is not recorded in — —

**Mr BOLT** — As a machinery charge. Essentially what KPMG has done is that within each of the new groups it has assisted us to organise for the maximum impact in delivering the government's policies. That cost would have been required with any machinery change, given the program that needed to be undertaken. For example, the transport area needed significant reorganisation. That is not a consequence of the machinery of government change; it is a consequence of implementing a new government policy agenda. Similarly, the former DSDBI is largely intact in the new structure. We are looking to reorganise again in pursuit of the

priorities of the new government. To speculate on a hypothetical, had that function not been integrated within the department, the money would nonetheless have been needed to be spent to do that. We do not count that as a machinery of government cost.

**Mr RICH-PHILLIPS** — But it does nonetheless reflect you obtaining advice from KPMG with respect to the structure of the new divisions within the department.

**Mr BOLT** — Not the integration. It is the structure of the new groups; that is absolutely true. That is the purpose of it. Not, though, on the machinery change itself. I did get advice on the interim structure to implement the machinery change. That cost us in the vicinity of \$30 000 to work out, and that was as a consequence of bringing the new functions together and working out which would go where. For example, would design come out of DSDBI and go into Creative Victoria? With Arts Victoria, would there be a Creative Victoria? The answer, obviously, was yes. The advice I needed to re-engineer the department in pursuit of the machinery changes is the money we spent on that. It was that \$30 000 or so.

**Mr RICH-PHILLIPS** — So that is the split between the external \$37 000 or \$30 000 it was for the external MOG?

**Mr BOLT** — It is external work done by a different consultancy.

**Mr RICH-PHILLIPS** — The \$1.1 million or \$1.2 million for the internal work?

**Mr BOLT** — It was for looking at how we organise the functions of the department to best meet the government's priorities; that is right.

**Mr RICH-PHILLIPS** — In a similar vein, can I ask about a similar engagement, which was with Boston Consulting Group between the end of January and the beginning of April — essentially six weeks? It was \$1.2 million, which was described as strategic economic development opportunities for Victoria and a corresponding strategic function for the department. How does that fit into this work around restructuring the department for government priorities?

**Mr BOLT** — That was a piece of work to review the priority sectors and one or two other sectors of the economy that were again identified in the government's election commitments as sectors in which it particularly wanted to focus attention on the growth opportunities. What we did was we reviewed the status and prospects of those sectors, but again it was not a consultancy related to reorganising, pursuant to the machinery of government. It would have been required wherever the economic development function, particularly the industry function of the department, sat. Had there been no change, it would have still suggested itself as a consultancy worth doing, so that in putting a focus on those sectors we knew what those sectors were. In terms of world trends and other factors, it indicated what the prospects of those sectors might be in the future for Victoria.

**Mr RICH-PHILLIPS** — Mr Bolt, given that the department inherited a bit over 1100 people from the former industry department, why was it necessary to spend \$1.2 million on Boston Consulting Group to get that intelligence and detail around those key sectors?

**Mr BOLT** — Chair, that is a question I would suggest is outside the terms of reference of this inquiry.

**Mr MULINO** — Chair, I think that is a policy question.

**Mr BOLT** — But I am happy to answer it. It is up to you, Chair, as to whether you are willing for me to.

**The CHAIR** — First of all, Mr Bolt, to give you some context to the questioning from the committee today, members of the government and members of the opposition have asked a range of questions of previous secretaries about issues that arguably are at the edge of the terms of reference. I suppose I make the point that the terms of reference are quite broad in and of themselves. I cannot compel you to answer a question, but of course I would invite you to respond to the proposition put by Mr Rich-Phillips.

**Mr BOLT** — Thank you, Chair, and I am pleased to do so. I can only say that the insights of the global consultancy as to how various sectors might evolve in Victoria based upon global knowledge of those industries was something that it was sensible for us to take some external advice on as a one-off injection of additional

knowledge. There is knowledge of those sectors within the department, but what we got on this occasion was some additional value added to that knowledge drawing upon research and on a global network of consultants with which they were able to assist us in that task.

**Mr RICH-PHILLIPS** — Can I ask — —

**Mrs Peulich interjected.**

**Mr RICH-PHILLIPS** — Mrs Peulich asked about the availability of that work.

**Mr BOLT** — It is not public work. No.

**Mr RICH-PHILLIPS** — Is that work that can be provided to the committee?

**Mr BOLT** — No. That work is not public, and I do not have the authority at this point to release it.

**Mr RICH-PHILLIPS** — It is probably something we will follow up on, Mr Bolt.

**Mr BOLT** — I am sure you will.

**Mr RICH-PHILLIPS** — The other contract I wanted to ask you about which is not reported in the \$1.3 million was a recent engagement in May with a company, Performance Architects. It is a \$1.1 million engagement for services described as ‘services to conduct an assessment of organisational culture’ in the department. Is that related to the impact of the machinery of government changes and the subsequent structural changes you are making internally that you referred to before?

**Mr BOLT** — No. It is to take stock of what the new department has inherited and to fashion our management of the department partly in response to the findings. It is not related to the machinery change, no. It is something that from time to time any department, whether restructured or not, would take a view or a sounding on in relation to its culture.

**Mr RICH-PHILLIPS** — We have approximately \$4.8 million of expenditure, being \$1.3 million reported plus those three interrelated consultancies. Were you going to say something, Ms Jaquinot?

**Ms JAQUINOT** — I was just going to say around that organisational cultural inventory, which we have only commenced parts of, that it is a consultancy in waiting, if you like, as we go through it. It is absolutely commonplace amongst organisations to go through a check like that regardless of any machinery of government change, because it is a matter of always trying to shift a culture into a desirable spot, which is an ongoing piece of work in the public sector.

**Mr RICH-PHILLIPS** — That actually goes to my point, because we have heard from four or five other secretaries this morning on how they have implemented MOG and internal restructure, and none of them incurred the level of expenditure on these types of activities to implement their respective MOG and internal changes. I recognise yours is a more complex one than any of the other departments, but \$4.8 million seems like a lot of money to spend on the three consultancies plus the other reported costs to give effect to the government’s policy direction and to give you some insight on the direction in which you should be heading.

**Mr BOLT** — First of all, I repeat that those particular consultancies you mentioned — KPMG, Boston Consulting Group and the cultural inventory — are not machinery of government costs.

**Mr RICH-PHILLIPS** — But they do relate to setting the government’s agenda and to delivering the government’s agenda.

**Mr BOLT** — Correct. Where we are under high expectation of providing an economic development service aligned to the government’s agenda, and where we felt we needed to get strategic advice and guidance as to how to go about it, we have gone and done that. It is a one-off thing that we have chosen to do because of the size, complexity and strategic significance of the task. I think if one is going to have a significant look at culture, structure and indeed sectoral prospects, now would be the time to do it. You do it at the outset, when you can do something about it, give good advice and organise well to deliver on government’s commitments. It is normally

the sort of thing you would do at the outset of the life of a new department, and that is what we have chosen to do.

**Mr MULINO** — Thank you, Mr Bolt, Ms Jaquinot and Ms Eddy for your time. Can I ask what is the rough appropriation for the department?

**Mr BOLT** — In broad terms the appropriation is \$8 billion per annum.

**Mr MULINO** — Around \$8 billion. Is it fair to say that the impact of the policies implemented by the department are actually far greater than that in the sense that you are having an impact on the capacity of the state to export and you are having a significant impact on the state's development opportunities, so there is a far greater impact than that even?

**Mr BOLT** — Yes, that is correct. We should be producing a lot more value than the \$8 billion from the \$8 billion.

**Mr MULINO** — I am just trying to put into context some of the changes that we are talking about here, in particular some of the machinery of government changes that we are seeing are bringing together some policy development and implementation that had previously been separated across departmental lines. There are a number of different ways one could think about this, but, for example, transport and regional development and employment are now going to be working much more closely together and be aligned, one would think. One can see all sorts of connections there.

Transport is much broader than regional transport, but there are obviously a lot of regional transport needs. Another one might be, for example, agriculture and regional development, and trade and innovation and exports. There are a number of areas in which one might imagine policy development might be more effective because of the new structure of the department. I am just wondering if there are some key areas where you think the department might be able to more effectively deliver outputs.

**Mr BOLT** — As a result of machinery change?

**Mr MULINO** — As a result of the new structure.

**Mr BOLT** — I think there are many of those. What we are finding, for example, is that by having the visitor economy, the creative sector and regional development in one portfolio, undertaking parallel reviews of all of those sectors gives us insights into the kinds of things government may choose to do that would benefit all of those objectives, as one example.

Having a look at agriculture, having agriculture, regional development and transport in the one department makes — I think as you were indicating — it possible to have people collaborating on getting produce to market in the most efficient way, and work has been done on transport plans that would achieve that objective. So there are two examples, and one could go on. That is not to say that some of those benefits could not be achieved working across departments, and it is important to bring forms of collaboration from other departments into our work — so, for example, on land use planning and the implementation of the Melbourne Metro project — but certainly there is a convenience and an efficiency in having the functions in the same department that relate to each other, and there are quite a few of those in this new collection.

**Mr MULINO** — Just in terms of the context, this greater convenience and efficiency that might occur in some areas, given the importance of these to the state economy, they could potentially be orders of magnitude greater than some of the short-run administrative costs in terms of benefits.

**Mr BOLT** — We would certainly hope so. I mean, the size of the sectors that we are talking about and the potential for their growth is clearly a far greater number than the amounts that we spend and indeed the amounts of the investments that Mr Rich-Phillips was referring to before. So yes we, I guess, stand under an expectation of delivering that additional value by implementing the programs and leveraging those efficiencies.

**Mr MULINO** — Another area of functionality, if you will. We have talked about functionality in terms of some systems of administration but I think another one which is increasingly important in government, indeed in all large organisations, is data. For example, data that might underpin the evaluation of infrastructure projects in terms of economic and financial liability, data analysis of the use of infrastructure, data underpinning

economic and trade development. Do you see some potential benefits from the department being able to better collate and use data across some of these functions?

**Mr BOLT** — Yes, I do. I think in the nexus between our economic development opportunities and the transport system the sharing of data and its joint analysis ought to be a source of better insight into what transport planning and what service changes might be required. That will take some time to deliver. Again, I would say some of that can be delivered across departments rather than within them. When we think land use and transport, we will need to do cross-departmental activities that will ensure that we make the best use of our joint data holdings. I do think that reducing the number of departments will make that interdepartmental cooperation in pursuit of things like better policy and better data use easier to organise. The fewer counterparties you need to make whole-of-government work effective, then, generally speaking, the better you will do it, if the intention is there to do it well.

