

minimum time that should be allowed. This has the benefit of giving Ministers an opportunity to discuss the Submission with colleagues prior to its formal consideration in Cabinet, and resolve any policy issues.

Where Submissions do not abide by the Cabinet Handbook they should be rejected by the Cabinet Office, unless explicit agreement is given by the Chief Minister that the item being considered is absolutely essential and meets the financial guidelines for offsets being explicitly identified.

**Recommendation 9: in relation to the development and lodgement of Cabinet Submissions:**

- **Departments develop Submissions in consultation with their Ministers, and other departments with a key interest in the policy matter;**
- **formal co-ordination comments on the final version of the Submission be provided in accordance with the Cabinet Handbook; and**
- **the Cabinet Office reject any Submissions that do not abide by the Cabinet guidelines, including financial impacts.**

**Strategic Focus and Timing**

Since October 2004, Cabinet has considered more than 300 submissions and made more than 600 individual decisions. Whilst the administration around Submissions (seven-day rule, clearance rates etc) has improved, greater emphasis is required to contain Cabinet's focus on strategic global matters.

A starting point is to determine whether Cabinet consideration is essential, or whether consultation and agreement between Ministers and agencies would suffice. The use of correspondence as an alternate means of settling a matter should be applied, particularly when there is full agreement.

More importantly, many submissions with substantial budget implications are being brought for consideration outside of the Budget process. While this is necessary when matters relate to urgent and unforeseen developments, many submissions do not meet these criteria. At least for the next few years as the Government addresses the serious budget position, it would be advisable to adopt a practice (already used in other jurisdictions) of requiring all submissions with budget implications to be deferred to the Budget process, unless they deal with urgent and unforeseen matters. This discipline allows matters to be assessed against the other priorities and pressures faced by the Government, and to ensure that offsetting savings can be found to secure the financial management goals of the Government.

Even for urgent and unforeseen matters, a requirement should be imposed on Ministers to bring forward realistic offsetting savings proposals at the same time as the proposed urgent measure.

**Recommendation 10: all submissions with substantive budget implications be deferred for consideration in the Budget process. Exceptions to this rule should be allowed only where the Chief Minister agrees that a matter is urgent and unforeseen; in all such cases the matter brought by a Minister should be accompanied by realistic options for offsetting savings within the Minister's portfolio.**

### **4.1.3 BUDGET FRAMEWORK**

#### **Evaluation and Post Implementation Review**

The Territory's budgeting framework does not include post implementation review mechanisms, although departments may undertake evaluations in some cases. There is no established process to ascertain whether new initiatives funded through the budget have been implemented, and how effective they were in achieving their objectives.

This in part stems from the indefinite nature of many new initiatives, which then form part of the departments' budget base and are automatically rolled forward. Circumstances under which a program was initiated would invariably change, and it is important that the relevance of a program is assessed on an ongoing basis.

A preferable approach in most cases is to commit to new programs for a limited period. This allows the Government to consider the effectiveness of its initiatives, and the need (if any) to continue those programs, or allocate those resources to other areas of budget priority. Note, however, that for forward estimates purposes these programs should be assumed to be continued to maintain a prudent view of likely out-year expenses.

This approach relates to new programs and services only. Base adjustments for cost and/or demand increases should be incorporated in the budget on an ongoing basis.

**Recommendation 11: where practicable funding commitments for new programs be made for a limited time (two to three years), with their continuation subject to evaluation, and the consideration through the Budget process (such programs should however, be reflected in the forward estimates on a continuing basis, unless formally terminated).**

#### **Forward Estimates and Planning Horizon**

The usefulness of Budget Papers in medium term planning depends upon the forward estimates representing a well-based projection of the budget position under current policies and trends. The performance of the forward estimates in this regard was assessed in Chapter 2. It was noted there that the forward estimates of revenue are now much more consistent with broader economic trends than in earlier years. It will

be important to ensure that forward estimates of expenditure are also a reasonable reflection of likely trends.

In most jurisdictions, including the ACT, there is a tendency for new spending pressures to emerge over time, relative to expenditures projected in the forward estimates. For this reason, the forward estimates should always show an improving trend, with reasonable surpluses in the later years.

**Recommendation 12: forward estimates should be based on the best possible projections of existing policy and trends; and budget policy should aim to show a rising surplus in each successive year, with substantial surpluses in out years.**

#### **4.1.4 BUDGET PROCESS**

The Territory's budget process is centered around government agencies bringing forward proposals for increased spending, which could be broadly split into:

- funding for budget pressures relating to increase in input costs, or increase in demand for existing services; and
- proposals for an expansion in the scope of existing services, or for new services.

The focus of the debate is on accommodating the spending proposals within the 'fiscal envelope'. In essence, the expenditure would grow from its original forward estimates, the so called, 'incremental budget'. The major proportion of the existing expenditure remains invisible to budgeting.

The bidding approach in an environment of limited resources leads to ambit bids on the part of agencies while recognising that only a fraction of the proposals may get funded. For example, the value of agency initial bids for 2006-07 Budget was around \$121 million, even though agencies were aware of increasing fiscal pressures and limited budget capacity to fund additional expenditure. Following a request to reduce their bids, the proposed initiatives reduced to around \$80 million.

While the process is based on the recognition that government agencies should be in a position to provide best advice on service demand pressures, and needs for expanded or new services, it has:

- little or no incentives for cost control, or to achieve matching reductions in spending; and
- inherent opportunities for budget maximization.

The ambit nature of the process is evident from a very small number of proposals that fail to get funding support in a particular Budget<sup>1</sup>, being brought back in the following years.

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<sup>1</sup> For example, in 2003-04 Health brought forward 21 initiatives, of which 9 were funded in the 2003-04 budget. Of the 12 initiatives (or 57%) not funded, 4 (or 33%) were put forward in the 2004-05 budget in a slightly different form. In 2004-05, Health brought forward 104 initiatives, of which 20 were funded in the 2004-05 budget. Of the

The Review proposes that each spending initiative from an agency be accompanied by a proposal to scale down or cease an existing program, or for improvement in efficiency, to offset the fiscal impact of the new policy proposal.

### **Recommendation 13: in relation to the annual Budget process:**

- the process be initiated in September with Cabinet setting its policy agenda for the coming Budget including strategic goals for budget savings in each portfolio;
- clear fiscal targets be established early in the process with agencies being required to develop options for Cabinet's consideration strictly within those targets; and
- all spending proposals be accompanied by options for efficiency or service offsets.

### **4.1.5 BUDGET OPERATIONAL RULES**

A more disciplined approach to budget and financial management requires a clear set of rules to reinforce accountabilities and Cabinet's control over expenditure decisions by departments and agencies.

The *Financial Management Act 1996* makes Chief Executives, under their respective Ministers, responsible for ensuring that the operations of each department in a financial year 'are consistent with, and comparable to, the budget for the department for the year....' [s31(2)(6)] Chief Executives are also required to provide explanations of material variances from budget in their annual reporting [s31(3)&(4)].

It is desirable that this legislative requirement, which is specified in quite broad terms, be supplemented by a set of more detailed budget operational rules. In particular, this would improve understanding of the requirements for amending departmental budgets, and reinforce the requirements of the Cabinet Handbook. The rules should:

- include a requirement for Chief Executives to manage to a firm 'net cost of services' budget (that is, total expenses net of "own source" revenues such as fees and charges) - this would ensure that Chief Executives are held accountable against a benchmark that measures the impact of their department's operations on the general government budget operating result;
- reinforce the requirements of the Cabinet Handbook and the recommendations made earlier in this chapter in relation to the consideration and evaluation of budget proposals;
- include a requirement that if an agency increases its own source revenue outside certain limits, approval from the Treasurer or Cabinet is required before that revenue can be used by the agency - this would allow Cabinet to consider whether

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84 initiatives or 81% not funded, only 13 or 15% were put forward in the 2005-06 budget in a slightly different form.

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the agency should be able to increase its expenditure or whether the extra revenue could be returned to the budget as a saving; and

- include a requirement that all requests to carryover funding from one year to the next be subject to approval by the Treasurer or Cabinet - if a department has not been able to spend the funding in a given year, Ministers should be given the opportunity to consider whether it is reasonable for the department to carryover expenditure to the following year.

**Recommendation 14: a concise set of budget operational rules be agreed by Cabinet that includes, at a minimum:**

- a requirement for Chief Executives to manage to a firm net cost of services budget (total expenses net of 'own source' revenues such as fees and charges);
- a requirement that all variations to an agency's net cost of services budget outside the annual budget process be agreed by Cabinet or, in the case of minor or technical variations, the Treasurer;
- a requirement that all proposals for additional expenditure must include realistic options to offset the cost;
- a requirement that if an agency increases its own source revenue outside certain limits, that approval from the Treasurer or Cabinet is required before that revenue can be used by the agency;
- a requirement that the arrangements for the expenditure of funds from special accounts must be approved by the Treasurer;
- a requirement that new policy measures that involve additional expenditure should not be brought forward outside the annual budget process unless the Chief Minister agrees that there is an urgent and compelling case for earlier consideration; and
- a requirement that all requests to carryover funding from one year to the next be subject to approval by the Treasurer or Cabinet.

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## **CHAPTER 4.2 ADMINISTRATIVE STRUCTURE AND GOVERNANCE**

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### **OVERVIEW**

This chapter considers the structure and governance arrangements of the ACT Executive and Administration.

The ACT Executive is limited by legislation to five ministers. The responsibilities and tasks of the Executive are a contrast of scope and scale:

- the scope of issues is wide, covering most of the functions that typically arise in the States as well as all local government responsibilities; and
- the scale of each State-like function is relatively small – the entire ACT administration is smaller than many single departments in other jurisdictions.

### **KEY CONCLUSIONS AND RECOMMENDATIONS**

In considering structure and governance, the primary consideration is policy and program effectiveness because top-level performance is critical to outcomes at all other levels. Structure and governance arrangements do not have simple or direct links to effectiveness, but rather have an influence over time through their effects on mind-sets, strategies, organisational flexibility, responsiveness and accountability.

While effectiveness is paramount, cost and efficiency are important subsidiary considerations. In general, more complex and fragmented structures have higher costs, through governance overheads, coordination costs, and diseconomies of small scale. Such structures often work also against effectiveness and accountability.

Effectiveness and efficiency can both be improved by simplifying the structure of ACT administration, and by clarifying and strengthening lines of accountability of agencies to and through Ministers. The main goals of the changes proposed here are:

- maximise agency accountability to cabinet and ministers;
- concentrate ministerial and administrative resources on priority outcomes;
- strengthen and broaden strategic focus of policy advising and development; and
- seek greater economies of scope and scale wherever possible: savings rising to \$6 million per annum.

The Review proposes a small number of strategic portfolios, each with one minister

- Chief Minister– leading government and the economy;
- Treasurer – leading public finances and administration;
- Health – maintaining a healthy population;
- Community Services – sustaining individual and community wellbeing;
- Education and Training – developing human capabilities and the workforce;
- Justice and Community Safety – justice, regulation, emergency services; and
- City and Territory – urban services, land and transport.

## **4.2.1 THE CHALLENGE**

The fiscal and other problems that have emerged in the ACT reflect an adverse, and probably permanent, shift in the balance of circumstances in the Territory. Higher than average per capita spending levels have relied especially on a strong balance sheet and associated land sale revenues. As discussed in part 2, the scope for sustained higher spending is now much reduced. Moreover, population ageing and other developments are likely to generate increasing risks and pressures, in the medium to longer term.

The required response is two-pronged:

- first an initial adjustment to revenues and expenditures to restore balance; and
- second, directing ACT policy and administration at continually delivering outcomes through higher levels of efficiency and effectiveness.

Structure and governance changes can contribute towards both of these tasks. There is scope to adjust the way that the ACT is organised to generate lower costs and to maximise the prospects for delivering further gains in the future.

To meet these strategic needs requires a considerable change in focus in many key areas of ACT policy and administration. Ministers and policy advising departments will need to concentrate on this change task for a sustained period if it is to be successfully delivered.

The main elements will include:

- leading community understanding of the need to sustain high-level public program outcomes through renewed skills and operational reforms rather than through continuing higher spending;
- shifting mainstream public services to lower cost delivery models;
- revitalising declining service areas, particularly the government school system;
- reducing the social and economic costs imposed on land development and use by inefficient or onerous regulatory processes and requirements; and
- creating simpler, clearer and more efficient government structures, consistent with the potential advantages of smaller administrative scale.

## **4.2.2 STRUCTURAL AND GOVERNANCE GOALS**

The performance of the public sector depends critically on the leadership provided by ministers. At the same time the work of ministers depends heavily on the policy advising and implementation arrangements of the public service.

Agency structures and governance should support the difficult task that ministers have in balancing and reconciling multiple goals – including financial management goals. Simpler and clearer arrangements support this by promoting strategic approaches across wider communities of interest, whole-of-government perspectives, and greater responsiveness and accountability to ministers.

The ACT Government has inherited a disproportionately large and complex public administration relative to its small scale, with above-average costs that are not sustainable. In some cases, it is apparent that these structures (or their governance) have been associated with the pursuit of narrowly defined interests and goals, with inadequate attention to whole-of-government and strategic financial management considerations.

To address this, the Review proposes a range of changes across wide areas of ACT public administration. The effective design and delivery of this change will require sustained focus and leadership from ministers and their policy support areas.

