

TRANSCRIPTS

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Subcommittee

Inquiry into machinery of government changes

Melbourne — 21 July 2015

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Ms Gayle Porthouse, deputy secretary, market engagement and corporate, Department of Treasury and Finance.

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

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.