**Mr MULINO** — The final question. I just want to clarify this figure which has been used, the 4.8 million, just to clarify it for the record. The figure that has been put forward by the department and by DPC is 1.3 million in terms of costs for — —

**Mr BOLT** — Machinery change.

**Mr MULINO** — Direct costs attributed to machinery of government, albeit that that might be amended. The additional costs that we have been discussing around consultancies really relate to other things like policy development and engaging external expertise, which is standard, business as usual, that all governments do — —

**Mr RICH-PHILLIPS** — That parties did before they come to government, policy development.

**Mr MULINO** — I mean, one could go to previous administrations and probably find international consultants used, if one wanted to go down that path. I just want to clarify: the 1.3 is the figure that we are using, the 4.8 is really conflating, one might say, apples and oranges.

**Mr BOLT** — I put it this way. The 1.3 million is attributable directly to machinery of government changes, and the balance of the 4.8 is attributable to implementing the government's policy program and organising the department to give best effect to that in ways that should easily pay off that expenditure.

**Mr MULINO** — Thank you.

**Mr RICH-PHILLIPS** — And organising the department to give effect to that.

**The CHAIR** — Mr Rich-Phillips.

**Mr RICH-PHILLIPS** — Thank you, Mr Chairman.

**The CHAIR** — Or Mrs Peulich?

**Mrs PEULICH** — Did you have a follow-up?

**Mr RICH-PHILLIPS** — On a different matter.

**Mrs PEULICH** — Thank you very much for the PowerPoint summary. I wished all of our presenters today had done likewise; it makes it easier. I refer to page 9, your department's four-year priorities. Looking at the five priorities, looking at 2 through to 5, one at a time. Looking at no. 2, 'Gain and maintain competitive advantage through active industry and innovation policy', could you just shed some light as to what machinery of government underpinnings give effect to this particular priority?

**Mr BOLT** — Well — —

**Mrs PEULICH** — Active industry.

**Mr BOLT** — Active industry and innovation policy. This is, again, a question of the priorities of the government in its election program to focus more strongly on priority sectors of the economy and give particular attention to growing those to the best of our ability through the Future Industries Fund and other



measures that would leverage, for example, government procurement to the best industry benefit for the state; in other words, capturing jobs and industry capacity out of what government spends on things like infrastructure programs, rolling stock and so forth. That is what that is alluding to. If your question is: is the word 'active' in some way a distinction of this government from the past, that is taking me into territory I will not go of course. That is a judgement — —

**Mrs PEULICH** — I am just asking for light to be shed on the use of the term of your priority.

**Mr BOLT** — That is a judgement on political priorities. The word 'active' is used here to infuse our strategy with a message to our staff about how ambitiously we are pursuing that goal. It is not to say that it is a comment on any past government's actions; it is a forward-looking intention of aiming high.

**Mrs PEULICH** — Thank you. Priority no. 3, 'Improve conditions for business through taxation, efficient regulation and public sector reforms', again, what are the machinery of government underpinnings to give effect to these priorities and how did you identify those three, taxation, efficient regulation and public sector reforms? And did you consider others such as EBA negotiations, or does that include that, and the effect of government policies such as public holidays?

**Mr BOLT** — Probably best that I simply say that we went through a process to look at the areas where there would be potential to explore on a whole-of-government basis what impact could be had on the economic prospects of the state, and those suggested themselves as the priorities.

**Mrs PEULICH** — So it was an internally generated of priorities, not overlaid by government policy?

**Mr BOLT** — The strategic plan has certainly been signed off by our coordinating minister. These, again, are priorities to pursue by the department in a whole-of-government context largely, as to things that might be done. They do not connote any particular program or specific reforms that government has signed up to or that we are pursuing, but they are focus areas for us in thinking about how we influence the government's economic strategy, bearing in mind that as an economic development department there is an expectation that we would show some leadership as to how all of government pursues an economic development priority. But nothing more specific should be read into it than that.

**Mrs PEULICH** — Thank you. If I may just ask the last one, no. 4, 'Better connect Victoria to national and global markets by increasing targeted trade and investment attraction', noting the government's emphasis in its policy on our inbound activity as opposed to outbound, are you able to comment as to the proportion of targeted trade and investment attractions which fall into the respective categories?

**Mr BOLT** — No, I cannot comment on that proportion in the quantified way. Clearly the government's program is to shift the balance towards the inbound as far as missions are concerned, but bearing in mind that, while it is about missions in part, it is about a lot more than that. It is the bilateral pursuit in international markets of opportunities to get investment into Victoria and trade out. So there will be a shift. Outbound activity has not of course ceased, but what we are seeing now is a focus more towards the inbound but not a complete shift to that.

**Mrs PEULICH** — Is there a diminution in the outbound?

**Mr BOLT** — I cannot comment. I do not have that figure at my fingertips.

**Mrs PEULICH** — Are you able to provide that information?

**Mr BOLT** — I think the government is still working out its forward agenda of missions, so I do not think I could give you any information that would be valuable on that at this time.

**Mrs PEULICH** — We will come back to that. Thank you.

**The CHAIR** — The minister currently responsible is the Premier, for those issues.

**Mr BOLT** — Yes, correct.

**Mr MULINO** — Currently.

**The CHAIR** — Minister Somyurek was responsible; now it is the Premier.

**Mr MELHEM** — The biggest change is the \$1.3 million costing, I take it. Is any of this changing how you use DEPI, the DPI or the primary industry? You have 1300 people coming across to your super-department. Is it fair to say, from my reading, most of the costs are as a result of that? Is that what we want of the figures?

**Mr BOLT** — Let me just think. It would depend on who was being moved where particularly, and certainly there has been a substantial move of agriculture's staff as part of the shift. We have also moved former Arts Victoria staff to 121 Exhibition Street. I do not know that I could be more specific than that, but certainly a significant aspect of it was agriculture — but certainly not the only one.

**Ms JAQUINOT** — And the corporate.

**Mr BOLT** — Of course. Sorry, I should have mentioned that. Of course we inherited more than one corporate area, so this goes a little to the discussion about, 'Will there be a pay-off?'. In time we will provide more efficient corporate services by having several merged in one, but we had to move some in the near term, and that was part of the cost.

**Mr MELHEM** — My follow-up question is about agriculture and primary industry merging again. So you would anticipate there will be some saving going forward as a result of it.

**Mr BOLT** — Correct.

**Mr MELHEM** — There will be initial costs, but there will be saving done for the next few years as a result of the new machinery of government changes.

**Mr BOLT** — We will find some efficiencies from the co-location of these various functions; that is correct. And there are other parts of the department, I might add, that will grow, particularly to deliver the Melbourne Metro and the level crossings projects, so overall the department has areas in which it will grow but it will also consolidate in particularly the corporate services area, and that will actually easily pay back the investment.

**Mr RICH-PHILLIPS** — Mr Bolt, I would like to ask you about the restructure you indicated you are undertaking or have undertaken internally now.

**Mr BOLT** — It is a reorganisation. There is a proposal out for consultation with staff and union now. That is right.

**Mr RICH-PHILLIPS** — You have brought the elements of the super-department together and you will now reorganise it internally. Can you outline what that proposal is, please?

**Mr BOLT** — It is difficult to give a single answer, because it does depend on which part of the department we are talking about. Broadly speaking we are simply looking to reorganise to better deliver the government's priorities. In transport there will be a shift towards a greater capacity for long-term transport planning and less of an operational role. With the impending establishment of Infrastructure Victoria, it behoves us to do that as an input to their work. In the case of the economic development area, the proposed reorganisation includes, for example, a clearer focus on the priority sectors of the economy and organisation of those under a single direct report to the lead deputy. In the case of Regional Development Victoria, increasing the seniority of our regional directors is an aspect of the change. I could go further, but I would simply say that we are doing is selectively looking at parts of the department where to give effect to the government's program we need to organise better impact.

Possibly the best thing I could do is, if you are interested, give you a summary of the proposal that would give you some insight into the main shifts that we are looking to make. But I have given you two of the larger ones. If I go on I suspect it will not be valuable to you, but I could give other examples.

**Mr RICH-PHILLIPS** — I am particularly interested in what was DSDBI. You obviously know the background there. You essentially had what was a stand-alone department largely — whilst some of the elements went out, as we have heard from Adam Fennessy — which is now a division of a larger department.

**Mr BOLT** — A group, I am calling it.

**Mr RICH-PHILLIPS** — How are you structuring it in terms of what was a stand-alone department, with Howard Ronaldson as the secretary. You have said you have now got Justin Hanney as a deputy secretary?

**Mr BOLT** — Yes. For reasons I can explain, my direct reports are lead deputy secretaries.

**Mr RICH-PHILLIPS** — And there are seven of those?

**Mr BOLT** — Correct; seven, with the Auditor-General — the coordinator general as the eighth.

**The CHAIR** — The Auditor-General sits above all of us.

**Mr BOLT** — I should wish for that. Maybe you could recommend it.

**Mr RICH-PHILLIPS** — Under the lead deputy secretaries is the pre-existing deputy secretary structure that previously reported to a secretary. Is that how it is — —

**Mr BOLT** — Yes. Deputy secretaries, I inherited in the vicinity of 20 of those. I am looking to Sue to clarify the number.

**Ms JAQUINOT** — Around 17.

**Mr BOLT** — There will be fewer. For reasons of the size of the department, attracting people into functions that would be deputies in their own right in most other parts of government or other governments, we have maintained some positions reporting to my direct reports as deputy secretaries. That is a question of simply attracting people to roles that are equivalent to what they could find elsewhere without the perception they are going backwards in their careers. There will be a smaller number of deputy secretaries than we had, but there will still be some. For example, I think there are two in the transport group proposed. I cannot recall the number in the EDEI group. I do not think I am making sense to you, Mr Rich-Phillips.

**Mr RICH-PHILLIPS** — I certainly follow where you are heading with that, but my interest is historically on the industry side of things more than the others. So you see a reduction within that silo in the number of deputy secretaries from the previous — —

**Mr BOLT** — No. Like I say, I will come back to you with more detail rather than attempt to do so here.

**Ms JAQUINOT** — The only thing I would add to that is the corporate deputy secretaries have definitely come out of what was DSDBI.