Securing these is the main consideration in determining the most effective structure for the ACT Government. The problem of small scale is regularly called upon in discussions of high ACT costs, but it is an overworked concern. It is also important to recognise and seek advantage for the potential benefits of small scale (and the compactness of the city state). The potential benefits include lower communication and coordination costs, provided structures are simple and adaptable.

*Maximising agency accountability to cabinet and ministers*

- The community holds ministers accountable for outcomes. To ensure that Ministers can deliver intended results, the line of accountability flowing from them through the public administration should be clear, and not impeded by complexity, duplication or inessential structural barriers. Cabinet must work effectively as a whole of government executive, under the Chief Minister. At the same time, ministers must have clear authority to lead government strategy and implementation in their fields of responsibility. Departments provide an effective structure for this purpose. Statutory independence should be granted to entities only where, and to the extent that, it is essential for the effective performance of a regulatory or commercial purpose.

*Concentrating ministerial and administrative resources on priority outcomes*

- A number of significant new directions will need to be taken if the ACT is to respond successfully to the problems and challenges now facing it. Each will require new strategies, and the clear and undivided attention of ministerial leaders. The structure of portfolios should support the focus on these priorities as much as possible – this works best if each policy department has one Minister and if each has a broad and comprehensive reach in its pursuit of outcomes, with maximum capacity to readily redirect resources to the highest priorities. This of course would be subject to Chief Minister's considerations on the allocation of responsibilities, taking into account workloads and interests of Ministers.

*Strengthen and broaden the strategic focus of policy advising and development*

- Particularly in present circumstances, Ministers should expect and demand rigorous and pro-active efforts by agencies to develop strategies that allow current and future commitments to be met within financial constraints. A small number of integrated portfolios confer broader strategic reach on each area, reducing the 'silo' effect in public administration. This is reinforced if the policy advising structure also remains small, flexible, outcomes-focused and strategic – in general with one whole-of-portfolio advising structure supporting each Minister.

*Seek greater economies of scope and scale*

- Economies of scope arise when the aggregation of functions generates efficiency benefits through better coordination, cooperation or learning. Increasingly, the challenges faced by governments (such as ageing, urban design and security) are multi-faceted. Policies that are holistic, and have a broad reach within portfolios of interest often better serve this outcome.
- Economies of scale arise through proportionally reducing overheads, optimising job design and specialisation, and securing greater operational flexibilities through greater numbers. The ACT has the capacity to increase scale economies by some structural aggregation – particularly in back office functions (see part 6), in policy advising, and in some functional areas (such as regulation).

### **4.2.3 POLICY PORTFOLIOS**

The considerations set out above lead towards structuring the Government as far as possible around a small number of strategic policy portfolios (noting the established limit on ministerial numbers), each covering a broad community of interests.

Policy departments would each report to one minister. As much as possible, program functions would be brought within departments, under clear ministerial authority.

Independent agencies would be retained where their functions demand it – with their scope of operations and their level of independence strictly limited to that necessary for their purpose. Independent agencies would report to Ministers within the portfolio that best reflects their field of activity, and the departments in those portfolios would provide policy advice to the Minister in relation to their legislation and functions.

In effect (if not formally), the current eighteen ministerial appointments would reduce to five and the number of policy departments from eight to six. Further consolidation and amalgamation of authorities and other legal entities is also proposed.

The recommended structure is summarised in **Table 4.2.1**. Further detail is provided in **Table 4.2.3** at **Attachment A** to this document.

**Table 4.2.1: The Proposed ACT Executive**

<b>MINISTER</b>	<b>THEMES</b>	<b>PRIMARY FUNCTIONS</b>
Chief Minister and Treasurer	Leading Government and the Community	Executive Leadership, Central Agency Coordination, Public Finances, and Economic Strategy
Attorney-General	Institutions of Justice, Rights and Laws	Justice, Community Safety, Regulation, and Emergency Services
Minister for Canberra and Territory Development	Local and City Services and Physical Territory Development	Land, Transport, Environment, Local Services
Minister for Health Minister for Community Services <sup>1</sup>	Sustaining Individual and Community Well Being	Health Housing and Community Welfare Services
Minister for Education and Training	Developing Human Capabilities	Schools, Education and Training

<sup>1</sup> This role may be undertaken by the Minister for Health, or the Minister for Education and Training.

## **Chief Minister and Treasurer**

Achieving the large scale of reform proposed in this Review will require the strongest possible leadership and attention from the Chief Minister.

At least for the next few years, the role of the Chief Minister should be predominantly focused on the related tasks of leading the overall change program of the ACT Government and building community understanding of the need for change. The Chief Minister is by far the best placed for this role.

Given the central importance of economic development and its interdependencies with other whole-of-government policies, major economic strategy and business development functions would transfer to and be integrated within the Chief Minister's Department.

The Department of Economic Development would be abolished – its major strategic functions would be absorbed by the Department of the Chief Minister, Gambling and Racing would transfer to the Treasury (reflecting its strong revenue significance), and other functions would transfer to the proposed Department of City and Territory (Tourism and Events, Stadiums, Sport and Recreation).

Most other substantive functions now in the Chief Minister's Department would transfer to and be integrated within their substantive portfolio areas. Where issues require the strong engagement of the Chief Minister for a limited time, the preferred model of engagement is to establish a strategic interdepartmental task force under the chair of the Chief Minister's Department rather than duplicate agencies or organisational units.

The main policy advising responsibilities of the Chief Minister's Department would be:

- through monitoring and coordination as required, whole-of-government strategies across any or all areas of ACT policy;
- Cabinet;
- economic and business development strategy, including high level strategies for the utilisation and release of commercial and residential land;
- arts, signature events, major commercial sports; and
- public sector employment, industrial relations.

The Treasury would be retained as a separate department given its particular roles and focus on financial management. It would retain its traditional functions in economic forecasting and analysis, financial management and coordination, expenditure review and budgets, and revenue administration. Gaming and Racing, given its revenue significance, would also be placed in the Treasury. In addition, Treasury would take responsibility for the single 'back office' functions proposed in this report:

- Procurement Solutions;
- Shared Services Centre; and
- InTACT.

Given the diversity of interests in the Chief Minister and Treasury portfolios, consideration could be given to appointing “ministers assisting the Chief Minister” for example in areas such as Industrial Relations.

### **Health and Community Services**

These portfolios could operate either separately (as now) or as one. It is desirable but not essential that each has the same Minister – but whatever the combination, it is highly desirable that they have only one Minister each.

Community services covers the current Departments of Health and Disability, Housing and Community Services (including Children Youth and Family Support and ACT Housing). Some related functions presently within the Chief Minister’s Department would transfer also to this department. At present, ministerial responsibilities for these areas are dispersed among several ministers.

It would be possible to retain two departments. Alternatively, considerable efficiencies and some effectiveness gains are available from bringing the two departments together, and this would be worthwhile. However, if health and community services are not merged, it would not be desirable to merge at the departmental level Community Services with any other department – the balance of synergies and cultural issues would not generate sufficient gains. This does not preclude Community Services reporting to a Minister who is responsible also for another department.

While the scope of services under these portfolios is wide, the scale of each area of activity is small relative to the States. Apart from their common wellbeing theme (recognised in some other jurisdictions by a similar combination) other common strategic features include:

- a high level of reliance on service delivery through contracts with the community sector. Strategies to further strengthen the performance of these arrangements are critically needed;
- high and increasing interaction with the policies and programs of the Commonwealth Government (including possible reallocation of responsibilities at some future time); and
- strong growth in demand and costs, due to demographic change (ageing, family relationships), strengthened recognition of needs (e.g., mental illness) and technological change (e.g., diagnostic equipment).

If a single Health and Community Services Department were established, it would bring together different professions and cultures, although this is not new in that each area already combines multi-disciplinary staff and functions. There are both potential advantages and disadvantages in such combinations and it is necessary to actively manage the issues to maximise outcomes. The development of the most effective strategies often benefits from holistic and multi-disciplinary approaches. On the other hand, there are dangers if a mind-set that works effectively in one area is allowed to dominate in other areas.

It is anticipated that a new department would facilitate the creation of a strong, flexible, multidisciplinary, and strategically focused senior executive and policy team.

There would also be benefits from combined corporate support areas (non-transactional)<sup>2</sup>, grants program administration<sup>3</sup> and closer links in some program areas such as Community Health and Welfare. However, under the Chief Executive, there will be continuing benefits in maintaining separate 'offices' for Health, Disability, Housing and so on as the main elements of the structure for both management and reporting purposes (this combination of mix and separation already exists within DHCS). These considerations of course work equally well if the departments remain separate – although in that case there should be heightened effort to achieve cooperation between them (and perhaps shared service arrangements in areas such as community service contracting and grants)<sup>4</sup>.

In either case also, given the breadth of responsibilities and the need to actively manage at the strategic level, it will be desirable also that Chief Executives be able to effectively delegate statutory responsibilities (for example, relating to child protection) to senior office leaders within the department(s).

### **Minister for Education and Training**

While there is no substantive change in coverage of this portfolio, the review considers that major revitalisation and change is needed in this area (mainly in strategies for government schools, but also in central office areas and vocational training). This is discussed in detail in part 7. These tasks would occupy considerable time and energy for the Minister and Department for several years.

At the same time, education is also a field in which the Commonwealth is taking an increasing role, including in challenging State/Territory strategies for vocational training.

### **Minister for the City and Territory**

The combination of state and local government in the ACT provides an opportunity for delivering highly effective community and physical services without the costs associated with essentially artificial boundaries between levels of government.

To maximise the advantage taken from this opportunity, a single department responsible across this range of services is proposed. Under a single policy centre it would combine:

- urban and municipal services (now essentially in DUS);
- sport, recreation, stadiums and other sporting facilities;

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<sup>2</sup> These are estimated at \$7 million per annum, however, this Report does not include savings from such a merger.

<sup>3</sup> Savings of \$0.9 million per annum are estimated from consolidating grants administration, and \$1.7 million per annum from consolidating service purchasing from the community sector.

<sup>4</sup> The Review has proposed that, irrespective of the departmental structures, these savings be realised through shared administration in grants and service purchasing (Chapter 10).

- a single office of transport services – including bus services;
- a single manager of territory lands, conservation, heritage and environment; and
- a single works program.

Canberra needs more certain, lower cost and more commercially responsive planning and development processes. The various interests should be much more closely integrated and processes of approval and review streamlined as far as possible. The portfolio Minister for City and Territory would also be responsible for planning. ACPLA and the LDA would retain their present organisational status and report to the Minister.

A large range of specific changes to functions in each of these areas are proposed and discussed in Part 7.

### **Minister for Justice and Community Safety**

With the Chief Minister focused on central coordination and community leadership, a separate portfolio would take responsibility for existing Justice and Community Safety functions. This would include:

- functions of the Attorney General;
- Government legal services;
- Police;
- Emergency Services – to be brought within the department;
- a range of regulatory functions (many merged into a single office); and
- Commissioners and tribunals.

The relevant chapters of Part 7 discuss a range of detailed proposals affecting arrangements in many of these areas.

### **4.2.4 SUMMARY OF SAVINGS AND STAFFING IMPACTS**

An initial broad estimate of savings that may be achieved by implementation of these structural reforms to create unified Ministerial arrangements, combined with the amalgamation of major departments, functions and the merger of Territory Authorities back into Departments, where grounds for separation cannot be justified, is outlined in **Table 4.2.2**.

The extent of potential savings depends in part on whether Health and Community Services are merged. In summary, savings starting at \$8 million, rising to \$13 million by 2009-10 will be achieved through the proposed structural changes, prior to consideration of the efficiencies that may be achieved through effective alignment and assessment of programs, activities and functions within each portfolio.

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Realisation of these savings will be delivered by adjustment to portfolio budgets. These will be timed to allow adequate time for agencies to successfully merge, with corporate service and support functions united and governing board structures abolished, where applicable.

**Table 4.2.2: Broad Savings Estimates**

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m	Total FTE Impacts	Board
<b>ACT Health</b>						
Healthpact	0.592	0.607	0.610	0.620	5.8	Abolish
<b>Department of Justice and Community Safety</b>						
Emergency Services Authority	0.743	1.486	1.523	1.561	11.68	N/A
<b>Department of City and Territory</b>						
Transport (ACTPLA)	0.480	0.492	0.504	0.517	4	N/A
Stadiums Authority	0.229	0.235	0.241	0.247	1	Abolish
ACTION Authority	0.792	1.082	1.109	1.137	9.9	Abolish
Australian Capital Tourism	0.396	0.406	0.410	0.420	2.55	Abolish
Sport and Recreation	0.765	0.784	0.804	0.824	6	N/A
<b>Chief Minister's Department</b>						
Economic Development & Business ACT	0.590	0.605	0.620	0.635	4	N/A
<b>TOTAL SAVINGS</b>	<b>4.587</b>	<b>5.697</b>	<b>5.821</b>	<b>5.961</b>	<b>44.93</b>	

### Recommendations 15 and 16:

- the ACT Government be structured as a limited number of policy portfolios, each policy department reporting to a single Minister, with the Chief Minister responsible for both the Department of Chief Minister and Department of Treasury (See Table 4.2.3).
- Savings of a minimum \$6m per annum be delivered to the Budget through the adjustment of portfolio funding allocations in recognition of the efficiencies available as a result of the new structure and related governance reforms.

