

TRANSCRIPTS

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Subcommittee

Inquiry into machinery of government changes

Melbourne — 21 July 2015

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**Necessary corrections to be notified to
executive officer of committee**

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.