**Mr BOLT** — That is right.

**Mr RICH-PHILLIPS** — Yes, that makes sense.

**Ms JAQUINOT** — What you see is a reduction in there that will be focused on trade investment — —

**Mr RICH-PHILLIPS** — Portfolio functions.

**Ms JAQUINOT** — Yes, and those industry sectors — RDV et cetera.

**Mr RICH-PHILLIPS** — With the structure, I think there are six priority sectors. Will you have six sector boxes under Justin Hanney's leadership?

**Mr BOLT** — They will be in there equally. I have to keep saying it is a proposal, because it is out for consultation, and I do not want to create any sense that we are pre-empting that by talking about it as a done deal here, but other sectors as well. We need to have a focus on all sectors, including those who may be experiencing some challenges, such as the auto industry — so the priority sectors definitely but others besides. Not every sector will be in that group. For example, particularly the creative sector very obviously has its own unit or group within the department sitting separately, and the visitor economy equally — a critical sector, as you would agree — will have its own operational area, although having said that, the policy aspect of the visitor economy will come into that group.

Food and fibre, we are proposing, would go into that group out of the old agriculture, energy and resources so that you get a critical mass of sectoral planning and policy happening in one place, with the one exception — the creative side.

**Mr RICH-PHILLIPS** — Are you proposing to retain the sectors I previously had, with the aviation division and the technology divisions?

**Mr BOLT** — I will have to take on notice precisely what the structure is, but aviation will clearly be a sector that we will look at, and ICT, clearly. But how we are organising them below the level of the person reporting to the lead deputy, I have to admit I do not have that map in my head. But we are certainly are ensuring that they are part of an industry divisions focus.

**Mr RICH-PHILLIPS** — Can I ask a little about the process? You said it is a proposal that is out for consultation. What is the time frame for that to happen for it to be implemented if you decide to go ahead with it?

**Mr BOLT** — Consultation, we are currently planning, will finish next week — that is, the formal period of consultation required under the EBA. Thereafter we will consult as required to finalise any changes that we wish to make to the structure based on the feedback we have received. I would expect that we will be making final decisions on this round of organisational change sometime in August and then beginning to fill the vacant positions that are in the new structure thereafter.

**Mr RICH-PHILLIPS** — How do you do that process? Of the secretaries we have heard from thus far today, your department understandably is the first one that is having a large reorganisation. How do you transition from the existing structure with people in jobs to the new structure? Is there equivalence across — —

**Mr BOLT** — Based on prior experience of doing this, the way I favour — and the way we are doing it here — is we are not reorganising, of course, as you can imagine, for its own sake; we are only changing what needs changing, and there are parts of the department that will undergo no change. Some will not be changed, some will have a change of title, nothing more, and some will only have managers and be made more senior, so it is not a wholesale reshuffling.

Where there is a direct match or a pretty good match between an existing and a new position, those people will have continuity in those roles. They can choose to compete for other roles, but they will have continuity should they so choose, because a department-wide spill and fill is not a structure or an approach I particularly favour if we are looking to gain some continuity and maintain reasonable stability in the transition.

For a minority of positions in the department, there is not a direct match between an incumbent and a new role, and there will be an internal recruitment round or two so that those roles will be filled from the people who are currently not placed. That is providing us with an ability to refresh and to provide a merit-based appointment to new positions but not to do it on the basis that everyone has to go out and compete for a new position. That process will ensue from mid-August — possibly from September but maybe as early as mid-August onwards that will begin.

**Mr RICH-PHILLIPS** — Just a final question: what proportion do you estimate of your head count are involved in that?

**Mr BOLT** — In terms of the number of people who are not actually placed — is that your question?

**Mr RICH-PHILLIPS** — Essentially, yes.

**Mr BOLT** — If the proposal is accepted, in the vicinity of 200 of them will not be placed, but they will have — —

**Mr RICH-PHILLIPS** — So 8 per cent or something of the total head count?

**Mr BOLT** — Yes, correct — well, to split hairs, 6.7 per cent or so, but yes, less than 10.

**Mr MULINO** — Just very briefly, I want to follow on from some of the discussion around what might be called columns or the silos of the org structure. Again, just to reinforce some of the discussion we had earlier

about the way in which different policy areas can reinforce each other, the way the org structure is put together there are both these portfolio columns but also the cross cutting. One of the key ones, I imagine, is going to be the strategy and planning unit, which I imagine is going to be where the department leverages a lot of the expertise across different policy areas to gain these synergies.

**Mr BOLT** — Correct. It is a vital area — a new area — in the department, with carriage of our strategic plan and with carriage of the more complicated policy issues that cross the different groups or cross parts of government or even levels of government. It has the task of doing the more difficult think pieces, not entirely with its own resources; it will draw people in. Picking up Mr Rich-Phillips's view, 'Doesn't the department have policy capacity?', it has a lot — and by the way, the BCG work will actually add to our internal capacity and it will provide new knowledge. What the strategy and planning group will do is synthesise good strategic advice based upon the operational knowledge of the department, of other departments and of industry contacts, stakeholders and so forth. I hope that is answering your question — taking a long-range view, coming back with practical policy advice on some of the more difficult issues government will have to deal with.

**Mr MULINO** — And the other area is the delivery side of things, which the coordinator-general will coordinate. There again I imagine there are going to be some benefits to having a range of different projects under an overarching umbrella and being able to share learnings. As you say, it is always possible across departments, no matter what structure you have. There should be some enhanced scope for sharing learnings through that, given the range of economic development policy areas the department has responsibility for.

**Mr BOLT** — Certainly the practice of good delivery and good project management, given that the coordinator-general is Corey Hannett. Corey Hannett led the very successful regional rail link project, which I think began under one government, was completed or largely done under the previous government and has won multiple awards for its community engagement, its environmental sensitivity, its design and various other things. Corey's experience makes him well suited now to guiding a new generation, so to speak, of project deliverers, and yes, it does help to have a portfolio of projects headed by a person with that expertise.

**Mrs PEULICH** — Just in relation to the priority sectors, Mr Bolt, could you shed a bit of light on how you identify the priorities, whether that has been an evolutionary process or whether it has been overlaid by governance priorities? And the document that you have out for consultation, is that publicly available or available to the committee?

**Mr BOLT** — The document there you are talking about — —

**Mrs PEULICH** — The consultation document on the — —

**Mr BOLT** — There are discussion papers on the priority sectors coming up that are public.

**Mrs PEULICH** — Yes. Public?

**Mr BOLT** — Yes. Not all of them are out, but there are several out. I think we are talking about the same thing. For example, there is a food and fibre discussion paper out there at the moment, and there a number more to come. Those discussion papers will focus on the six priority sectors the government came to office with a focus on — and others at the sides.

**Mrs PEULICH** — And others?

**Mr BOLT** — Yes. Where we see a need to complement the six priority sectors with a focus on others, they will be part of that consultation round.

**Mrs PEULICH** — Is there a document that actually outlines the priority sectors the government has identified as well as those your department has supplemented?

**Mr BOLT** — It is a good question. We have not put out anything that paints the overall picture, no, but I can certainly provide you with a listing of all the reviews we are doing that have a sectoral focus.

**Mrs PEULICH** — That would be very useful. Thank you so much.

**Mr BOLT** — So I will instance something that I think you may know about, which is the visitor economy review, chaired by Sir Rod Eddington. That has been conducted. I think it is common knowledge that that has been done. That is not part of the six priority sectors, but it is nonetheless a sector of note and therefore it has been looked at by direction of the government on our advice.

**The CHAIR** — Mr Bolt, Ms Jaquinot and Ms Eddy, thank you very much for your presentation this morning and for your preparedness to answer the committee's questions. We are very grateful for your time this morning.

**Mr BOLT** — Thank you very much.

**Witnesses withdrew.**

# TRANSCRIPT

## STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

### Subcommittee

#### Inquiry into machinery of government changes

Melbourne — 21 July 2015

#### 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 Melissa Skilbeck, Deputy Secretary, Budget and Financial Management, and

Ms Gayle Porthouse, Deputy Secretary, Market Engagement and Corporate, Department of Treasury and Finance.

**The CHAIR** — I declare open again this public hearing of the Legislative Council Legal and Social Issues Committee. This hearing is in relation to the machinery of government changes inquiry. I welcome Mr David Martine, the Secretary of the Department of Treasury and Finance; Ms Melissa Skilbeck, the deputy secretary of budget and financial management; and Ms Gayle Porthouse, the deputy secretary of market engagement and corporate.

I 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 the information you give today is protected by law; however, any comments repeated outside this hearing may not be protected. All evidence is being recorded. You will be provided with proof versions of the transcript in the next couple of days.

We have allowed 45 minutes for this session, so I would appreciate a short presentation and thereafter members of the committee will have questions. I invite you, Mr Martine, to make your presentation.

**Mr MARTINE** — Thank you for the invitation to appear today. I am going to be very brief in an opening statement, because the machinery of government changes for the DTF portfolio were quite minimal. I am just going to take a couple of minutes to very briefly explain the changes. Essentially, there were three machinery of government changes that affected the DTF portfolio that took effect from 1 January.

Firstly, the workplace relations function within the department moved to the new Department of Economic Development, Jobs, Transport and Resources. That involved the transfer of 15.8 full-time equivalent staff, and that took effect on 1 January. The second machinery of government change that affected the portfolio was that the Victorian Competition and Efficiency Commission, VCEC, as an entity has moved from the DTF portfolio to the DPC portfolio. The third machinery of government change that affected the DTF portfolio was in relation to CenITex. CenITex as an entity has moved from the former Department of State Development, Business and Innovation to the DTF portfolio. They are the three machinery of government changes that have affected the portfolio.

Both VCEC and CenITex remain in their current physical locations, so there has not been any physical move of both of those entities. The workplace relations function, which was, as I indicated, a little bit over 15 full-time equivalents, has now physically moved to 121 Exhibition Street out of 1 Macarthur, I think it was, where it was located. They are essentially the three machinery of government changes that relate to the portfolio. I was planning to leave it at that. That gives you a bit of context, and I am more than happy obviously to take the committee's questions.

**Mr MULINO** — Thank you, Mr Martine, Ms Porthouse and Ms Skilbeck for your time. I know that you are all very busy. We will probably end up talking a bit about some of those three changes during the course of the next 45 minutes; but I want to start at a higher level and in a sense get Treasury's perspective as a central agency on machinery of government changes and their impact on government's capacity to deliver outcomes, because there has been some discussion today about some of the direct costs in terms of IT, relocating people and so forth. But of course the real rationale for these kinds of changes is to try to help governments to better deliver outcomes.