**Table 4.2.3: Summary of Portfolio/Departmental Changes**

<b>Ministerial Portfolio / Department (Theme)</b>	<b>Primary Functions</b>	<b>Detail Functions / Matters of the Department</b>	<b>Commission / Statutory Office or Position</b>	<b>Territory Authorities and Territory Owned Corporations</b>	<b>Boards / Tribunals / Councils / Committees</b>	<b>Legislative Amendments / Critical Issues / Challenges</b>
Independent Positions		<ul style="list-style-type: none"> <li>• Auditor-Generals Office</li> <li>• Legislative Assembly</li> <li>• ACT Executive</li> </ul>	<ul style="list-style-type: none"> <li>• Auditor-General</li> <li>• Assembly Clerk</li> </ul>			
Judicial Appointments		<ul style="list-style-type: none"> <li>• President Court of Appeal</li> <li>• Chief Justice of the Supreme Court</li> <li>• Chief Magistrate</li> <li>• Magistrates</li> <li>• Special Magistrates</li> <li>• Master of the Supreme Court</li> </ul>				
Chief Minister's Portfolio	Executive Leadership, Central Agency Coordination, Economic Strategy	<ul style="list-style-type: none"> <li>• Government &amp; Executive support                             <ul style="list-style-type: none"> <li>- Communications</li> <li>- Signature Events</li> <li>- Management of Government strategic priorities and projects</li> </ul> </li> <li>• Cabinet</li> <li>• Inter-governmental relations (COAG)</li> <li>• Policy (Social) incorporating, but not limited to:                             <ul style="list-style-type: none"> <li>- Social, Community, Health, DHCS, Welfare</li> </ul> </li> <li>• Policy (Economic &amp; Business) incorporating, but not limited to:                             <ul style="list-style-type: none"> <li>- Economic Development Policy</li> <li>- Energy &amp; Water</li> <li>- Planning and Regional Policy</li> <li>- Business Development &amp; Policy</li> <li>- Business ACT</li> <li>- National Teams (Elite Sport) Business Transactions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Commissioner for Public Administration (Nominal)</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational Health and Safety Council</li> <li>• Canberra Partnership Board</li> <li>• Cleaning Industry Long Service Leave Board</li> <li>• Construction Industry Long Service Leave Board</li> <li>• Cultural Facilities Corporation</li> <li>• ACT Cultural Council</li> </ul>	<ul style="list-style-type: none"> <li>• Abolition of the Department of Economic Development – Economic and Business functions to the Chief Minister's Dept</li> <li>• Abolition of the Small Business Commissioner and associated legislation. Integrate back into Department.</li> <li>• ACTIA to administer the Workers Compensation Supp Fund</li> </ul>	
Chief Minister's Department (Leading Government and the Community)		<ul style="list-style-type: none"> <li>• Public Sector Management</li> <li>• Industrial Relations</li> <li>• Arts and Cultural Services                             <ul style="list-style-type: none"> <li>- ArtsACT</li> </ul> </li> </ul>				

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Ministerial Portfolio / Department (Theme)	Primary Functions	Detail Functions / Matters of the Department	Commission / Statutory Office or Position	Territory Authorities and Territory Owned Corporations	Boards / Tribunals / Councils / Committees	Legislative Amendments / Critical Issues / Challenges
Treasurer's Portfolio Department of Treasury (Leading Government and the Community)	Executive Leadership, Central Agency Coordination, Economic Strategy	<ul style="list-style-type: none"> <li>Fiscal &amp; economic policy</li> <li>Budget &amp; financial reporting</li> <li>Investment</li> <li>Cash Management</li> <li>Insurances</li> <li>Competition policy and associated market reform</li> <li>GBE ownership policy &amp; monitoring</li> <li>Residual issues management</li> <li>Taxation &amp; Revenue</li> <li>Gambling and Racing (Policy, Regulation &amp; Collection)</li> <li>Purchasing and project management</li> <li>WofG Shared Services                             <ul style="list-style-type: none"> <li>Central Service Providers (InTACT, Procurement)</li> <li>Transaction Services (HR, Corporate, Payroll etc)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Commissioner for ACT Revenue (Nominal)</li> <li>Gambling and Racing Commissioner (Nominal)</li> </ul>	<ul style="list-style-type: none"> <li>ACT Insurance Authority</li> <li>Gambling and Racing Commission</li> <li>ACTTAB Limited (TOC)</li> <li>Rhodium Asset Solutions (TOC)</li> <li>ACTEW Corporation (TOC)</li> </ul>	<ul style="list-style-type: none"> <li>ACT Insurance Authority Advisory Board</li> <li>Finance and Investment Board</li> <li>ACT Gambling and Racing Commission Board</li> <li>Racing Appeals Tribunal</li> <li>ACT Government Procurement Board</li> <li>ACTEW Corporation Board (TOC)</li> <li>Rhodium Board (TOC)</li> <li>ACTTAB Board (TOC)</li> </ul>	

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Ministerial Portfolio / Department (Theme)	Primary Functions	Detail Functions / Matters of the Department	Commission / Statutory Office or Position	Territory Authorities and Territory Owned Corporations	Boards / Tribunals / Councils / Committees	Legislative Amendments / Critical Issues / Challenges
Attorney General Department of Justice and Community Safety (Institutions of Justice, Rights and Laws)	Justice, Community Safety, Regulation, and Emergency Services	<ul style="list-style-type: none"> <li>Administration of Justice</li> <li>Legal Policy</li> <li>Legal Services</li> <li>Electoral Services (ACT Electoral Commission)</li> <li>Parliamentary Council</li> <li>Community Advocate</li> <li>ACT Courts</li> <li>ACT Ombudsman</li> <li>Director of Public Prosecutions</li> <li>Nominal Defendant</li> <li>Government Solicitor</li> <li>Corrective Services</li> <li>Police Services (Federal Police)</li> <li>Emergency Services                             <ul style="list-style-type: none"> <li>ACT Ambulance Services</li> <li>ACT Fire Brigade</li> <li>ACT Rural Fire Services</li> <li>ACT State Emergency Services</li> </ul> </li> </ul> <p><b>Regulatory Services</b></p> <ul style="list-style-type: none"> <li>Office of Fair Trading</li> <li>Registrar &amp; Regulatory Services (inc Rental Bonds)</li> <li>Tobacco Licensing and Smoke Free Regulation (ACT Health)</li> <li>Occupational Licensing within the construction industries (ACTPLA)</li> <li>Regulatory Parking Operations</li> </ul>	<ul style="list-style-type: none"> <li>Electoral Commissioner</li> <li>President of the Administrative Appeals Tribunal</li> <li>Nominal Defendant</li> <li>Director of Public Prosecutions</li> <li>Community Advocate</li> <li>ACT Chief Coroner</li> <li>Chief Executive Office, Legal Aid</li> <li>Deputy Executive Office, Legal Aid</li> </ul> <p><b>Commissioners</b></p> <ul style="list-style-type: none"> <li>Human Rights President</li> <li>Human Rights Discrimination</li> <li>Health Services</li> <li>Disability and Community Services</li> <li>Children and Young People</li> <li>Commissioner for Fair Trading</li> <li>Occupational Health and Safety Commissioner</li> <li>ICRC Commissioners</li> </ul>	<ul style="list-style-type: none"> <li>Legal Aid Commission</li> <li>Office of the Public Trustee</li> </ul>	<ul style="list-style-type: none"> <li>ACT Electoral Commission</li> <li>Legal Aid Commission</li> <li>Liquor Licensing Board</li> <li>Administrative Appeals Tribunal</li> <li>Essential Services Consumer Council</li> <li>Guardianship and Management of Property Tribunal</li> <li>Mental Health Tribunal</li> <li>Sentence Administration Board</li> <li>Children's Court</li> <li>Consumer and Trader Tribunal</li> <li>Credit Tribunal</li> <li>Discrimination Tribunal</li> <li>Residential Tenancies Tribunal</li> <li>Domestic Violence Prevention Council</li> <li>ACT Law Reform Commission</li> <li>ACT Law Society, Professional Conduct Board</li> <li>Management Assessment Panel</li> <li>Quamby Official Visitor</li> <li>Remand Centres Official Visitor</li> <li>Police Consultative Board</li> <li>ACT Bushfire Council</li> <li>ACT Bill of Rights</li> <li>Consultative Committee</li> <li>COLA Advisory Boards (Building, Plumbing and Electrical)</li> <li>Independent Competition and Regulatory Commission</li> </ul>	<ul style="list-style-type: none"> <li>Emergency Services Authority amalgamated back into the Department</li> <li>Abolition of Emergency Services Commissioner Position</li> <li>Amalgamation of Human Service Commissioners to achieve back-end savings.</li> <li>Amalgamation of Regulatory functions and activities</li> </ul>

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Ministerial Portfolio / Department (Theme)	Primary Functions	Detail Functions / Matters of the Department	Commission / Statutory Office or Position	Territory Authorities and Territory Owned Corporations	Boards / Tribunals / Councils / Committees	Legislative Amendments / Critical Issues / Challenges
Minister for Health and Minister for Community Services  Department of Health and Department of Community Services  (Sustaining Individual and Community Well-being)	Health, Housing, Community Services and Children, Youth and Family Support	<ul style="list-style-type: none"> <li>• Health                             <ul style="list-style-type: none"> <li>- Hospitals / Acute Care</li> <li>- Mental Health</li> <li>- Population Health</li> <li>- Community Health</li> <li>- Health Policy</li> <li>- Health Promotion (incorporating Healthpact functions)</li> </ul> </li> <li>• Housing                             <ul style="list-style-type: none"> <li>- Housing Policy</li> <li>- Public Housing</li> <li>- Housing Assistance Services</li> <li>- Supported Accommodation</li> <li>- Community Housing</li> </ul> </li> <li>• Community                             <ul style="list-style-type: none"> <li>- Community Support Services</li> <li>- Community Facilities</li> <li>- Concessions</li> <li>- Volunteering</li> <li>- Multicultural Affairs</li> <li>- Community Engagement</li> <li>- Office for Ageing</li> <li>- Office for Women</li> <li>- Office for Aboriginal and Torres Strait Islander Affairs</li> </ul> </li> <li>• Disability                             <ul style="list-style-type: none"> <li>- Disability Policy and Services</li> <li>- Therapy services</li> </ul> </li> <li>• Children Youth and Family                             <ul style="list-style-type: none"> <li>- Children Services</li> <li>- Youth Services</li> <li>- Family Support &amp; Services</li> <li>- Child and Family Centres</li> </ul> </li> </ul>	<i>Nominal Positions</i> <ul style="list-style-type: none"> <li>• Commissioner for Housing</li> <li>• Chief Health Officer</li> <li>• Chief Psychiatrist</li> </ul>		<ul style="list-style-type: none"> <li>• Chiropractors and Osteopaths Board</li> <li>• Dental Board</li> <li>• Dental Technicians and Prosthetists Registration Board</li> <li>• Medical Board</li> <li>• Nurses Board</li> <li>• Optometrists Board</li> <li>• Pharmacy Board</li> <li>• Physiotherapists Board</li> <li>• Podiatrists Board</li> <li>• Psychologists Board</li> <li>• Radiation Council</li> <li>• Veterinary Surgeons Board</li> <li>• Mental Health Tribunal</li> <li>• Human Research Ethics Committee</li> <li>• Mental Health ACT Official Visitors</li> <li>• Treatment Assessment Panel (Drugs of Dependence)</li> <li>• Children's Services Council</li> <li>• Ministerial Youth Council</li> <li>• Official Visitor – <i>Children and Young People Act</i></li> <li>• Disability Advisory Board</li> <li>• Housing Review Committee</li> </ul>	<ul style="list-style-type: none"> <li>• <b>HealthPACT Abolished</b></li> <li>• <b>Health Promotions Board abolished</b></li> </ul>

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Ministerial Portfolio / Department (Theme)	Primary Functions	Detail Functions / Matters of the Department	Commission / Statutory Office or Position	Territory Authorities and Territory Owned Corporations	Boards / Tribunals / Councils / Committees	Legislative Amendments / Critical Issues / Challenges
Minister for Education and Training Department of Education and Training (Developing Human Capabilities)	Schools, Education and Training	<ul style="list-style-type: none"> <li>Education Policy</li> <li>Government Schools</li> <li>Non-Government Schools</li> <li>Vocational Education and Training</li> <li>Preschools</li> <li>Early Childhood Education Programs</li> </ul>	Director – Canberra Institute of Technology	<ul style="list-style-type: none"> <li>Canberra Institute of Technology Building and Construction Industry Training Fund Board</li> <li>CIT Solutions Pty Ltd (PTE)</li> </ul>	<ul style="list-style-type: none"> <li>CIT Advisory Council</li> <li>ACT Accreditation and Registration Council</li> <li>Board of Senior Secondary Studies</li> <li>Government School Education Council</li> <li>Non-Government School Education Council</li> <li>Ministerial Advisory Council on Non-Government Schooling</li> <li>Indigenous Education Consultative Body</li> </ul>	<ul style="list-style-type: none"> <li>Vocational Education and Training Authority Abolished</li> </ul>