I want to get your sense as to some of the MOG changes being motivated by trying to achieve synergies between different policy areas — for example, health and human services being brought together could potentially assist in getting preventative outcomes. In the economic policy space we see agriculture, regional development and trade coming together. I want to get your broad sense, given that you have an overarching sense of government delivering outcomes: is it fair to say that if some of these attempts to get better outcomes are successful, those benefits both for government directly but also for the state economy more broadly will be or may be orders of magnitude larger than the direct costs?

**Mr MARTINE** — Thanks for your question. Perhaps I will start off with my answer that it is not unusual for a new government when it first comes in to announce machinery of government changes. In fact I struggle to think from my career going back several decades both now here in the state but also in the commonwealth of a time when a new government has not made some changes.

I understand the committee has been provided with a document from the Department of Premier and Cabinet that outlines some costs that were incurred by various departments, and I am happy to talk a bit about the DTF



ones at a later stage. I guess the first point about the cost element to your question is that no department has received any supplementation to meet any of the additional costs that they may have incurred as a result of machinery of government changes. That is a general principle that often applies to machinery of government changes. The view that is always taken is that any costs that are incurred — and generally they are not substantive — are generally met by the relevant departments. I guess that is the first point on costs.

With respect to rationale, it is not unusual for new governments to announce machinery of government changes, and generally governments take the view that it is important that the public sector is realigned in terms of a new government's set of priorities. All governments have different sets of priorities; that is what governments do.

You mentioned the synergies that the government is trying to achieve. I guess that was part of the announcement of the rationale that the Premier made back in December of just trying to get better synergies between health and human services on the one hand and also the economic development. I guess all I can really reinforce or just repeat is the rationale that the Premier outlined in December and on the cost side to just make the point that there has not been a budget hit or impact as a result of the MOG changes in the departments. As normal, we are required to absorb all the costs.

**Mr MULINO** — Just going back to that rationale, what we have seen is a reduction in the number of departments, and so we might expect, for example, in particular with the department of economic development, that we might increase the capacity of that department, given its broader scope, to undertake certain types of analytical work and certain services like contract management. One would hope that that would be one of the benefits that would arise from this in departments like that.

**Mr MARTINE** — I am not sure whether Mr Bolt has appeared yet.

**The CHAIR** — Yes, he has.

**Mr MARTINE** — No doubt he has views about how he is bringing his department together. But you are quite right: the new government has moved from 9 to 7 departments.

**Mr RICH-PHILLIPS** — Mr Martine, Ms Skilbeck and Ms Porthouse, thank you for joining us this afternoon. I just want to ask a couple of questions around the MOG changes to the department but also some general questions around whole of government from a Treasury perspective. With respect to DTF, you referred to the shift of VCEC to Premier and Cabinet. Was VCEC consolidated within DTF in terms of staffing?

**Mr MARTINE** — I think that is correct in terms of — —

**Mr RICH-PHILLIPS** — It is not actually a statutory authority, is it?

**Mr MARTINE** — I do not think they had their own separate financial statements. They would appear as part of the DTF's financial statements, but CenITex is different.

**Mr RICH-PHILLIPS** — CenITex is separate?

**Mr MARTINE** — Yes.

**Mr RICH-PHILLIPS** — Do you know what headcount has shifted as a consequence of VCEC?

**Mr MARTINE** — VCEC, about 20 FTEs.

**Mr RICH-PHILLIPS** — So it is a net 35, 36 reduction for the department.

**Mr MARTINE** — Yes. From an FTE point of view, about 35; the actual headcount, a couple of extra. My information has a headcount of 23 for VCEC but 20 FTEs, so obviously there are some part-timers involved there.

**Mr RICH-PHILLIPS** — Another one that you did not touch upon that I want to get clarity on is the port transaction unit, which was established under the previous government. The Premier in his December statement indicated that he was taking responsibility for the port transaction unit and that that would be established, by implication, in DPC. Has that resulted in a transfer of resources or staff from DTF, which was doing that work, into Premier and Cabinet?

**Mr MARTINE** — The answer is no. The port transaction unit remains now within DTF; it still exists and continues the work that it is currently doing. That has not transferred from DTF to DPC.

**Mr RICH-PHILLIPS** — Is there, to your knowledge, a parallel unit in DPC?

**Mr MARTINE** — No. You are quite right that the Premier's announcement — I have got it here somewhere — on 4 December made a reference to DPC assuming responsibility for the port transaction unit.

**Mr RICH-PHILLIPS** — Yes.

**Mr MARTINE** — As part of going through the process through the course of December leading up to 1 January and finalising all the machinery of government changes, the government made a decision prior to 1 January for the port transaction unit to remain within DTF. So there is no parallel unit that has been established.

**Mr RICH-PHILLIPS** — Thank you; that is very helpful. Are you able to outline the rationale for — I accept that it is out rather than in — the shift of VCEC out of Treasury?

**Mr MARTINE** — It is always hard. I guess all I can really indicate is — —

**Mr RICH-PHILLIPS** — I could probably ask Mr Eccles if you are not in a position to — —

**Mr MARTINE** — Yes. I mean these are matters that new governments make decisions on, and that was part of the government's announcement in December that VCEC would move into the DPC portfolio, but it has remained physically located still in the same building, so basically it is the entity that has moved across.

**Mr RICH-PHILLIPS** — The opposite shift with CenITex shifting from the previous industry department back to Treasury: what was the rationale behind that?

**Mr MARTINE** — I guess part of the rationale was that the former department, DSDBI — if I have the acronym correct — no longer exists. That was one of the departments that kind of got split up and spread across the public sector. Obviously CenITex then needed to be found a home somewhere. As I know you are well aware, DTF does manage a whole range of whole-of-government shared services and whole-of-government procurement et cetera, so there is a bit of a natural home there for CenITex to be within the DTF portfolio.

**Mr RICH-PHILLIPS** — In DTF assuming responsibility for CenITex, did it also assume responsibility for the whole-of-government ICT policy area?

**Mr MARTINE** — No. A large part of that has remained within DPC.

**Mr RICH-PHILLIPS** — So that has been split off.

**Mr MARTINE** — Yes. So the Special Minister of State has taken responsibility for several aspects of public sector reform et cetera, which has included some of the IT policy. So he has been managing that, and DPC has prime carriage of that. What we have in DTF is CenITex as an entity as sort of an IT service provider. That moved across to the portfolio, and that is what our responsibility is at the moment.

**Mr RICH-PHILLIPS** — That is reporting to the Minister for Finance?

**Mr MARTINE** — Yes.

**Mr RICH-PHILLIPS** — After the government's announcement around CenITex, has the board been restructured to become the secretaries board, as was foreshadowed?

**Mr MARTINE** — Sorry, the secretaries?

**Mr RICH-PHILLIPS** — If I understood the proposal correctly, essentially the board was to be the secretary customers of CenITex rather than the current skills-based board.

**Mr MARTINE** — I think the Special Minister of State put out a press release a couple of weeks ago that touched on CenITex. On Tuesday, 30 June, the Special Minister of State put out a press release that talked about the future role of CenITex. Basically the press release talks about:

CenITex's service delivery and governance will be reformed with a new customer-oriented board structure and regular performance monitoring.

Obviously the CenITex customers are public sector entities — departments and agencies et cetera.

**Mr RICH-PHILLIPS** — Has that changed been implemented?

**Ms PORTHOUSE** — It is currently underway.

**Mr MARTINE** — I think it is currently underway and under consideration. This is a press release dated the 30th, so I do not think there has been any physical change just yet.

**Mr RICH-PHILLIPS** — Am I correct in understanding that that means the board of secretaries will become the board of CenITex? Is that what it means by customer focused?

**Ms PORTHOUSE** — No.

**Mr MARTINE** — No. The current CenITex board would not be replaced with the secretaries board itself. What this is talking about is customer representation on the board, so it may involve a couple of secretaries who are significant customers of CenITex, for example, being part of the board. But the intention is not to replace the old board with the secretaries board of seven secretaries.

**Mr RICH-PHILLIPS** — Back on CenITex, with respect to the previous mandate, does the mandate remain in place for all departments to continue to use CenITex services, given the new direction the government is taking?

**Mr MARTINE** — We are kind of venturing a little bit outside of MOG changes, so I guess all I can probably refer to is the Special Minister of State's media release of the 30th, which basically says:

CenITex will continue to provide ICT services that are specific to government. Other services provided by CenITex that are readily available in the market will be market tested over the next year.

**Mr RICH-PHILLIPS** — You cannot clarify beyond that?

**Mr MULINO** — Chair, if the minister has put out a press release, I think we can leave it to the minister to expand further.

**Mr RICH-PHILLIPS** — I will move on. With respect to whole-of-government implications of the machinery of government changes, in the appropriation bill this year the department included a table which reconciled the old change on an appropriation basis for the previous government structure and how that reflects the new department structure. What was the basis of that allocation? How was that done? Is that reflecting simply a headcount proportion or headcount shift?

**Mr MARTINE** — Essentially what generally happens with machinery of government changes is that the losing department and the gaining department sit down in the spirit of goodwill and negotiate an agreed outcome of both the headcount and the dollars that get transferred across. From DTF's point of view, for example, with our very small change of 15.8 FTEs we would have sat down with the gaining department and discussed the actual FTEs to transfer and the dollars, and we come to a mutual agreement.

DTF sort of wearing its whole-of-government hat then helps the two departments; we help get their financial statements from 1 January and then organised in terms of money transferring across and the FTEs et cetera, and then the table in the budget papers is in a sense a summary of what has been agreed between both departments — the gaining and losing departments. It is probably fair to say that this year it went reasonably smoothly in terms of the gaining and losing departments coming to that mutual agreement, which in my experience is not necessarily always the case. Gainers always want more than the losing departments sometimes want to give up. So that all worked reasonably smoothly. We then tried to capture that and summarise it in the table in the budget papers.

**Mr RICH-PHILLIPS** — Can that be taken as a proxy for the total funding costs for the departments as well, the proportions? The table only refers to the direct approp costs. Would that be broadly consistent?

**Mr MARTINE** — Sorry, the approp costs for the new department for all of its functions?

**Mr RICH-PHILLIPS** — Yes. The summary table only referred to the appropriations. Would then similar proportions apply to other revenues?

**Mr MARTINE** — Unfortunately I have not got the table in front of me, but I am assuming that — —

**Mr RICH-PHILLIPS** — Can you make that available? Can you pass that to Mr Martine?

**Mr MARTINE** — That might be easier so we can make sure we are not talking at cross purposes.

**Mr RICH-PHILLIPS** — Just giving it a scan, those shifts on an appropriation basis are representative of the shifts that would have been — —

**Mr MARTINE** — Yes. This is just appropriation.

**Mr RICH-PHILLIPS** — Just appropriation?

**Mr MARTINE** — You can see, for example, the new Department of Economic Development, Jobs, Transport and Resources there. The original estimate is obviously zero, because they never existed. They now have an appropriation of 8.5 billion, and that would then reflect the outcome of all of their negotiations with the losing departments on how much gets transferred across, and that would all get summed up at 8.5. That is essentially what that table represents. So you can see, for example, the Department of State Development, Business and Innovation ends with a zero.

**Mr RICH-PHILLIPS** — Yes.

**Mr MARTINE** — Then the total appropriation of 41 billion, both before and after the MOG obviously by definition has to be exactly the same, because the purpose here is just to reallocate the appropriations across a new set of departments.

**Mr RICH-PHILLIPS** — Does Treasury have or does Treasury prepare a similar summary table that includes all budget revenue split by the old department structure and the new department structure that you are able to provide to the committee — so it is the full picture, not just the appropriation picture?

**Mr MARTINE** — Obviously the budget papers would provide quite a bit of detail on the seven new departments — —

**Mr RICH-PHILLIPS** — On the new structure, yes.

**Mr MARTINE** — Apart from this kind of table, I do not think from memory there is any other information in the budget papers that does the tracking from kind of old to new in terms of information.

**Mr RICH-PHILLIPS** — There was nothing that was prepared in the budget that can be made available that does that?

**Mr MARTINE** — I am not aware of any. I would need to take that on notice.

**Mr RICH-PHILLIPS** — Thank you. In a similar vein, you have spoken about the appropriation revenue side of the account. How is the asset side of the account managed? Is it a similar process in terms of the asset allocation to the new departments?

**Mr MARTINE** — Yes, once again the two departments get together and negotiate an acceptable outcome. All of that then gets transferred to the new department so that their full suite of financial statements from both output and assets are then complete for the new departments.

**Mr RICH-PHILLIPS** — And accumulated depreciation: is that handled the same way? It gets transferred with — —

**Mr MARTINE** — Yes, it all gets transferred to the relevant new departments.

**Mr RICH-PHILLIPS** — I wanted to ask, if I may, Chair, in Ms Porthouse's area, around the logistics of the MOG across government in terms of what it means in accommodation needs and accommodation changes, are you able to provide the committee with a summary of what accommodation will change and need to be accommodated through DTF's area in terms of additional space required and space that is relinquished or going to be relinquished, through the Secretary?

**Ms PORTHOUSE** — The Shared Service Provider does undertake those activities. The costs are part of each individual department's costs, so that would be held by those individual departments rather than us.

**Mr MARTINE** — Certainly — and I think I might have mentioned this — from a DTF point of view, both VCEC and CenITex remain in their physical locations at 2 Lonsdale and 80 Collins, and then workplace relations, because they are not that big, have just moved out of 1 Macarthur and they are now in 121 Exhibition.

**Mr RICH-PHILLIPS** — Has the Shared Service Provider needed to find additional accommodation to address the MOG changes?

**Mr MARTINE** — Not that I am aware of, no.

**Mr RICH-PHILLIPS** — Or create opportunities to early relinquish accommodation as a consequence of some consolidations?

**Ms PORTHOUSE** — Not as a consequence of this, no.

**Mr RICH-PHILLIPS** — Has SSP managed the physical move — provided the individual departments with the resources on the physical move?

**Ms PORTHOUSE** — The actual relocations themselves, removalists et cetera? Yes, and the costs borne by the various departments.

**Mr RICH-PHILLIPS** — Are you able to tell the committee what that aggregate cost has been?

**Ms PORTHOUSE** — Not right now, but I can probably get that for you.

**Mr MARTINE** — We can take that on notice. In terms of office accommodation, the effect of the MOG is essentially not to cut total staff numbers in aggregate, and a lot of functions no doubt are staying exactly where they are physically located — some are moving. It is again not surprising that initially there is no net reduction in accommodation. That does not mean that necessarily in 12 months time, as the new departments, particularly the new big departments now, start reorganising themselves and getting their functions realigned and moving people around, there may not be some efficiencies through accommodation. But certainly most of the initial changes are not unusual, and for DTF some of those functions have just kind of stayed exactly where they are.

**Mr RICH-PHILLIPS** — If you are able to provide on notice —

**Mr MARTINE** — We will take your question on notice.

**Ms PORTHOUSE** — Yes, there has been no significant move. But yes, we can.

**Mr RICH-PHILLIPS** — any of those costs of relocation, that will be helpful.

**Mr MARTINE** — We will certainly take that on notice, but I am assuming that some of that may be captured in that document that has been provided. There is a category called 'Relocation'. Some of that may be captured — —

**Ms PORTHOUSE** — The cost of transfer to departments.

**Mr RICH-PHILLIPS** — It is always helpful to have a third-party reconciliation of some of these numbers.

**Mr MARTINE** — We will certainly take that on notice.

**Mr RICH-PHILLIPS** — Thank you.

**Mr MULINO** — Finally, just for a bit of context, it has been a pretty standard MOG change process this year and, just to reiterate, it has gone pretty smoothly.

**Mr MARTINE** — In terms of —

**Mr MULINO** — The overall changes.

**Mr MARTINE** — Yes, in terms of finalising the financials, which is DTF putting its whole-of-government hat on, 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. That was not required this time, and it all seemed to work reasonably smoothly to take effect from 1 January.

**Mr RICH-PHILLIPS** — Just one other area, Mr Martine, and something I have asked other secretaries, notwithstanding the fact that your department has had minimal MOG changes — external changes — have there been any changes or are there any planned changes to the internal DTF structure in terms of delivering your outputs for the government?

**Mr MARTINE** — That is a very good question. We are internally going through a process of just thinking about our structure in terms of alignment with the new government's priorities. We have not made any final decisions on that, but I anticipate there will be some kind of marginal changes to that so we may end up moving some people and resources from one particular area of the department to the other — but it would be very much at the margin. But we are currently going through those discussions internally, and I am kind of hoping, maybe within the next month, just to sort of make some decisions just to move some resources around.

**Mr RICH-PHILLIPS** — Thank you.

**Mr MULINO** — Just further to that question, that is a review which you would have done regardless of the MOG changes?

**Mr MARTINE** — Yes.

**Mr MULINO** — So it is a separate issue.

**Mr MARTINE** — It is not driven by a MOG change; it is essentially driven by — —

**Mr MULINO** — Just improved delivery of corporate outcomes?

**Mr MARTINE** — Yes. New governments come in and their emphasis is a bit different to former governments', and that is not unusual. It is just kind of what you would normally do anyway. It is certainly not related to MOG.

**The CHAIR** — Mr Martine, Ms Porthouse and Ms Skilbeck, thank you very much for appearing before us this afternoon. As I have said, you will receive a transcript in the next couple of days.

**Witnesses withdrew.**

# TRANSCRIPT

## STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

### Subcommittee

#### Inquiry into machinery of government changes

Melbourne — 21 July 2015

#### 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 welcome Mr Chris Eccles, the Secretary of the Department of Premier and Cabinet. Thank you for making yourself available this afternoon.

I 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 the information you give today is protected by law. However, any comment repeated outside this hearing may not be so protected. All evidence is being recorded. You will be provided with proof versions of the transcript in the next couple of days.

We have allowed 45 minutes for this session. I invite you to make a brief introductory statement, and thereafter my colleagues and I will have questions for you. I invite you, Mr Eccles, to make some comments.

**Mr ECCLES** — Thank you very much for the opportunity to appear before you today. My comments are probably going to fall into two categories, one being a bit of an overview of the MOG process, particularly important because of the central role played by DPC in that process, and then probably spend a little bit of time on the changes relevant to DPC. I suspect that is somewhere you will take me through the course of the 45 minutes. It is fair to say, leaping to the conclusion, that we have a first minister's department that is unlike first minister's departments in other parts of Australia and in particular in parts of Australia where I have led the Premier's department in terms of the breadth and depth of its functions and policy responsibilities. I suspect that might be something that we touch upon later in the inquiry.

Turning to the first part, which is the implementation process, DPC has a central oversight and coordination role in implementing MOG changes. It partly goes to the role we play in supporting the Premier, who gives effect to MOG changes by transferring functions and staff using a section 30 declaration under the Public Administration Act. It is my considered view that the implementation process of the MOG changes following the November 2014 election was effective and efficient, and I would even go so far as to say, having been involved in machinery of government changes in other places at other times, that it was remarkable in its efficiency and its effectiveness. They were announced on 4 December 2014 and the departments had their structures in place by the time they commenced on 1 January.

I think the effectiveness of the process can largely be attributed to the collaboration of departments and a collective emphasis on the importance of meeting some very tight time lines. By way of process, DPC convened a whole-of-government interdepartmental committee to manage the implementation processes. We also worked bilaterally to determine what each department needed with respect to resourcing and budgets to successfully transfer each function. Significantly, all matters were resolved without escalation beyond the IDC, so there is a process for there being, if you like, an appeal to other parts of government in the event of there being disagreement, but that was not required on this particular occasion.

That, if you like, is the implementation process. Then to the changes relevant to my department. Just to preface it by reference to our core purpose and to remind the committee of DPC's core purpose: setting clear expectations, driving the government's objectives, providing what I call a unifying intelligence within the Victorian government and pursuing excellence in whole-of-government outcomes in delivery and reform. The functions that were transferred into DPC as part of the 1 January MOG changes align with those particular objectives.

The first was establishing the prevention of family violence function in DPC, which enabled the quick formation of the royal commission and provides access to our whole-of-government coordination processes to enable the effective functioning of the preparation for and conduct of the commission.

We also had the Office for Women being transferred to DPC from the former Office for Youth, Disability and Women's Affairs in DHS. Again the objective being to bring a whole-of-government approach to the implementation of a number of the government's commitments in the portfolio, the most public and prominent of which would be the commitment that 50 per cent of all future appointments to paid government boards and Victorian courts will be women.

We established the equality function in DPC, again enabling a coordinated, whole-of-government approach to assisting the government to implement their agenda, including the most recent appointment of the gender and sexuality commissioner.



DPC supported both the Premier and the Special Minister of State on the creation of Infrastructure Victoria, the bill for which is in the Parliament presently. This provides the Premier and Special Minister of State with direct oversight as the new entity is being established.