Ministerial Portfolio / Department (Theme)	Primary Functions	Detail Functions / Matters of the Department	Commission / Statutory Office or Position	Territory Authorities and Territory Owned Corporations	Boards / Tribunals / Councils / Committees	Legislative Amendments / Critical Issues / Challenges
Minister for City and Territory Department of City and Territory (Local and City Services and Physical Territory Development)	Land, Planning, Transport, Environment, Municipal Services, Tourism, Sport and Recreation	<ul style="list-style-type: none"> <li>• Urban Services / Environment                             <ul style="list-style-type: none"> <li>- Road and Transport Services</li> <li>- Municipal Services</li> <li>- Public Libraries</li> <li>- Parks and Places</li> <li>- Canberra Connect</li> <li>- Government Asset Management</li> <li>- Public Transport (inc ACTION)</li> <li>- Sports Grounds</li> <li>- NoWaste</li> <li>- Ranger Services</li> <li>- Land Development and Release</li> <li>- Environment /Conservation</li> <li>- Environment Management &amp; Regulatory Services</li> <li>- Environmental Protection</li> <li>- Parks and Conservation</li> <li>- Forests (non-commercial)</li> <li>- Sustainability</li> <li>- Greenhouse</li> </ul> </li> <li>• Tourism, Events, Sport and Recreation                             <ul style="list-style-type: none"> <li>- ACT Academy of Sport Programs</li> <li>- Community Sport Grants Program</li> <li>- Sports Grounds / Facilities (inc. Stadiums/Manuka Oval)</li> <li>- Sport and Recreation</li> <li>- Economic Events, Marketing and Promotion</li> <li>- Tourism Policy and Services</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Commissioner for the Environment</li> <li>• Advisor to the Conservator (Tree Protection Act)</li> <li>• Commissioner for Surveys</li> <li>• Chief Planner</li> <li>• Chief Executive, Land Development Agency</li> </ul>	<ul style="list-style-type: none"> <li>• Exhibition Park in Canberra</li> <li>• ACT Public Cemeteries Authority</li> <li>• Land Development Agency</li> <li>• Planning and Land (ACTPLA)                             <ul style="list-style-type: none"> <li>- Planning, Development and Building Control</li> <li>- Survey and leasing</li> <li>- Heritage</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• LDA Board</li> <li>• Planning &amp; land council</li> <li>• Public Cemeteries Board</li> <li>• Environment Advisory Committee</li> <li>• Animal Welfare Authority and Advisory Committee</li> <li>• Conservator of Flora &amp; Fauna + Advisor</li> <li>• ACT Flora &amp; Fauna Committee</li> <li>• Agricultural &amp; Veterinary Chemicals Coordination Network</li> <li>• Heritage Council</li> <li>• Interim Namadgi Advisory Board</li> <li>• National Exhibition Centre Trust</li> <li>• ACT Surveyors Board</li> <li>• Urban Design Advisory Committee</li> <li>• ACT Architects Board</li> <li>• Land and Property Joint Ventures</li> <li>• Property Advisory Council</li> <li>• Transport Reform Advisory Committee</li> <li>• Forests Board of Advisors</li> <li>• Sport and Recreation Council</li> </ul>	<p><b>ABOLISHED</b></p> <ul style="list-style-type: none"> <li>• Stadiums Authority Act &amp; Board</li> <li>• ACTION Authority Act &amp; Board</li> <li>• Australian Capital Tourism Corporation Act &amp; Board</li> <li>• Manuka Oval Management</li> <li>• Abolition of the Department of Economic Development – Sport and Recreation functions to the Dept of City</li> </ul>

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## **CHAPTER 4.3**

# **WORKFORCE CULTURE AND PERFORMANCE**

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### **OVERVIEW**

The diversity of the changes required in responding to the fiscal pressures faced by the Territory require a fundamental shift in workforce approaches and culture across the Public Sector. The challenges are ‘whole-of-government’ in their nature and require “whole of service” ownership and commitment to resolving them. No single area of government should feel immune from the challenges, or from the macro and micro changes required.

The success of the Review will, in many respects, hinge on effective and progressive leadership, at both the middle and senior levels. This should be expected, indeed demanded, from the Public Sector.

### **4.3.1 WORKFORCE CULTURE**

All modern public services face the challenge of balancing the need for “collective”, whole of service perspective against individual and agency performance focus. The challenge for the ACT Public Service is no different.

The ACT Public Service, however, is better placed than many other public services because of its small size and compactness of its operations.

The culture across the Service in general can be described as tending towards individual silos and work group areas. Engendering a whole of government thinking and focus is a key element of the philosophy underpinning the Review’s strategic response – drawing on the benefits of small scale and establishing ‘one government’.

The capacity and will for change is an unknown quantity, and still to be tested.

A more active workforce management policy is needed, covering leadership, skills development and the capacity for continuous review and improvement. The timing of the Review, for example, should not be the sole catalyst for driving change – all areas of government should review themselves proactively and seek improvements within the workplace and client services.

### **4.3.2 SENIOR EXECUTIVE SERVICE**

The size of the senior executive service in the public sector has been the focus of much public discussion and media attention. The number of senior executives is in the order of 150 to 160. The size of the senior executive service is not dissimilar to, and indeed smaller than some of the other public services, given the range of state and local services managed.

The number of senior executives (or equivalents) as a proportion of the reported workforce, as at 30 June 2005, in the ACT was 0.9 per cent. The proportion of senior executives was 1.6 per cent in the Commonwealth, 1.4 per cent in South Australia, and 0.9 per cent in Tasmania. Relative to the Commonwealth, the ACT has only a little more than half the senior executives. It is at these levels that the ACT Public Service has to compete most strongly with the attractions of the Commonwealth Public Service. Any focus on the number of executives as a measure of the efficiency of the public service therefore is diversionary.

A key element of efficient and effective service delivery is the productivity of the work force. The Review has highlighted significant productivity issues (such as in relation to teachers and nurses) in the relevant chapters on the individual agencies. Seeking improvements in productivity should be the main focus.

From the Review's perspective, the efficiency and effectiveness of the public sector depends on the quality and leadership from the middle and senior management as mentioned above. Reducing the size of senior executive service will be a false economy – the Government requires best leaders to deliver on its priority outcomes, that is, sound economic management and delivery of efficient and effective services to the community, and manage areas of high risk.

#### **4.3.3 PUBLIC SECTOR CHARACTERISTICS**

Characteristics of the Public Sector should be its professionalism, strong leadership at government and public sector levels, high skill levels and willingness to adopt modern management practices and progressive service delivery arrangements. Willingness to use community expertise and service organisations should also feature high on the Public Sector's agenda.

More flexible workforce arrangements are becoming an increasingly important feature of the workplace environment. Priorities often change across the Public Sector, and workforce policies should allow for this through employment of specialist staff and skills on an 'as required' basis. Capacity to offer targeted specialist employment packages seem practical for the ACT Public Sector, particularly given its unique and diverse mix of state and local government services.

The Review accepts that the Service culture will not change overnight, and requires significant investment in staff and leadership development. Central agency focus on this is required to facilitate the one service ethos and drive the changes required from the Review.

**Recommendation 17: the Chief Minister's Department develop a program of cultural change for the Public Service, particularly targeted at middle and senior management, to strengthen focus on strategic, whole-of-government, outcomes and continuously improving efficiency considerations. Other elements of public service organisation should be aligned with this new focus.**

## CHAPTER 4.4

## ONGOING REVIEW AND COMPLIANCE

### OVERVIEW

The Review recognises the significance of the changes its proposing, and the magnitude of the tasks faced by Ministers, Chief Executives and their departments. In progressing these, it will be important that they are implemented in a way that is clear to understand and follow, and they can stand the scrutiny and tests of accountability expected from the Public Sector. Proof of compliance with the Government's objectives from the Review will also be an important measure of performance.

Many recommendations touch on areas that have been subject to close interest over the years from the Legislative Assembly, industry and business, and the community. The degree of improvement in services to clients and the better positioning of the Territory economically as a good place to do business will measure the success of any changes implemented. Issues of probity will also come to the forefront, particularly in the high capital investment areas being proposed by the Review.

Key areas of change range across procurement practices, asset management and infrastructure development, and planning and land development. The Review is also proposing critical investment in areas such as education. The size of these tasks, and the Government's expectations, justifies higher levels of response and compliance from departments.

#### 4.4.1 SCRUTINY AND COMPLIANCE

Implementation of the Review's recommendations requires an enhanced compliance and accountability audit framework.

The ongoing and continuing nature of the reforms over the medium to long term dictates that appropriate capacity for compliance and performance auditing is also available to the Auditor-General across this horizon. The Review proposes that additional resources of \$1.0 million per annum be provided to the Auditor-General to enhance capability for the Office to undertake future compliance and performance audits.

**Recommendation 18: additional funding of \$1.0 million per annum be provided to the Auditor-General for compliance and performance auditing.**

#### Summary of Savings and Staffing Impacts

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m	Total FTE Impacts
Auditor General - Additional Funding	-1.000	-1.025	-1.051	-1.077	TBC

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# **WHOLE OF GOVERNMENT ISSUES**

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## CHAPTER 5

# WHOLE OF GOVERNMENT ISSUES

### OVERVIEW

This Chapter covers a range of issues that impact across a number of agencies, or the whole public sector. Those are:

- Public Service Superannuation Arrangements;
- Cash Management and Control;
- Non-Executive (Advisory) Boards and Committees;
- Customer Services;
- Sustainability;
- Annual Reports;
- Territory Records;
- Municipal Services;
- Whole-of-government Fleet;
- Office Accommodation;
- Legal Services;
- Intergovernmental Agreements and Negotiations;
- Integrated Document Management System; and
- Insurable Risk Management.

The Review has identified potential efficiencies and savings in a number of these areas.

### 5.1 PUBLIC SERVICE SUPERANNUATION ARRANGEMENTS

#### Introduction

The States have closed former state superannuation schemes to new members. New employees in most cases are offered only the standard minimum Superannuation Guarantee level of employer contributions (9 per cent). Some States allow a small supplement to employer contributions where the employee makes undeducted contributions of specified minimum amounts.

In general, private sector employees (including in the ACT) in industries directly competing with public sector employees (e.g., private school teachers) also are provided by their employers with 9 per cent superannuation.

In contrast, ACT arrangements for public sector employers match those of the Commonwealth. This imposes significantly higher costs on the ACT budget compared with schemes in the other states. This cost will accumulate to very high levels in coming years.

From 1 July 2005, the Commonwealth has changed its superannuation arrangements with the replacement of the open PSS defined benefit scheme with a lump-sum accumulation scheme (PSSAP) for new entrants. The Commonwealth has set the employer contribution rate for PSSAP at 15.4 per cent of salary. This is the same level as actuarially determined for current PSS members, and the employer continues to meet the scheme administration charges.

From 1 July 2006, the ACT Government must adopt superannuation arrangements that comply with the Commonwealth's choice of fund requirements under the *Superannuation Guarantee (Administration) Act 1992*.

Superannuation entitlements are not specified in industrial agreements for new employees. The Review considers that:

- maintaining employer contribution rate at 15.4 per cent for new employees places unsustainable long-term pressure on the ACT budget;
- there does not appear to be compelling reasons to replicate the arrangements adopted by the Commonwealth;
  - the ACT Government does not compete with the Commonwealth for a substantial proportion of its workforce;
  - for staff categories where the ACT competes with the Commonwealth, non-superannuation remuneration options are a more appropriate tool to attract and retain select staff if this proves necessary;
- while unions and prospective employees appear to place more emphasis on salary levels than on superannuation contributions, this, however, does not mean that unions will not resist a reduction in employer contribution rate.

The Government may adopt superannuation arrangements for new employees separate to the Commonwealth and more in line with those of the States and Territories, and the Review recommends this approach. It is proposed that the employer contribution rate be set at the statutory 9 per cent level. This, however, may be increased by 1 per cent as an incentive for employees to make undeducted contributions of a matching or higher amount.

## **Options for the Future**

### **Other Jurisdictions**

All other jurisdictions have adopted fully funded accumulation scheme arrangements, with employer contributions set at the minimum requirement of 9 per cent. Some (including Queensland and SA) provide slightly higher employer contributions where employees make matching non-deductible contributions.

Compared with other jurisdictions, the ACT budget has faced financial uncertainties due to the defined benefit nature of the previous PSS scheme. The cost of the public sector to the ACT Government has also been higher compared with other jurisdictions due to a higher contribution rate. This would continue under current arrangements.

**Financial Considerations**

While the introduction of an accumulation scheme (PSSAP) will shift investment risk to the employee, the impact of superannuation costs on the ACT Budget will continue to increase. Mortality risks (death and disability) are compulsorily covered through insurance arrangements linked to the scheme (compulsory cover should continue in the proposed new scheme).

The reimbursement to the Commonwealth for CSS and PSS employees is forecast to increase from around \$58 million per annum in 2005-06 to \$250 million per annum in 2038-39<sup>1</sup>, in today's value. In addition, the Territory will be required to meet an estimated cost of \$198 million per annum (in real terms) for PSSAP employees.

This is a seven-fold increase in real terms over the next thirty years. In order to maintain the budget flexibility and structure of today, it will need to grow by around 5 per cent per annum in real terms over this period. A fiscal strategy that is based on achieving such growth rates in budget is not practical. In summary, maintaining employer contributions at 15.4 per cent is not affordable in the long run.

The following table highlights the potential savings across the forward estimates period from the adoption contribution rates for new employees lower than the current rate of 15.4 per cent<sup>2</sup>.