The government has committed to a number of accountability and integrity related reforms — the establishment of the Office of the Public Access Commissioner, reform of the Independent Broad-based Anti-corruption Commission and transferring wholesale the integrity and accountability functions into DPC aligns with these government objectives and again brings a whole-of-government focus to implementing what is a substantial range of reforms, whether with IBAC, whether with the Auditor-General, whether with the Ombudsman.

Public sector ICT and Digital Government were transferred into DPC to assist the Special Minister of State to 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 to strengthen the integrity of the 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.

The Special Minister of State also has carriage of the establishment of Service Victoria. Service Victoria is planned to be the public face of the most common government-to-citizen interactions. It will start the process of modernising the delivery of the highest volume government transactions in order to improve the quality and ease of interactions between the government and citizens. The 2015–16 budget invested \$15 million for the Department of Premier and Cabinet to begin the planning phase of this project to make it easier for citizens to complete the most common government transactions. It is all about removing red tape and designing information so it is simpler for people to use and faster and easier to access government services. It is very early days. They have established the office out in Footscray, but the model looks like it is going to be creating a single digital shopfront by building a common platform for online transactions.

With all of the ons, there is one substantive off, and that is Arts Victoria being transferred out of DPC and into DEDJTR, which aligns with what no doubt Richard Bolt confirmed as the objective of co-locating the drivers of economic development with industry.

Chair, probably to end where I began, we do have an uncommonly broad set of functions and areas of policy responsibility within DPC. But, nonetheless, all of them are entirely relevant to our vision and objectives as the first minister's department.

**The CHAIR** — Thank you, Mr Eccles.

**Mr RICH-PHILLIPS** — Mr Eccles, thank you for your statement and the material provided from your office last night. You spoke in your opening comments about the mechanism used in machinery of government changes, and indeed the mechanics of some of the changes in the Department of Premier and Cabinet. What I am interested in, firstly, as the architect of the machinery of government changes across government, what was the rationale for the whole-of-government structural changes that were made at the beginning of December?

**Mr ECCLES** — I think you do me too much credit in describing me as the architect of the machinery of government changes. In fact I am simply a servant of the implementation of the machinery of government changes that were determined by the Premier as the first minister. I think there is a comprehensive account given in the written statement as to, if you like, the meta rationale in relation to some of the signature or most prominent machinery of government changes, namely, the consolidation of the departments of Health and Human Services — I will not go into the description of paragraph 30 — and similarly the creation of DEDJTR, which again, as it says, is bringing together many of the key leaders and functions that drive economic development and job creation. Again I will not take the committee back through what is described there. But I think if you were to reflect upon the fact that we moved from nine departments to seven and they were the two portfolios that were most impacted, that the rationale is best described there.

For myself and my portfolio, I think the single largest change comes with the formation of a portfolio responsible to the Special Minister of State. You are familiar with the accretion of a whole series of functions that go with Minister Jennings's portfolio, so public sector reform, public sector ICT, the integrity and watchdog agencies, his responsibility for monitoring the performance more generally of government. Between the two large-scale consolidations and the introduction of this unique portfolio related to the Special Minister of

State, I think they are probably the highlights. I should not leave the highlights without reference also to the portfolio related to the prevention of family violence, because that is a signature initiative of the government and we have the privilege within DPC to service Minister Richardson.

**Mr RICH-PHILLIPS** — Can I ask you for a bit more clarification around the creation of the department of economic development et cetera, the rationale for bringing together what are some quite disparate functions of government — transport, industry et cetera — the rationale that put those together in the way they have been. Are you able to elaborate beyond what is in the submission that came in last night?

**Mr ECCLES** — If I was to elaborate, I would probably do a disservice to the rationale that I am sure Secretary Bolt elaborated upon in some detail. What I can add is that the Premier has a very clear interest in driving economic development and jobs creation in the state. We have a responsibility within DPC to further that objective in that it is the Premier's Jobs and Investment Panel. The secretariat function for that panel resides within DPC. I chair the economic policy IDC on behalf of all of government, around which table all secretaries are represented. The fact of there being this responsibility vested in Richard Bolt's department does not mean that the Premier has vacated the space. In fact he occupies the space very prominently and my department and myself have a core role in driving the economic development and jobs creation agenda, and in particular servicing the jobs and investment panel.

One extra piece probably is we have within the portfolio the responsibility for incubating the development of Infrastructure Victoria, a similar role I must say to that I had in New South Wales where Infrastructure New South Wales was incubated within the Premier's department. So there are parts of the economic development and jobs creation agenda that require a whole-of-government coordination, and we have responsibility within DPC to further that.

**Mr RICH-PHILLIPS** — Does incubation of IV suggest an intention to spin it off? I know it is independent, but put it under other stewardship elsewhere in government?

**Mr ECCLES** — The government has no intention of doing so. The responsibility resides with the Premier and the Special Minister of State. Incubation was probably a term that reflects its current state of development rather than a term that implies at some point it is going to be spun off.

**Mr RICH-PHILLIPS** — Thank you. Can I just ask while I think of it, are you able to provide the committee with a copy of the section 30 declaration?

**Mr ECCLES** — I anticipated that request, and I am able to provide you with some further advice around that, and within that advice I can explain what I can and cannot provide at the minute.

The section 30 declaration transferred the staff between the relevant departments to support the transfer of functions between those departments. There was one other declaration made, under section 29 of the act, which was to transfer Dean Yates as a secretary to DPC, which the Premier chose to execute because he deemed it in the public interest for Mr Yates to be within DPC. No other declarations were made by the Premier or ministers to transfer staff or work units between departments. I take it that you have now requested the Premier's declaration.

**Mr RICH-PHILLIPS** — Yes.

**Mr ECCLES** — I am advised that we will need to assess it to confirm — that is, my department will need to assess it to confirm — that it is appropriate to release the declaration, having regard to potential claims of privilege and to redact to remove individuals' names for privacy reasons. I took the opportunity before attending the committee to personally review the declaration, and it is a document of some substance and does indeed identify individual public servants.

**Mr RICH-PHILLIPS** — I am familiar with previous section 30 declarations, and I can, Mr Chairman, indicate on behalf of the committee that we would not be seeking the names of individuals named in the document.

**Mr ECCLES** — Thank you.

**Mr MULINO** — Thank you very much, Mr Eccles, for your attendance today. Thank you also for your additional comments around the rationale for some of the major changes within the machinery of government changes that we have been discussing today. I have a high-level question of a contextual nature. Without revisiting each of the rationales for why certain departments look the way they do — and I think you have talked about certain broad themes, like trying to align certain policy area developments and synergies and trying to change the relationship between certain parts of departments — I simply wanted to ask: is it fair to say that if some of these MOG changes achieve better delivery of outcomes by departments, it is possible that we could see much greater gains for the government and also for the broader community than the costs?

**Mr ECCLES** — You would certainly hope that not only the motivation but the execution of machinery of government changes was able to deliver on that objective and that the costs, specific as they are — and the direct costs have been identified — the perhaps less direct costs that come with enhanced customer experience, enhanced service delivery, greater prominence given to addressing entrenched disadvantage, further focus on reinventing the Victorian economy and creating wealth and jobs would, in its own way over time, have a substantial value.

I know within my own department that the restructure that I commissioned was entirely directed to furthering the big themes that the government is embarking on. Just the names of the groups perhaps give you some indication of how I have assessed the agenda of the government as a whole and how I have aligned my department to support that; one group being economic policy and state productivity; one group being social policy and service delivery reform; and one being governance policy and coordination. A very different model to the structure of a Premier's department in the past and entirely motivated by aligning the intellectual heft of DPC with the overall directions of the government and the priorities of the Premier. A very long way of saying yes.

**Mr MULINO** — Thank you. In relation to a couple of the larger MOG changes that affect your department — I will not go through all of them — one we have already touched on is Infrastructure Victoria.

**Mr ECCLES** — Yes.

**Mr MULINO** — You mentioned that you have been involved with a similar organisation in New South Wales. Do you think it is a sensible way to structure IV to have it reporting to a central agency so that it can provide a line of advice that is independent of the department that may be making decisions on actual projects?

**Mr ECCLES** — Indeed. Perhaps it would appear to — at least in my experience — be a sort of bipartisan initiative in that it was in New South Wales very much driven by the then Premier O'Farrell. The motivation is similar: that if you are located within the Premier's department, you are therefore independent of the infrastructure spending departments. You are separate from the Treasury, which might be another portfolio where there would be a logic to locate it. By having it within the Premier's department, no. 1, it gives expression to the significance it has in the mind of the Premier; and no. 2, it can act as a — I am trying to think of a diplomatic word — centrepiece between the competing interests of a Treasury department and an infrastructure spending department and to take into account both sets of considerations in coming to a balanced view about your infrastructure investment.

**Mr MULINO** — Thanks. The last one at the moment is another of what you described as a signature policy area, the family violence prevention royal commission. Again it seems to be a topic well suited to being placed in the Premier's department in that there will be a number of potentially very complicated policy recommendations arising from it which will have whole-of-government consequences and which may require different departments to coordinate in order to implement them effectively. Again that seems like something which is well suited to being moved into Premier's for that reason and also for the prominence that it gives it, given the topicality of the issue.

**Mr ECCLES** — I think that is exactly right. The location of the responsibility for the prevention of family violence reflects the fact that the Premier has declared it to be a national emergency, the fact that he has established Australia's first royal commission into the subject, and therefore it warrants location within the Premier's department. But to your point, it touches upon so many areas of public policy and service delivery that to have a unifying intelligence around its conduct, but more importantly where it might lead by way of recommendations, supports the logic for it being located within the Premier's department.

**Mrs PEULICH** — Perhaps I might just start off with that particular point, if I may just continue. Thank you very much for your presentation. Given that you have already spoken about the family violence, are you able to inform us whether indeed you have offered advice in relation to the terms of reference for the family violence royal commission?

**Mr ECCLES** — Personally, no. I would imagine that the department would have assisted the Premier in formulating his position and the minister's position on the terms of reference for the inquiry. The precise nature of that contribution is something that I am very happy to come back to you on.

**Mrs PEULICH** — Noting of course that investigation of the causes has been excluded from that royal commission. Thank you. In relation to the decision to move the inspectorate of local government into the integrity regimes depot, would you still expect the Office of Local Government to take some lower level role of advising about complaints, perhaps helping to resolve complaints at an early level, because often councillors or members of the community will phone up the Office of Local Government and say, 'Look, this is happening. I don't know what should happen, whether this is in breach of the rules or whatever'. In the past there has been a degree of dissatisfaction with the inspectorate, but in moving that would you still expect the department to take some level of responsibility towards the resolution of complaints at an early stage?

**Mr ECCLES** — You have taken me out of my area of expertise, but to respond to your logic with my logic, I think there is a logic in not absolving the Office of Local Government from responsibility for dealing with all matters with probity and good governance at the local government level, and the formation of the inspectorate certainly would not have been contemplated with a view to absolving it from that responsibility.

**Mrs PEULICH** — So as part of your role overseeing the department, and obviously the person in charge of the integrity regimes depot, I would imagine that you will be developing some protocols for interface between the Office of Local Government and the inspectorate.

**Mr ECCLES** — The Office of Local Government remains within Secretary Fennessy's portfolio.

**Mrs PEULICH** — I understand.

**Mr ECCLES** — Again, I know that the reform of the integrity regime is under active consideration by the Special Minister of State. I am not familiar enough with the detail of that reform agenda within, as you described it, the depot to be able to confidently assert yes or no, but again it is probably something where I can be of more use to you by way of a written response rather than continuing.

**Mrs PEULICH** — That would be useful. I think theoretically you are saying it makes sense.

**Mr ECCLES** — It does. There is a policy logic to what you say.

**Mrs PEULICH** — With the local government council elections next year, I would imagine it is a topic that you may well need to become expert in very quickly. Next, in relation to OMAC — Office of Multicultural Affairs and Citizenship — your Department of Premier and Cabinet supports that role and in particular the reforms that have recently been announced in relation to the responsibilities of OMAC and the Victorian Multicultural Affairs Commission, including the establishment of the social cohesion and resilience fund, \$25 million. A task force has been established, made up of ministers. Is your department supporting those processes?

**Mr ECCLES** — It is in a couple of respects. In the first, as you correctly identify, Minister Scott as Minister for Multicultural Affairs is taking a leadership role in the development of programs to deal with issues of countering violent extremism. As minister he is taking a leading position. I have, however — and it is not part of the office of multicultural affairs but it is in fact located in that building — formed, with the Premier's agreement, a position of chief resilience officer. That is a new position within the state — and I think it is probably fair to say a new position generally in the public service around the country — where, with a small coopted group of support staff from Victoria Police, multicultural affairs and the education department under the leadership of Mark Duckworth, who is the chief resilience officer, it has a particular focus on supporting the task force and in particular supporting the task force through the development of programs which will enable Victoria to continue its leadership position in promoting community harmony, cultural coherence, social

cohesion and resilience. You have come across the intersection between resilience and multicultural affairs, both within DPC, co-located but slightly different focuses.

**Mrs PEULICH** — So your oversight?

**Mr ECCLES** — Yes indeed.

**Mrs PEULICH** — Just a follow-up question if I may. When you speak about taking a leadership position and protecting Victoria's leadership position, that implies short-term, medium-term and long-term responses. That strategy is being developed by whom?

**Mr ECCLES** — By us.

**Mrs PEULICH** — By DPC?

**Mr ECCLES** — By DPC indeed. Just to show how topical this discussion is, on Thursday at the Council of Australian Governments one of the three items on the agenda will be counterterrorism and countering violent extremism, so it is a national agenda where the Prime Minister is exercising a national leadership role, and Victoria is able to make its contribution through the proven fact of it having progressive sensibilities and a deep history of community engagement and cohesion. Not to say that we should rest on our laurels in that respect. Every day — —

**Mrs PEULICH** — Is a challenge.

**Mr ECCLES** — Indeed. Every day is a challenge, but I think Victoria is as well positioned as any jurisdiction to continue its leadership position.

**Mrs PEULICH** — I think the short-term goals would constitute a part of that response, and I have not seen any coming out of the \$25 million. One of those could be, for example, funding organisations that are currently grossly underfunded to remove inappropriate material from the internet, that incites racial violence and recruitment of young people or vulnerable people to radical causes. They are screaming out for funds. We are talking leadership short term, medium term and long term.

**Mr ECCLES** — I would be delighted to draw Mr Duckworth's attention to this transcript.

**Mrs PEULICH** — Thank you.

**Mr MELHEM** — Just one question. It is six months since the implementation of the machinery of government changes, so can you give me your thoughts on how it went and obviously what you encountered along the way? Are you happy six months on? I can see you have consulted widely with the CPSU and various stakeholders, so how you will make the changes and whether it was worthwhile doing the changes?

**Mr ECCLES** — The answer is yes. Machinery of government changes of this scale do not come without particular challenges. The thing that I have found most comforting is the degree of collaboration between departments in giving effect to the government's agenda. You could be endlessly consumed in petty disputes over physical accommodation, over resourcing, and there has been none of that.

For example, Secretary Fennessy and Secretary Bolt established their own arrangement to deal with the intricacies of the transfers required between their portfolios, so in addition to the IDC supervising the whole of government, they were able to form a bespoke arrangement to deal with their particular issues to avoid the unnecessary transaction costs.

I return to my original point about it being the most seamless transfer of power that I have been involved with. I think at the bureaucratic level that was largely achieved through almost like a bottomless pool of goodwill on the part of secretaries and then the rest of the public service who modelled their behaviour on the secretaries' behaviour. That is in terms of the process.

In terms of the effectiveness of the machinery of government changes, it is really not for me to comment upon; it is for people such as yourself and the community to see whether there has been the apparent change in direction and the pace of reform and the focus of reform. From my vantage point, all I can do is respond to the

government's agenda in as effective and efficient and timely way as possible. I think we are barely keeping pace with the government's ambition for reform, but the machinery of government changes are positioning us as well as possible to keep pace with that very aggressive agenda for reform.

**Mr RICH-PHILLIPS** — Mr Eccles, I would like to ask you a couple of things about structures within the Department of Premier and Cabinet. The first goes to the statement made by the Premier on 4 December announcing the MOG changes, where the Premier indicated that DPC would assume responsibility for Major Projects Victoria.

**Mr ECCLES** — Yes.

**Mr RICH-PHILLIPS** — Did I miss that in your — —

**Mr ECCLES** — You did, because it was in the original statement and indeed in the media release of 4 December but it has not occurred. It was a subsequent policy decision of government that it would not occur.

**Mr RICH-PHILLIPS** — Right.

**Mr ECCLES** — I suspect if you wish to pursue the rationale, that is best pursued by seeking that information from the government.

**Mr RICH-PHILLIPS** — And likewise with the port transaction unit?

**Mr ECCLES** — Not quite as binary as the Major Projects Victoria, in that while the port transaction unit remained with the Department of Treasury and Finance in order to draw very directly on the skills that are found within that department in pursuit of the transaction, the unit is reporting regularly to the Premier through me, and I have a dedicated position, being my special adviser, commercial, who is closely connected to the work of the ports transaction unit.

**Mr RICH-PHILLIPS** — Thank you. I was going to ask you about the two special advisers you have appointed, two former deputy secretaries in your department — special adviser, commercial, and special adviser, business transactions reform.

**Mr ECCLES** — Yes, that is right.

**Mr RICH-PHILLIPS** — Are those roles standing roles — ongoing roles — or do you see those as short-term roles?

**Mr ECCLES** — I will stick with the special adviser, commercial. I suspect it is a transitional role. It is getting the commercial agenda of the government off to a flying start, but as the skills that are being built up within DPC to support the Premier's expectations develop and mature, the need for that as a dedicated position will be removed.

**Mr RICH-PHILLIPS** — Did that role lead the east–west link negotiations/discussions?

**Mr ECCLES** — The east–west link negotiations/discussions were led by me.

**Mr RICH-PHILLIPS** — And the other role — special adviser, business transactions?

**Mr ECCLES** — That role is more likely to develop into an ongoing position as the head of Service Victoria. Business transactions reform was, if you like, the business development component of what has now transformed into Service Victoria. Jo de Morton is the head of Service Victoria and is leading the planning phase, where the government has invested the \$15 million. Again, borrowing the New South Wales example of Service New South Wales, they have a CEO, and I expect that in time there will be a senior executive leadership position heading up Service Victoria.

**Mr RICH-PHILLIPS** — Will that be as a stand-alone entity or remain within DPC?

**Mr ECCLES** — It is again a very good question, and it goes again to the issue of incubation. It is receiving in the development phase, where it is now working on identifying the most frustrating and time-consuming transactions and looking at ways to streamline the process from the customer perspective — that function will

continue in the planning and positioning phase. The function will continue to reside within DPC. At some point, when it is a fully mature entity, there is less of a logic for it being within DPC and more of a logic for it being with a part of government that deals with the large-scale enablers of government.

Again, using the analogue of New South Wales, Service New South Wales moved out of DPC to a department of finance and services. So it was developed with the authority of the Premier, as is the case here in the Special Minister of State. It got to a particular point, and then it was placed outside the portfolio. I am not predicting or anticipating that; I am just drawing upon that previous experience in New South Wales to say that there is an option for that to occur with Service Victoria down the track. It does not mean privatising it; it just means that it would be located, perhaps, in another part of government.

**Mr RICH-PHILLIPS** — Can I ask you about one of the ‘ins’ to DPC that I do not think you referred to, which was the Victorian Competition and Efficiency Commission? The Premier referred to that in his statement on 4 December — that it would transfer into DPC. I am wondering if you are able in the first instance to outline the rationale for that entity, which, you would appreciate, does competition reviews and assessment of regulatory impact statements, why that was transferred from Treasury into your department.

**Mr ECCLES** — As you would be aware, it was established over 10 years ago. I think the Premier’s view was that it was timely to revisit the functions and governance around the delivery of regulatory review, around the function of adjudicating competitive neutrality and the responsibility for initiating economic inquiry. While that review is ongoing to determine precisely how best practice regulation would be exhibited within the state, the inquiries function of VCEC has been embedded in the day-to-day operations of DPC to better integrate the inquiries function with the delivery of the government’s economic agenda. So it is drawing upon the horsepower that VCEC possesses around economic inquiry and mainstreaming it within my department because my department has the responsibility of supporting the Premier’s leadership in relation to economic development and jobs creation.

So the logic was to recognise the three components, to review in particular the ongoing regulatory impact statement and competitive neutrality function — and that is an ongoing conversation — but to move quickly to embed the economic inquiry function within DPC. I think it is important to note that the VCEC staff continue to be employed by DPC. There were no forced job losses, and both VCEC commissioners continue to oversee their existing functions. So my view, it is not about disbanding an organisation that was not delivering; it is being able to review and assess its ongoing relevance within the new operating environment, which has DPC taking this economic leadership role.