**Table 5.1: Savings from Lower Employer Contribution to PSSAP**

Contribution Rate	2006-07	2007-08	2008-09	2009-10	Total
	\$'m	\$'m	\$'m	\$'m	\$'m
Statutory Contribution Rate of 9%	1.7	5.2	8.6	12.0	27.5
Contribution Rate of 10%	1.5	4.4	7.3	10.1	23.3

Source: ACT Treasury.

The savings increase significantly in the medium to longer term, being in excess of \$700 million over the next 20 years.

**Recommendation 19: in relation to public service superannuation arrangements:**

- **the Government adopt the statutory employer contribution rate of 9% for its new employees from 1 July 2006;**
- **the employer contribution rate be increased by an additional 1%, to 10%, for employees who opt to make employee contributions of at least 1%; and**
- **the contribution rate be maintained at the current level for employees joining the ACTPS prior to 30 June 2006 (grandfathering provision).**

<sup>1</sup> Data provided by ACT Treasury – Superannuation Unit.

<sup>2</sup> These estimates assume that employees already in the PSSAP will be grandfathered from any reduction in employer contribution, i.e., there are no savings for new employees joining the ACTPS (and therefore joining the PSSAP) in the period 1 July 2005 to 30 June 2006. Similarly, there is no change to contributions for existing CSS and PSS members.

### **Need for Alignment With the Commonwealth**

At self-government, the Commonwealth and the Territory agreed that the ACT Government employees would continue the membership arrangements that applied to Commonwealth employees. The main reason at that time was to recognise staff mobility from the Commonwealth to the ACT Public Service.

In future, separate superannuation arrangements for ACTPS employees are not expected to unduly affect mobility between the two services. After 1 July 2006, accrued superannuation benefits can be transferred should an employee elect to do so.

A more significant issue that has been raised in favour of replicating Commonwealth arrangements relates to the competitiveness of the ACTPS to attract and retain staff, given that both draw their staff from the same population.

The ACT, however, does not compete with the Commonwealth for a substantial proportion of its public servants, such as teachers, nurses, health service professionals, child protection workers, fire fighters, rangers etc. Staff attraction and retention strategies for these categories do not need to be based on parity with the Commonwealth.

For administrative/clerical and policy staff, the ACT indeed competes with the Commonwealth. Special Employment Arrangements available under the Certified Agreement may be a more appropriate and cost effective tool to maintain competitiveness with the Commonwealth in these staff categories. However, this should be considered only if market experience demonstrates that it is essential. In practice, different superannuation entitlements have co-existed in competing labour markets with limited effect in competitiveness.

It should be noted that about 75 per cent of Commonwealth employees work in the States, and arguably compete with the States for workers. The States nonetheless have closed their superannuation schemes.

### **Implications for Wage Negotiations**

In the wage negotiations, the unions have generally sought to achieve parity with NSW (for example for nurses and teachers in the previous EBAs). However, the ACT's higher superannuation rate has not been recognised by the unions in negotiating parity on wage outcomes.

The higher superannuation costs relative to NSW have not resulted in relatively lower costs in direct salaries.

## **5.2 CASH MANAGEMENT AND CONTROL**

### **Introduction**

The *Financial Management Act 1996* provides for the departmental appropriations to be deemed as net appropriations, i.e., departments are able to retain (and spend) any additional interest revenue without seeking a further appropriation. Over time, departments have (collectively) built up significant cash and investment balances.

As at 30 June 2005, departmental cash and investment balances totalled \$230 million. Interest earned by agencies in 2004-05 was \$12.9 million, which was approximately \$6 million above the original budget estimate.

Agencies have discretion over the use of these funds, without any reference to Cabinet. The Review proposes provision of cash to agencies on 'just in time' and needs' basis. Benefits of cash holdings should be retained at the whole-of-government level, except where precluded by intergovernmental agreements (e.g., Housing).

### **Current Arrangements**

The Territory's financial management framework introduced in 1996 included devolved banking arrangements, and the ability for departments to invest surplus cash. This was introduced with an aim of providing incentives for agencies to effectively manage cash balances.

Since its inception (in 1996), the cash management framework has been unclear about the appropriate levels of cash reserves to be retained by departments, and the use of additional cash accumulated, for example through interest earnings.

At 30 June 2005, 9 departments held between 1.8 and 9.9 times their budgeted cash and investments. All departments earned more interest than budgeted - 7 departments earned between 1.5 to 2.1 times their budgeted amount.

The following table provides actual results for cash and investments and interest revenue by agency for 2000-01 and 2004-05, which highlights the significant increase in agency cash holdings. It also provides the estimates of interest revenue as included in the 2005-06 Budget.

**Table 5.2: Cash and Investments and Interest Revenue by Agency**

	Actual Results						2005-06 Budget Estimates			
	Cash and Investments			Interest Revenue			Interest Revenue			
	2000-01 \$'m	2004-05 \$'m	Increase \$'m %	2000-01 \$'m	2004-05 \$'m	Increase \$'m %	2005-06 \$'m	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m
GMD	7.752	19.389	11.637 150%	0.449	1.378	0.929 207%	0.821	0.851	0.878	0.878
DED (created 2004-05)	-	2.919	2.919 -	-	0.157	0.157 -	-	-	-	-
WorkCover	0.086	0.563	0.477 553%	0.015	-	-0.015 -100%	-	-	-	-
DT (Procurement added 2001-02)	11.706	43.480	31.774 271%	0.512	1.496	0.984 192%	0.706	0.761	0.816	0.816
ACT Health (inc TCH & ACTCC)	36.342	42.022	5.680 16%	1.901	1.913	0.012 1%	1.236	1.186	1.186	1.186
DUS	25.955	24.137	-1.818 -7%	0.808	0.655	-0.153 -19%	0.614	0.614	0.615	0.615
ACTPLA	-	3.018	3.018 -	-	0.208	0.208 -	0.200	0.100	0.100	0.100
JACS <sup>3</sup>	3.453	7.379	3.926 114%	1.594	1.689	0.095 6%	1.010	1.010	1.010	1.010
ESA (created 2004-05)	-	2.060	2.060 -	-	0.025	0.025 -	-	-	-	-
DET (excl School Accounts)	8.822	21.681	12.859 146%	0.411	1.467	1.056 257%	0.300	0.300	0.300	0.300
DDHCS (created 2002-03)	-	7.322	7.322 -	-	0.331	0.331 -	0.224	0.244	0.265	0.265
OCYFS (created 2003-04)	-	5.126	5.126 -	-	0.173	0.173 -	0.050	0.050	0.050	0.050
ACT Housing	17.201	18.472	1.271 7%	1.185	1.947	0.762 64%	1.054	1.107	1.161	1.120
InTACT	9.801	30.453	20.652 211%	0.288	1.348	1.060 368%	1.088	1.129	1.216	1.311
ACT Forests	0.567	1.985	1.418 250%	0.056	0.069	0.013 24%	-	-	-	-
<b>Total</b>	<b>121.686</b>	<b>230.006</b>	<b>108.321 89%</b>	<b>7.218</b>	<b>12.856</b>	<b>5.638 78%</b>	<b>7.303</b>	<b>7.352</b>	<b>7.597</b>	<b>7.651</b>
<b>Total (excl ACT Housing)</b>	<b>104.485</b>	<b>211.534</b>	<b>107.050 102%</b>	<b>6.033</b>	<b>10.909</b>	<b>4.876 81%</b>	<b>6.249</b>	<b>6.245</b>	<b>6.436</b>	<b>6.531</b>

Source: ACT Treasury

<sup>3</sup> Budget estimates for JACS includes \$0.911 million per annum to fund the Rental Bond Board.

Apart from retaining cash from unspent appropriated funds relating to specific uncompleted purposes, there is little justification for departments holding excessive cash and investment balances, either during or at the end of each year. The benefits from excessive cash holdings should not necessarily accrue to individual departments, but rather be available to the wider Budget as a whole, and for consideration and redistribution by the Government against its priorities.

There is a lack of clarity under the framework relating to defining the use departments can make of any unspent cash. Some departments have, for example, used cash and investment reserves to meet additional costs such as salaries, supplies and services and grant payments as examples.

While this can be useful, for example, in minimising calls on Treasurer's Advance and supplementary appropriations, it carries a perverse impact of allowing departments to incur unapproved expenditure. This unapproved expenditure by departments lacks transparency, and puts the Territory's budget targets at risk.

### **Proposed Changes to the Framework**

The existing cash management policies and practices should be modified to ensure that full opportunity is available to the Government to utilise any financial benefits from its cash management policies, and to strengthen the transparency and accountabilities around the cash management framework.

### **Departments' Cash Balances Reduced to an Appropriate Level**

Cash balances should be reduced, maintained, and monitored, at "just in time" limits. The limit should include a buffer (e.g., 5% of supplies and services) plus other agency specific items (such as revenue received in advance, salary packaging monies and special funds held by the department).

Establishment of a working cash buffer should be determined individually for each department, taking account of specific financing circumstances.

Flexibility should be incorporated to review levels of required cash during the year if/as additional cash requirements are identified by departments (e.g., higher payout of leave provisions due to increased retirement levels).

### **No Investment of Unspent Funds by Departments**

The Review proposes that departments no longer invest or earn interest, except where specific conditions apply to special funds held by the agency (e.g., NRMA fund held by ACT Health, and Housing ACT).

Where specific conditions apply, the balances should be quarantined, and be prescribed by instrument limiting the use of any interest earned to that purpose only.

**Recommendation 20: in relation to cash management and control:**

- the cash management framework be modified to provide for monitoring agency cash balances and maintaining these on a needs basis;
- interest earnings accrue to the Budget, except where specific conditions apply to special funds held by the agency (e.g., NRMA fund held by ACT Health, and Housing ACT); and
- necessary amendments to the *Financial Management Act 1996* be introduced with the aim of their passage before the start of 2007-08 financial year.

**Budget Impact and Savings**

These changes to the cash management framework will provide a net benefit to the Budget. Given that agency cash and investments have typically been higher than the budget estimates, it is reasonable to expect that benefit to the Budget will be higher than the forward estimates of interest revenue.

The additional benefit is from the revenue not included in the forward estimates.

**Table 5.3: Estimate of Savings and Additional Interest Earnings**

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m
Savings against the Budget Forward Estimates	4.9	5.1	5.2	5.2
Additional Interest Earnings	4.7	4.5	4.4	4.4
<b>Total Budget Impact</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>

*Source: ACT Treasury. Note: The above table excludes Housing ACT and schools accounts.*

## **5.3 NON-EXECUTIVE (ADVISORY) BOARDS AND COMMITTEES**

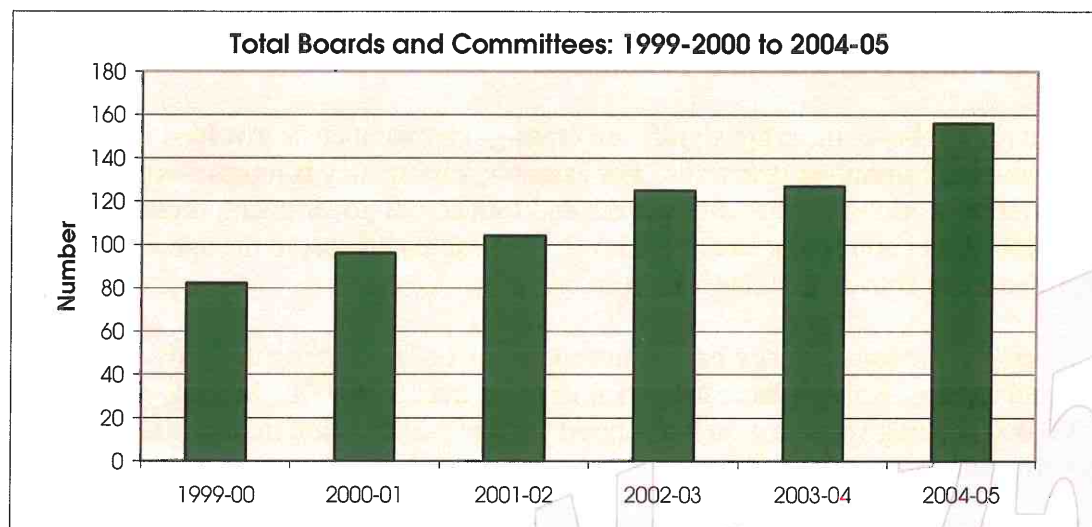
### **Introduction**

Boards are either of an advisory nature, or have executive functions assigned to them. The latter category is discussed in the Machinery of Government Chapter (Chapter 4.2) and in some other individual chapters. This section deals with boards, councils and committees that are of an advisory nature.

Ministers and departments seek policy advice from a range of sources, including through community consultations, consultants, their own staff, boards, committees and councils, which include members external to the ACT Government. There is value in sourcing a diversity of opinion and advice, as it leads to innovation and the ability for issues to be considered from different perspectives. Departments also establish cross-departmental committee arrangements, to seek wider input into policy development.

## **Boards and Committees Across Government**

The Review sought information on the number of advisory Boards and Committees, and the costs of supporting these structures. Significant resources are consumed through the process of supporting these structures. The number of boards and committees, has grown dramatically over recent years.



The mechanism for reviewing the roles and ongoing need for boards and committees is unclear.