**Mr RICH-PHILLIPS** — I assume you were not implying in your statement there that there was an entity that was not delivering. That was not what you meant.

**Mr ECCLES** — No, it is more about, as with all these things, everything can be done better.

**Mr RICH-PHILLIPS** — Am I correct in understanding that VCEC as an entity — and I know it was never a statutory authority — no longer exists?

**Mr ECCLES** — Just to be a bit precise about its form, it was established by the Governor in Council as a state body under the State Owned Enterprises Act, and so it has its functions described in that way. To the best of my knowledge it has not been removed, because we are still in the process of reviewing the best ongoing arrangement. If it has been removed and it happened without my attention, I will let you know.

**Mr RICH-PHILLIPS** — If you could provide that clarification. Where do the commissioners sit now within DPC? What is the reporting line?

**Mr ECCLES** — The reporting line is to the deputy secretary of the economic policy and state productivity group.

**Mr RICH-PHILLIPS** — So, Simon?

**Mr ECCLES** — Simon Phemister, yes — although the two commissioners continue to exercise their statutory or their mandated independence in relation to the regulatory impact statement function and the competitive neutrality function, so we have not compromised their historical independence from government in providing that advice to government.

**Mr RICH-PHILLIPS** — The only other matter I wanted to ask you about, Mr Eccles, is I was interested in your speech at Public Sector Week where you spoke about the role of a central agency —

**Mrs PEULICH** — Maybe we could have a copy of the speech.

**Mr RICH-PHILLIPS** — and whether a central agency in fact is the appropriate descriptor. What you said in the speech is more about equal among peers rather than a senior department or superior department. It seems somewhat at odds with the direction of the machinery of government changes. The Premier in his statement in December referred to ‘a number of community portfolios will be elevated to the Department of Premier and Cabinet’. Indeed you have brought a number of functions into DPC that were not previously in DPC. How do you reconcile the view you have articulated more recently that DPC is not senior?

**Mr ECCLES** — It is about how you do your business, not what business you do. To me the term central agency has, as I articulated in the speech, almost a bygone industrial concept of the bureaucracy where you exert your authority by the false authority that comes with being the first minister’s department by fiat rather than by influence, persuasion and intellectual endeavour. My mission for the department is not to ever rely upon that false authority but to define itself by the value it creates. Therefore it was more of a rhetorical device in describing DPC not so much as a central agency but as an agency of unifying intelligence. I would submit that it is not inconsistent with the Premier’s expectations of our pre-eminence for me to characterise us as a contemporary agency of unifying intelligence rather than a central agency.

**Mr RICH-PHILLIPS** — Is that a view that you are articulating across the secretaries board and across the VPS?

**Mr ECCLES** — Absolutely. No-one has any doubt, including the people within my department, that the expectations of their attitudes, values and behaviours are all referenced to value creation and understated excellence rather than some sort of Napoleonic shouting from the rooftops and demanding through terror.

**Mrs PEULICH** — Just one last question: noting your comments about the need to unify and influence and also your experience in the running of Infrastructure NSW and now of Infrastructure Victoria and the bill that is before the house, would you say that one of this vehicle’s roles is to build a community consensus about the priorities with a sort of knowledge of the costs? Is it some sort of community agreement — given that it is a 30-year plan — that it is something that is intended to build that community consensus?

**Mr ECCLES** — It is an interesting concept. I think it is less about building a community consensus and more about having a fully informed community that is able to make a substantive contribution to the debate. The risk in consensus seeking is that you reach for the lowest common denominator.

**Mrs PEULICH** — You end up having a multi-humped camel.

**Mr ECCLES** — And I suspect Infrastructure Victoria — well I know Infrastructure Victoria — is not about a lowest common denominator consensus-building exercise, but it is certainly about exposing matters such as benefit-cost ratios and creative private financing, opening the debate more generally to the community about different ways in which infrastructure can be funded and financed. Beyond that, under the plan itself, the 30-year strategy, will be a plan that will benefit from the contribution from all who are prepared to make a contribution.

**Mrs PEULICH** — In view of your response, why was it not a part of the legislation that the 30-year plan be tabled in Parliament?

**Mr ECCLES** — I cannot answer that question.

**Mr MULINO** — Chair, that is getting very specific.

**The CHAIR** — Mr Eccles, I have just got a couple of minor points flowing from your commentary before we close, if I may. In relation to the integrity functions that are now in DPC, we heard from Mr Condon of the Department of Justice and Regulation that most of those organisations are still in situ in their former departments or former locations. Do you envisage that over time they will come to be housed or located within DPC?



**Mr ECCLES** — One of the hallmarks of those organisations is their statutory independence. They also have different requirements for security, so I suspect that if there was an opportunity for sensible co-location that made economic sense, then that is something that we would pursue on their behalf. It would need to be at their initiative. It does not mean that they are not pursuing individually their own accommodation upgrades. I went down and toured the Ombudsman's facilities, and I can see why Ms Glass is keen to try to upgrade her facilities. They do operate in pretty reduced physical circumstances. It is a long way of answering the question that we have no agenda to co-locate. It would largely be driven by their wishes. If there was an opportunity to co-locate, then we would offer them the opportunity to participate in such co-location, but nothing is being planned at the moment.

**The CHAIR** — I take you to the summary of costs incurred in the Department of Premier and Cabinet that you provided yesterday. Of the \$341 430 that has been identified in your submission, \$324 453 of that relates to IT and records management. Can you just give a bit more detail about what sits behind that IT and records management, given that it is the vast bulk of the money that has been identified?

**Mr ECCLES** — I can indeed. Of the \$324 453, \$157 173 relates to IT systems integration and onboarding — mind you, I do not know what that means, and if you needed more information I would have to write to you about that — \$75 500 for TRIM data migration, \$50 000 for TRIM training and onboarding and \$41 780 on grant management system data transfer. Because I have that breakdown across all of those domains in some detail, I would have no issue with providing you with that level of information if you were pleased to receive it.

**The CHAIR** — Mr Eccles, thank you very much for your presentation and for your preparedness to answer our questions today.

I note Mr Rich-Phillips's request for a copy of the section 30 declaration, with appropriate redactions for privacy et cetera. I also note that we do have a reporting date of 1 May next year, so we may seek in due course additional information, noting that the costs have been provided from 30 November last year to 31 May this year.

Again, the committee thanks you for your presentation and your evidence today.

**Mr ECCLES** — Thank you for your time.

**Committee adjourned.**



# Appendix 3

## Correspondence with further information

A3

### Index of correspondence

Correspondence	Page
Letter from Gill Callister, Secretary, Department of Education and Training	85





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Education & Training

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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

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

A4





VICTORIAN GOVERNMENT DEPARTMENT STRUCTURE  
57<sup>TH</sup> AND 58<sup>TH</sup> 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	<span style="color: green;">Special Minister of State</span>		TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE	
	Aboriginal Affairs	Aboriginal Affairs		
	<span style="color: green;">Equality</span>			
	Multicultural Affairs	Multicultural Affairs and Citizenship		
	<span style="color: green;">Family Violence Prevention</span>			
	Veterans	Veterans Affairs		
		<span style="color: red;">Arts</span>		
	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			
<span style="color: green;">Industry</span>	<span style="color: red;">Manufacturing (to 13 Mar 2013)</span>			
Regional Development	Regional and Rural Development			
	<span style="color: red;">Regional Cities</span>			
<span style="color: green;">Small Business, Innovation and Trade</span>	<span style="color: red;">State Development (from 13 Mar 2013)</span>			
Tourism and Major Events (including major sporting events)	<span style="color: red;">Small Business (from 17 Mar 2014)</span>			
	<span style="color: red;">Innovation (to 17 Mar 2014)</span>			
	Tourism and Major Events	ENVIRONMENT AND PRIMARY INDUSTRIES		
Agriculture	<span style="color: red;">Major Projects</span>			
<span style="color: green;">Creative Industries</span>	<span style="color: red;">Technology</span>			
	<span style="color: red;">Aviation Industry</span>			
	Agriculture and Food Security			
EDUCATION AND TRAINING	Education	Education	EDUCATION AND EARLY CHILDHOOD	
	<span style="color: green;">Training and Skills</span>			
	<span style="color: green;">Families and Children (in respect of children and early years responsibilities)</span>	<span style="color: red;">Children and Early Childhood Development</span>		
		<span style="color: red;">Higher Education and Skills</span>		
		<span style="color: red;">Teaching (to 17 Mar 2014)</span>		
ENVIRONMENT, LAND, WATER AND PLANNING	<span style="color: green;">Environment, Climate Change and Water</span>	<span style="color: red;">Environment and Climate Change</span>	ENVIRONMENT AND PRIMARY INDUSTRIES	
	Local Government	<span style="color: red;">Water</span>		
	Planning	Local Government	TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE	
		Planning		
HEALTH AND HUMAN SERVICES	Health	Health	HEALTH	
	<span style="color: green;">Ambulance Services</span>			
	<span style="color: green;">Families and Children</span>	<span style="color: red;">Ageing</span>		
	<span style="color: green;">Housing, Disability and Ageing</span>	Mental Health		
	Mental Health	Sport and Recreation	TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE	
	Sport (except for major sporting events)			
	Youth Affairs	Youth Affairs	HUMAN SERVICES	
		<span style="color: red;">Community Services</span>		
		<span style="color: red;">Disability Services and Reform</span>		
		<span style="color: red;">Housing</span>		
JUSTICE AND REGULATION	Attorney-General	Attorney-General	JUSTICE	
	<span style="color: green;">Consumer Affairs, Gaming and Liquor Regulation</span>	<span style="color: red;">Liquor and Gaming Regulation (from 2013)</span>		
	Corrections	Consumer Affairs		
	<span style="color: green;">Emergency Services</span>	Corrections		
	<span style="color: green;">Police</span>	<span style="color: red;">Police and Emergency Services</span>		
	Racing	Racing		
		<span style="color: red;">Crime Prevention</span>		
		<span style="color: red;">Bushfire Reponse</span>		
		<span style="color: red;">Responsible for IBAC (from 13 Mar 2013)</span>		
TREASURY AND FINANCE	Treasurer	Finance	TREASURY AND FINANCE	
	Finance	<span style="color: red;">Industrial Relations (from 13 Mar 2013)</span>		
	<span style="color: green;">Roads and Road Safety (in respect of the Transport Accident Commission)</span>			