In many cases, groups only need to be established in the short term, while in other cases, different forms of community engagement could be pursued, such as regular community forums or targeted consultations. Under any model, the key governing principle should be one of minimal overhead support and costs.

### **Cost to Government**

The cost of sitting fees for the current boards and committees is estimated conservatively at around \$2 million per annum<sup>4</sup>. The Remuneration Tribunal also makes determinations regarding travel allowances for Part Time Holders of Public Office, which have not been included in this estimate. Other support costs<sup>5</sup> could be significantly higher than the sitting fees<sup>6</sup>.

Only a third of the boards and committees identified to the Review have sitting fees approved by the ACT Remuneration Tribunal. The remaining entities will most likely have other methods to support the inclusion of community members, such as

<sup>4</sup> The estimate is based on the Remuneration Tribunal decision in December 2005 in relation to Part Time Holders of Public Office, with the assumption of each entity meeting four times a year for over three hours. In reality, it is clear that most of the entities approved by the Tribunal meet many more than four times a year, so the actual cost to government in sitting fees is much higher.

<sup>5</sup> These include for example, the cost of secretariat staff, food and refreshments, venue hire and other materials.

<sup>6</sup> One agency has estimated the costs of these support activities, as being over \$650,000 per annum, when added to sitting fees, the costs of supporting their committees is over \$830,000 per annum. Another agency has estimated the total cost of supporting its boards and committees at over \$1.84 million a year.

reimbursement for costs of travel, or community participation payments etc. These groups will also incur costs in relation to secretariat, venue and associated materials.

In principle, the payment of sitting fees or other fees to board and committee members should be considered in cases where external expertise is required. All fee payments should be initially set, and subject to review, through the Remuneration Tribunal processes.

### Inter and Intra Departmental Committees

Added to the above, there are significant cross-government costs involved in inter departmental committee structures. For example, one agency is represented on over 55 different working groups, committees and fora across government, predominantly at senior officer and senior executive level. The estimated cost to the agency of this representation is over \$170,000 per year.

Conversely, the same agency has estimated the cost of resourcing and participating in internal entities, which it has established itself, at over \$290,000. In total, around \$500,000 is being spent just on the support for and participation in, internal government committees and fora.

**Recommendation 21: each agency review its boards and committees structures (both internal and those which involve external members), targeted to reducing associated overheads. Savings from this are estimated at \$1 million in 2006-07 and rising to \$2 million onwards. Savings are to be apportioned on the basis of current costs, and applied to agency budgets from 2006-07.**

### Determinations of the ACT Remuneration Tribunal

In principle, sitting fees for boards and committees should be determined under the *Remuneration Tribunal Act 1995*. There are a number of issues associated with the administration and tracking of the Tribunal's determinations. These are discussed below.

The most recent determination of the Tribunal in December 2005, with regard to sitting fees for chairs and members of boards and committees, includes a range of bodies that no longer exist and/or have not existed for some time<sup>7</sup>. Some agencies are operating under an impression that the Tribunal has made a determination, when there is no evidence to support this<sup>8</sup>. Lastly, many of the names of entities in the Determination have changed, and, in some cases, both the old and new names of the same group appear in different categories of the Determination.

<sup>7</sup> For example, the ACT Bill of Rights Consultative Committee finished its work and reported to Government in May 2003. The Surveyors Board of the ACT was abolished through the passage of the *Surveyors Act 2001*.

<sup>8</sup> For example, the 2004-05 Annual Report of the ACT Planning and Land Authority indicates that three advisory boards which it established during the year, under the *Construction Occupations (Licensing) Act 2004*, are entitled to payments under the *Remuneration Tribunal Act 1995*. There is however, no reference to these advisory boards in the December 2005 determination by the Tribunal, or in any other of its determinations.

Whilst the above are examples only, they point to a need for greater responsibility for matters referred and determined by the Remuneration Tribunal. Payments to boards and committees, should not be made without formal determination by the Tribunal. This should include interim approvals for daily sitting fees in advance of the next formal round of determinations.

The Remuneration Tribunal Secretariat should update and issue guidance information to departments to assist in this administrative review.

**Recommendations 22, 23 and 24:**

- **agencies review the status of all boards, committees and office holders for which fees are determined by the Remuneration Tribunal, to review and update information to the Tribunal, including interim approvals to daily sitting fees.**
- **agencies review all boards and committees where sitting and other payments are made, to ensure eligibility under the Remuneration Tribunal's Determinations.**
- **policy guidelines on entitlements and practices be issued by the Remuneration Tribunal secretariat, to assist agencies in regularising these arrangements.**

## **5.4 CUSTOMER SERVICES**

In 2001 the ACT Government established Canberra Connect to improve service delivery to the community by providing multiple information and transaction channels based on the same systems and processes.

Canberra Connect provides shopfronts, a call centre and internet services to enable easy access to government information and payment services. It currently provides call centre functions for the Department of Urban Services, Environment ACT, the Department of Disability, Housing and Community Services and Chief Minister's Department. The majority of calls are related to Department of Urban Services (52 per cent) or Switchboard (people seeking access to individual employees – 15 per cent)<sup>9</sup>.

In total in 2004-05 Canberra Connect undertook 1.5 million transactions and collected \$342 million in government revenues. Its transaction channels include over the counter, Internet, telephone, BPay and more recently, Australia Post.

In spite of its rapid growth, successful branding and introduction of on line payment and receipting functionality, Canberra Connect is still predominantly a vehicle for municipal type functions handled by the Department of Urban Services.

<sup>9</sup> Australian Shared Services Excellence Awards 2006 – Submission for Best Mature Shared service Organisation, Canberra Connect 2006.

Other ACT agencies have shopfronts, run on line payment and receipting services and operate call centres. Also, ActewAGL operates a number of shopfronts, a call centre and on line payment arrangements.

DUS identified further opportunities to rationalise and consolidate service counters into the Canberra Connect shopfront network. These changes would expand community access to services across the city. The table below, although not exhaustive, indicates the breadth of agencies that currently provide information and services through a shopfront-type arrangement.

**Table 5.4: Shopfronts by Agency**

<b>Chief Minister's Department</b>	ACT WorkCover Cultural Facilities Corporation Environment ACT
<b>Department of Treasury</b>	ACT Revenue Office
<b>ACT Health</b>	Community Health Centres Healthpact Health Protection Service
<b>Department of Education and Training</b>	Office of Training and Adult Education CIT campuses
<b>Department of Economic Development</b>	Tourism Shopfronts Business Gateway
<b>Department of Urban Services</b>	Canberra Connect Shopfronts ACTION Libraries
<b>Department of Disability, Housing and Community Services</b>	Youth Justice Housing ACT Care and Protection Therapy ACT
<b>Department of Justice and Community Safety</b>	Registrar-General's Office Office of Fair Trading Elections ACT ACT Ombudsman Discrimination Commissioner Public Trustee Legal Aid Office of the Community Advocate ACT Corrective Services ACT Policing Stations Magistrates Court Supreme Court
<b>ACT Planning and Land Authority</b>	Dickson Mitchell
<b>Land Development Agency</b>	Gungahlin Kingston Foreshore

While in some cases these may be inextricably linked to the agencies' core business, in other cases it should be possible to integrate these information and payment/receipt channels to deliver a more efficient service with greater capacity to manage peaks and troughs in workload.

It would appear that functions currently provided through the shopfronts of Housing ACT, the Registrar-General's Office, Environment ACT, Office of Fair Trading and ACT Revenue Office could be considered for incorporation into the Canberra Connect network.

The use of the Canberra Connect call centre to take the first line calls for a range of services provided by the Department of Disability, Housing and Community Services is but one example of the growth potential. However such growth will need to be

carefully planned and based on a detailed business case. The business case should consider the range of options for managing the channels (either individually or collectively) and whether this is best achieved within the Department of Urban Services, the Shared Service Centre, another government related entity or outsourced.

**Recommendation 25: a detailed business case be developed under the leadership of the Department of City and Territory, for consideration by the Government by December 2006, on the further consolidation of government information and payment and receipting services. This business case should include consideration of which shopfronts, call centres and other information portals and which payment and receipting systems should be merged into one Government approach and how and by whom, such a service should be managed.**

## **5.5 SUSTAINABILITY**

The Government's commitment to sustainability is demonstrated through policy documents such as *People, Place and Prosperity*. Further commitments were made in 2004 to consider the introduction of Sustainability legislation.

The Review is aware that the Office of Sustainability proposes to undertake community consultation in respect of creation of a *Sustainability in Government Act*. The cost impacts of this legislation are unclear. The Submission to Cabinet indicated that agencies were to absorb any costs.

Significant impacts are likely from such legislation. The assessment of true costs will only be known down the track, and beyond any period where the Government could pull back from the community expectation created by legislation.

Issues of sustainability are important and should be part of the Government's public policy. There is concern that the true costs have yet to be identified, and this is reinforced by most agencies. Given these uncertainties, the Review proposes that issues of sustainability be managed through administrative policy rather than in legislation.

Legislation could be considered once the framework has bedded into departments accountability/reporting frameworks, and assessed at the whole-of-government level.

**Recommendation 26: the Government's sustainability framework be implemented through administrative policy mechanisms, rather than in legislation.**

## **5.6 ANNUAL REPORTS**

Guidelines for annual reports are issued by the Chief Minister under the *Annual Report (Government Agencies) Act 1995*. The Chief Minister issues annual report

directions on the content of departmental annual reports, their structure and the standards to which the publication should be produced.

The directions to agencies have expanded considerably since 1995, with increasing cost and resource effort impacts. Annual reports are no longer a simple record of a department's performance, output and financial performance. They have also become the mechanism for reporting across a large range of government policies, reviews and responses to inquiries and the like. In order to accommodate all information requirements, many agencies' annual reports are published in two volumes.

The level of resources applied by agencies to the production of their annual reports has grown. Some agencies now employ contractors or engage senior staff for a six month period in order to co-ordinate the production of the reports. Added to this are the significant costs associated with staff across departments providing input for the report, the costs of design, editing, and publication. The costs of some agency reports would exceed \$100,000 a year. Applying this across the government as a whole could see costs exceeding \$1 million per annum.

It is proposed that the Annual Report Directions be significantly streamlined, and the production quality reduced without compromising content.

### **Agency Annual Reports for Financial Years**

Annual reports by agencies should focus on financial, performance and output information, on a financial year basis. Reports on policy implementation and plans should be divided between those required on a calendar year basis and those devolved back to the agency with policy responsibility.

Agency annual reports should include the following:

- Overview, achievements and challenges;
- Strategic and organisational planning;
- Human resources (including staffing profile);
- Workplace safety;
- Learning and development;
- Workplace relations;
- Fraud prevention;
- Risk management and internal accountability;
- Financial statements and performance;
- Asset and capital works management;
- Territory records;
- External labour and services; and
- Service purchasing, grants and sponsorship.

This should result in a reduction in the size of annual reports, while ensuring that accountability is maintained.

## **Agency Annual Reports for Calendar Years**

Agency annual reports for the calendar year would include that information not required to be produced on a financial year basis for management purposes, but which is still required to be disclosed for the purposes of community accountability. This information covers:

- Community engagement;
- Advisory boards and committees;
- External scrutiny;
- Legislative assembly committee reports;
- Auditor-general reports;
- Ombudsman reports;
- Government inquiries and reports; and
- Legislation and regulatory activities.

## **Whole of Government Policy Implementation Reports**

A number of agencies responsible for whole-of-government policies already provide annual progress reports to the Legislative Assembly. It is proposed that greater use of this approach be adopted for reporting on whole-of-government issues, as opposed to the current inclusion of such materials in each department's annual reports. This may require legislative amendments in a number of cases. These reports cover, for example:

- *Human Rights Act*;
- Access to Government;
- Multicultural Framework;
- Aboriginal and Torres Strait Islander reporting;
- ACT Women's Plan;
- Freedom of Information;
- Public Interest Disclosure;
- Ecologically Sustainable Development reporting;
- Commissioner for Environment;
- Bushfire management plans; and
- Procurement processes.

## **Quality of Production and Publishing**

There are significant costs associated with the current standards in annual and other reports, and the availability of hard print copies. The costs should be weighed against the benefits and the technology alternatives available to the community. A more reasonable approach is to standardise the quality across departments in more simple terms.

## **Release of Publications**

The extent of availability of hard copies should be reconsidered and greatest possible use made of the IT facilities (internet etc), with minimal production copies retained. Electronic release arrangements should take account of statutory reporting requirements, and access to information by those not able to use electronic formats, such as through libraries.

### **Recommendations 27, 28, 29, 30 and 31:**

- **annual and policy reporting arrangements be streamlined to smooth reporting pressures and costs, without reduction in accountability requirements of departments;**
- **financial year Annual Reports be streamlined to include only key reporting areas relating to financial, staffing, accountability, management, external labour and service purchasing matters;**
- **calendar year Annual Reports include community engagement, external scrutiny, advisory boards and committees, government inquiries and regulatory activities;**
- **policy implementation reporting be coordinated by originating policy departments, and tabled in the Legislative Assembly; and**
- **all government reports be produced to base publishing standards, with minimal printing of hard copies. Alternate use of electronic format and departmental websites be adopted.**

## **5.7 TERRITORY RECORDS**

### **Public Access Regime**

Records management carries a significant financial impact, which will only increase over time. Insufficient recognition has been made of the costs of effective record management, for example, the deficiencies identified by Boards of Inquiry and through the Courts system.

Many agencies have concerns about the cost implications of implementing the *Territory Records Act 2002*. It appears that most agencies have implemented the requirements of the Act without adequate resources to maintain the requirements under the legislation, and the further developments required.

The current legislation requires implementation of a public access regime in 2007. Departments have advised that this involves additional costs. Given the significant amount of personal records held by agencies across government, there is budgetary risk that an effective public access regime will require significant additional funding and resources. The priority for the next stage is considered low against other service pressures faced by the Government, and the next stage should be deferred, with legislation amended accordingly.

A number of agencies still have to undertake archival activities, to effectively account for their records that have not been registered on any retrieval or access system.

The legislation also makes an agency responsible for all records associated with functions that they have administrative responsibility for under the *Administrative Arrangements Orders* (including all historical records).

Further work is also required on a whole-of-government basis in relation to records created by non-government agencies contracted for the purpose of managing clients on behalf of government agencies.

**Recommendation 32: the *Territory Records Act 2002* be amended to defer the commencement of the public access regime for Territory records, preferably to a date to be fixed by subsequent instrument.**

## **5.8 MUNICIPAL SERVICES**

### **Legislation**

Specific municipal services are provided under a range of Acts and Regulations, some of which date back to the 1930s. The Department of Urban Services raised the development of a single Municipal Services Act as a strategic option for the Government.

Although consolidation of legislation may carry some benefits, it does not appear that the current fragmentation of legislation has compromised service delivery. A further issue to consider is that consolidation along the municipal services has the potential to fragment some of the existing legislation. An example in this regard is the Land and Planning legislation.

Consolidation of legislation is a potentially considerable task that would have direct and indirect costs. The Review is not convinced that legislation consolidation is a priority at this time, and considers that no additional resources should be made available for this purpose. Any legislative improvement in this area should be made without resource supplementation.

**Recommendation 33: any work on the consolidation of municipal services and associated legislation be undertaken within the existing resources.**

### **Financial Management**

Potential for increases in General Rates are further discussed in Chapter 11 in the context of fully offsetting the costs of Municipal Services. The Review proposes a base increase of 6 per cent in 2006-07. It is also proposed that rates be increased annually by a Wage Cost Index, rather than the CPI, to reflect the increase in cost of services.

## 5.9 WHOLE OF GOVERNMENT FLEET

### Government Vehicles

The ACT Government Fleet has 1,220 vehicles. The fleet includes Y-Series plated (senior executive) and 200-series plated (pooled) vehicles. These include sedans, wagons and other vehicles (such as utes and dual cabins).

Wagons and other vehicles in general may be used for particular services, such as ranger and inspectorial services. Excluding these vehicles, around two thirds of the sedans are of 4-cylinder construction.

The road system in Canberra is good and ordinary pooled vehicles are not required to go off-road or carry equipment. Requiring all vehicles to be of 4-cylinder construction, except those necessary for specific purposes, has potential for savings of around \$650,000. There would also be a level of saving from reduced fuel consumption, estimated at \$200,000.

A significant portion of 6 cylinder sedans and wagons are 'Y plated' vehicles, and a substantial number of these will be entitlements of the senior executives under their remuneration package. Accordingly, this policy may be viewed as lowering the remuneration package for senior executives. It is possible, however, that senior executives would take the equivalent cash component and not use a leased vehicle through the fleet arrangements<sup>10</sup>.

Savings from the above measures, totalling \$0.850 million will be progressively realised as leases expire and vehicles are replaced over the next two years.

**Table 5.5: Estimated Savings from Vehicle Replacement Program (6-cylinder to 4-cylinder)**

	2006-07	2007-08	2008-09	2009-10
	\$'m	\$'m	\$'m	\$'m
Vehicle Replacement Program	0.275	0.550	0.850	0.850

Source: ACT Treasury.

**Recommendation 34: all 6-cylinder sedans in the Government vehicles fleet be progressively replaced with 4-cylinder cars, as their leases expire (with agency budgets adjusted accordingly).**

### Management Fees

The fleet management fee charged by Rhodium is on average around \$130 per month, per vehicle<sup>11</sup>. Benchmarking undertaken by Treasury indicates that these costs in other jurisdictions range between \$25 and \$50 per month.

<sup>10</sup> Should a situation eventuate where a significant number of senior executives in a Department opt for the cash component, there may be less vehicles available for business use. The cash component, however, is lower than the actual cost of providing a leased vehicle, and therefore, there could be some further savings. In such a situation, those savings could be utilised to address travel needs.

<sup>11</sup> This includes vehicle changeover and disposal.

The Review recognises that fleet management is a scale driven business. However, the fleet management charges appear high when the size of the fleet managed by Rhodium is also taken into account<sup>12</sup>. The Review is advised that in the ACT market, a price of \$50 per month per vehicle is expected. The future arrangements for Rhodium are being addressed separately by the Review. Irrespective of those arrangements, however, benchmark costs should be realised. This will return savings in the order of \$1.1 million per annum.

**Recommendation 35: management fees for government fleet be set at benchmark price (estimated at \$50 per vehicle per month), providing estimated savings of \$1.1 million per annum (with agency budgets adjusted accordingly).**

### **Reducing the Size of the Fleet**

Vehicles in the government fleet are replaced after two years or 40,000 kilometres, whichever is earlier. A significant proportion of the vehicles (in excess of 40% of the fleet) travel less than the allowable 40,000 kilometres before their disposal<sup>13</sup>.

While the distance travelled under the allowable limit may not be an exact measure, it could be reasonable proxy for assessing excess capacity in the pooled fleet. Based on the information available, this equates to around 60 vehicles.

The Review proposes a conservative decrease of 40 vehicles in the pooled government fleet.

#### **Recommendation 36:**

- **the size of the pooled fleet be reduced by 40 vehicles, with savings starting at \$0.2 million in 2006-07 rising to \$0.5 million per annum being realised to budget; and**
- **the decrease be allocated to agencies on the basis of the distance travelled under the maximum allowable limit at the time of disposal.**

## **5.10 OFFICE ACCOMMODATION**

### **Current Occupancy Rate**

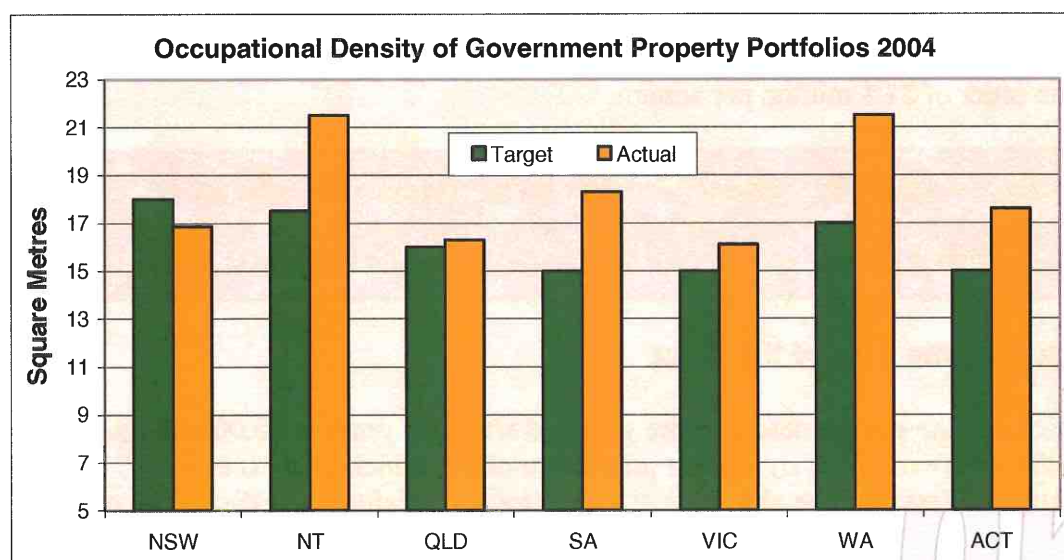
Governments across Australia have a range of occupational density targets, ranging from 15m<sup>2</sup> per full time equivalent staff member to 18m<sup>2</sup> per FTE, with the ACT sharing the upper end of the scale with South Australia and Victoria.

<sup>12</sup> For example, the unit costs in the ACT are more than five times the costs in another jurisdiction with a fleet which is around three times larger.

<sup>13</sup> For example, over the two-year period 1 October 2001 to 30 September 2003 there were 440 ('200 series') vehicles disposed, with an average of 11,423 kilometres under the allowable distance.

## CABINET-IN-CONFIDENCE

The ACT's actual density in 2004 was 17.6m<sup>2</sup> per FTE, down from 21m<sup>2</sup> in 2001, and about mid range of the States and Territories. It is notable that only one jurisdiction was at or below their density target in 2004.



Since 2004, however, the space usage across the ACT Government has increased considerably to around 20.6m<sup>2</sup> per person. The current occupancy rates by agency are set out below.

**Table 5.6: Office Space Utilisation by Agency**

Agency	Area Occupied m <sup>2</sup>	Est. Staff 31 Dec. 2005	Average per Staff m <sup>2</sup>
ACT Planning and Land Authority	6,125	310	19.8
Auditor-General's Office	500	30	16.7
Chief Minister's Department	7,792	312	24.9
Commissioner for the Environment	116	4	29
Department of Economic Development	2,690	105	25.6
Department of Education and Training	7,406	390	19.0
Disability, Housing and Community Services	16,300	827	19.7
Department of Urban Services	10,552	527	20.0
Emergency Services Authority	3,874	192	20.2
ACT Health	13,718	655	20.9
InTACT	5,243	288	18.2
Justice and Community Safety	10,146	434	23.4
Department of Treasury	4,480	257	17.4
ACT WorkCover	1,344	56	24.0
<b>Total</b>	<b>90,287</b>	<b>4,387</b>	<b>20.6</b>

It can be seen from the above table that all agencies are occupying well above 15m<sup>2</sup> person. The 90,287m<sup>2</sup> of office accommodation comprises 37,654m<sup>2</sup> in owned properties and 52,633m<sup>2</sup> in leased accommodation. The current annual rental for the leased space is \$17.050 million.

## Short Term Measures

Over the next 18 months to September 2007, six rental leases comprising 10,052m<sup>2</sup> at a current cost of \$3.551 million will expire.

The staff within these six leases should be relocated into the existing owned or leased space. Assuming no reduction in staff numbers, the average space usage per staff as a consequence would improve to 18.3m<sup>2</sup>.

Departments with excess capacity will be required to make space available for this purpose.

Additionally in 2009-10, further leases will expire, some of which will not need to be renewed. The accommodation implementation strategy discussed below will identify these leases.

**Table 5.7: Saving by Lease**

	2006-07	2007-08	2008-09	2009-10
	\$'m	\$'m	\$'m	\$'m
Scala House Lease	0.108	0.144	0.144	0.144
14 Moore Street Levels 12 and 13	0.265	0.398	0.398	0.398
Eclipse House	1.021	2.041	2.041	2.041
20-22 Challis Street	0.047	0.097	0.097	0.097
Allara House	0.165	0.330	0.330	0.330
12 Moore Street Levels 2,7 and 8	0.000	0.406	0.541	0.541
Further Lease Reductions	-	-	-	2.700
<b>Total</b>	<b>1.606</b>	<b>3.416</b>	<b>3.551</b>	<b>6.251</b>

The Review proposes that the savings associated with lease costs be returned to budget. The following table provides estimates of savings allocated to agencies.

**Table 5.8: Saving Allocated to Agencies**

	2006-07	2007-08	2008-09	2009-10
	\$'m	\$'m	\$'m	\$'m
Department of Urban Services	0.145	0.219	0.219	0.219
Chief Minister's Department	0.229	0.411	0.411	0.411
ACT WorkCover	0.075	0.156	0.156	0.156
Disability, Housing and Community Services	0.013	0.431	0.566	0.566
ACT Health	0.037	0.073	0.073	0.073
Department of Treasury	0.144	0.270	0.270	0.270
Justice and Community Safety	0.963	1.856	1.856	1.856
Further Lease Reductions	-	-	-	2.700
<b>Total</b>	<b>1.606</b>	<b>3.416</b>	<b>3.551</b>	<b>6.251</b>

**Recommendation 37: in relation to government office accommodation:**

- **the six rental leases due to expire by the end of December 2007 not be renewed;**
- **all current occupants of these be absorbed within existing Government owned or leased space; and**
- **savings from these leases expiries will amount to \$3.551 million in 2008-09 and funding be returned to budget from the relevant Departmental appropriations, with a further \$2.7 million realised from future lease expiration.**

**Future Accommodation Strategy**

As noted above, not renewing the leases identified in Table 5.6 and moving staff to other leased buildings improves utilisation to 18.3m<sup>2</sup> per staff. There will also be reductions in office staff if the saving measure proposed by the Review are accepted. Office space could be reduced by a further 10,000m<sup>2</sup> to 15,000m<sup>2</sup> depending on the actual requirements of non-standard office space for areas such as Corrections, Therapy and Mental Health.

A more detailed plan will need to be developed in conjunction with the new Departments to realise these savings over the next few years.

From 2008 onwards, there will be a surplus of leasing space in Civic as a result of the finalisation of the moves currently proposed by Australian Government agencies and prices should be low. In addition, Civic has several buildings which are large enough to co-locate agencies. In order to reach the target of 15m<sup>2</sup> per staff, the Property Group should be tasked with developing a longer term leasing strategy which would centralise most agencies in Civic (or possibly Woden).

**Recommendation 38: further work be undertaken by the implementation team (in conjunction with the Property Group) to develop a strategy which:**

- **accommodates the shared service centre within existing space. This will require staff in an existing building(s) to be relocated prior to February 2007;**
- **reduces leased space by a further 10,000m<sup>2</sup> to 15,000m<sup>2</sup>, providing additional accommodation savings of \$2.7 million up to \$4.5 million;**
- **develops an accommodation plan to take advantage of likely vacancies in Civic following Commonwealth Departmental moves in 2008-09; and**
- **provides the Property group with authority to give final approval on any accommodation expansions and/or refurbishments.**

## **Government Office Block**

The Chief Minister's Department is exploring options for a government office block in Civic.

It is desirable to accommodate all the ACT administrative staff, to the extent possible under operational requirements, in a single office block close to the Legislative Assembly. Given the outlook of a surplus of leasing space in Civic, however, the Review proposes that the Government should not proceed to construct its own office block. Move to accommodate staff in a single office block in Civic should be subject to no additional budget costs, and improvement in office space utilisation to the target of 15m<sup>2</sup> per staff.

**Recommendation 39: move to a dedicated office block for ACT Public Service administrative staff should be subject to no additional costs to budget, and improvement in office space utilisation to the target of 15m<sup>2</sup> per staff.**

## **Role of Property Group**

The Property Group within Urban Services is responsible for the management of all government owned and leased properties. It also includes the Facilities Management Unit transferred from TotalCare (48 FTEs).

The Group has had difficulty in delivering cost effective and strategic solutions to accommodation needs of agencies. This is evidenced by the occupancy rates highlighted above, and in some instances, costly fitouts being undertaken. Presently, the Group has little influence to restrain the wishes of agencies.

The Review is not proposing that responsibility and accountability for accommodation be moved away from Chief Executives. There is, however, a clear need for policy guidelines on accommodation, and fitout standards. Protocols need to be established under which government agencies could lease office space. Such protocols, while allowing the Chief Executives to determine the appropriate accommodation to deliver services, should also take a whole-of-government perspective, and in particular take account of the available (leased or owned) accommodation.

The Review proposes a strategic role for the Property Group. In addition, it is proposed that lease or fitout proposals in excess of \$0.5 million be brought forward for Cabinet's consideration.

**Recommendations 40, 41, 42, 43, 44 and 45:**

- **the Property Group be reduced to a small strategic central core by separating it from the facilities staff (the latter would remain in Urban Services but as a separate business);**
- **the Group should have ultimate responsibility for negotiating and signing all leases/sub leases and fit out contracts;**
- **a set of policy guidelines be developed (by the Property Group) to assist agencies in relation to all property matters. These guidelines would set clear limits in relation to agency powers and require agencies to provide regular reports on all properties within their portfolios;**
- **lease or fit out contracts in excess of \$500,000 be taken to Cabinet by the Minister responsible for the Property Group (rather than individual Ministers);**
- **the Property Group should establish fit out standards that include size, cost and transportability specifications; and**
- **consideration should be given to transfer this Group to the Shared Service agency when it is settled.**

## **5.11 LEGAL SERVICES**

### **The nature of ACT Government legal services**

The ACT Government's needs cover the usual spectrum for government legal services and the broad range of commercial, litigation and administrative law matters.

The ACT Government Solicitor (GSO) is the primary legal services provider to Government and a number of agencies, but the ACT Government has no legal services policy. Accordingly government agencies and authorities are free to engage external legal service providers. Some agencies also have their own specialised legal units, which are used in conjunction with GSO.

The table below shows the usage of own source and external legal service providers for the financial year 2004-05. The free and within Government services are all provided through the Department of Justice and Community Safety, some on a cost recovery basis and some with only notional charging.

**Table 5.9: 2004-05 Legal Services across Agencies**

<b>Agency</b>	<b>Own Source</b>	<b>External</b>	<b>Free</b>	<b>Within Govt</b>	<b>TOTAL</b>
ACT Health	\$90,480	\$182,900	\$741,000		\$1,014,380
ACTIA	\$28,000	\$29,000		\$1,870,000	\$1,927,000
ACTION	\$10,000	\$67,000			\$77,000
ACTPLA	\$150,000			\$731,000	\$881,000
CMD	\$265,133	\$58,210	\$482,000		\$805,343
DED				\$145,000	\$145,000
DET		\$1,000		\$354,000	\$355,000
DHCS		\$23,000	\$152,000	\$6,000	\$181,000
DHCS Housing	\$125,000	\$53,000		\$227,000	\$405,000
DHCS OCYFS	\$122,000		\$303,000		\$425,000
DUS		\$223,416			\$223,416
EPIC				\$12,000	\$12,000
ESA		\$48,000		\$113,000	\$161,000
Gambling			\$25,000		\$25,000
ICRC	\$79,685	\$158,246	\$8,000		\$245,931
InTACT		\$50,900	\$47,000		\$97,900
JACS					\$0
LDA		\$894,000		\$196,000	\$1,090,000
Stadiums		\$30,000		\$2,000	\$32,000
Tourism				\$35,000	\$35,000
Treasury		\$18,000	\$534,000		\$552,000
ACT WorkCover	\$64,000	\$6,480	\$138,000	\$1,960	\$210,440
<b>Total</b>	<b>\$934,298</b>	<b>\$1,843,152</b>	<b>\$2,430,000</b>	<b>\$3,692,960</b>	<b>\$8,900,410</b>

Source: Review Legal Services Data Request

### Issues Arising from Current Arrangements

The current arrangements raise a number of issues for the Government including:

- consistency of legal advice when different law firms are engaged by different agencies to perform similar services;
- ensuring that the interests of the Territory as a whole, rather than those of specific agencies, are protected;
- ensuring that appropriate advice is being obtained by agencies, particularly when it is of a specialist nature;
- avoidance of duplication of advice across agencies or, indeed, within departments;
- ensuring that legal advice is provided in a timely manner;
- avoidance of a conflict of interest where a private law firm acts both for and against the Territory, as happens at present; and
- the cost of legal services and value for money.

### Australian National Audit Office Report

The Australian National Audit Office (ANAO) released a performance audit report on legal service arrangements in the Australian Public Service in June 2005. As part of

this report, the ANAO included a summary of observed better practice in service delivery. Key points in this summary relevant to the ACT situation are:

- the importance of the presence of an informed purchaser who:
  - comprehensively understands the business of the Agency and is able to protect that Agency's interests;
  - coordinates all legal services arrangements and has an understanding of the market and how it operates;
  - provides a link between decisions taken at the strategic level and the day-to-day implementation;
  - provides assurance that agency is achieving cost effective legal services; and
  - is aware of the developments both legal and otherwise that are likely to impact on the Agency;
- the need for proactive management of client and provider relationships (both internal and external);
- the need to consider negotiation of volume rebates, learning discounts or other value delivery strategies;
- the need to measure quality of legal services against agreed standards;
- the need to ensure clearly understood service delivery standards and immediate discussing of issues where delivery does not meet expectations; and
- the importance of establishing a knowledge base and an ability to access the knowledge base to gain maximum value from services and advice for which the agency has already paid.

### **Preferred Model for the ACT**

The best way to address these concerns and meet the ANAO best practice principles would involve consolidating legal service provision through the Government Solicitor's Office. To be effective these arrangements would require:

- the GSO to outsource services where required in collaboration with the relevant agency through a panel of preselected providers with expertise in defined areas of law would also be most practical;
- in house legal units to remain in some departments but with supervision and support provided by the GSO and be out-posted to agencies;
- agreed quality and timeliness service standards for the GSO; and
- a small number of statutory authorities and corporations that are required to operate commercially outsourced legal services.

To the extent that advice provided by a private sector law firm gives rise to contentious issues for the ACT Government, the matter may always be referred to the GSO for advice. In addition, certain types of work could be mandated as the sole responsibility of the GSO, for example, public sector and constitutional law and matters involving the Legislative Assembly and Cabinet.

The issue of implementing a full user charge system in the GSO was canvassed with the Department of Justice and Community Safety which advised that GSO would still require some Government funding for core work. The department indicated that the remaining devolved funding is 'unlikely to be sufficient' for agencies to meet the real costs of providing the service, resulting in a risk that agencies will limit the extent to which legal advice is sought.

Further, while the Department acknowledges the capacity of a user pays model to deliver savings by reducing the extent to which legal services are being performed unnecessarily, it does not believe that this factor is a significant issue in the ACT and hence the level of savings may not justify the potential risks and transaction costs. Finally, the Department indicated it would require 12 months to implement the system.

### **Potential Savings**

While the figures above represent the estimates by agencies of their current legal costs, there is some concern that not all agencies have been able to provide details of full costs. Given this uncertainty, the relatively low level of outsourced work reported, and the need to boost GSO to some extent, while still maintaining some degree of outsourcing, it is envisaged that the savings from the recommended model would be not significant, and not in excess of \$500,000 in the first year of operation of a new model.

However, consolidating legal services through the GSO would enable a more effective tracking of legal service costs, and accordingly, the capacity to identify more accurate savings targets. A detailed tracking of the costs of legal service provision from within ACT Government and from external providers over 2006-07 is therefore recommended, with savings targets to be established by June 2007.

**Recommendation 46: legal services provision to ACT Government agencies be consolidated through the ACT Government Solicitor's Office, with:**

- legal services being provided on the whole through legal officers employed by the GSO;
- any outsourcing of legal services to be undertaken by GSO in conjunction with the relevant agency through a panel of pre-approved providers;
- legal units within agencies remaining only where there is a clear operational requirement and that the staff be engaged by and report to the GSO;
- statutory authorities and corporations being able to retain current outsourced arrangements for commercial legal issues; and
- clearly defined service standards be developed and agreed between the GSO and agencies.

**Recommendation 47: a detailed tracking of the costs of legal service provision from within the ACT Government and from external providers over 2006-07 be undertaken, with savings targets to be established by June 2007.**

## **5.12 INTERGOVERNMENTAL AGREEMENTS AND NEGOTIATIONS**

There are many intergovernmental agreements underpinning Commonwealth funding and state service arrangements. These cover programs under Specific Purpose Payments (SPPs) and other Commonwealth funding arrangements, and cross border services with NSW.

The Review has become aware of instances where agreements are being negotiated without Cabinet in-principle approval and/or central agency involvement. The approach carries significant risks and budget threats, for example, additional matching funding being targeted by the Commonwealth, new Commonwealth program initiatives without ongoing commitments, through to reprioritisation of funds to lower priority areas.

For accountability and fiscal policy purposes, future negotiations should require initial in-principle agreement from Cabinet, including decisions on specific negotiation directions. Financial obligations in agreements should be established as part of the budget process, preferably sooner than later.

For efficiency, a threshold point where Cabinet needs to be involved should be considered. The major areas of health, disability services and housing, for example, should be endorsed by Cabinet, whereas other Commonwealth payments could be agreed between Ministers and the Treasurer. Similarly, major cross border payments from NSW should be considered by Cabinet.

Central agencies should be advised of all negotiations with the Commonwealth, and other jurisdictions, and have the opportunity to bring a whole-of-government focus and influence to the outcome.

### **Recommendations 48: in relation to inter-governmental agreements and negotiations:**

- **negotiations between the Commonwealth and the ACT be based on in-principle parameters approved by Cabinet and/or Ministers, in advance of negotiations;**
- **a threshold for Cabinet consideration should be tied to major specific purpose programs such as health, disability services and housing, with all other funding arrangements to be agreed between relevant Ministers and the Treasurer;**
- **major cross border arrangements should have in-principle parameters approved by Cabinet; and**
- **central agencies should be advised of all negotiations with the Commonwealth and other jurisdictions.**

## **5.13 INTEGRATED DOCUMENT MANAGEMENT SYSTEM**

### **Background and Current Status**

The Integrated Document Management System (IDMS) has been implemented in ACTPLA, ACT WorkCover and the Registrar General's Office<sup>14</sup>. To date, the total cost of implementation of IDMS (excluding agency implementation costs) is of the order of \$8 million. Recurrent annual costs are approximately \$1 million.

The system provides capabilities in at least the following areas:

- record keeping (allowing document tracking and retrieval);
- electronic document storage/retrieval (enabling the contents of documents to be searched electronically, not just authors, titles or keywords); and
- workflow management (supporting the progression of a document through a series of pre-defined and predictable processing steps. This reflects the style of much of ACTPLA's work but less so that of a policy agency).

IDMS (or indeed any form of electronic document tracking system) is not mandatory for agencies to achieve compliance with the requirements of the *Territory Records Act 2000* (TRA).

The total cost of the whole-of-government implementation of IDMS is estimated to be approximately \$33 million<sup>15</sup>, i.e., an additional \$25 million for rollout to the remaining agencies. Current recurrent costs of licensing and support are around \$835 per user. New users will also incur these costs, although with a rollout across government these costs could reduce by 30%-50%.

### **Options for the Future**

Given the current budget position, a whole-of-government rollout cannot be justified. The Review considers that the original goal – a single searchable repository of online information for the entire ACT Government – has to be set aside, perhaps for a future, open standards based generation of technologies with a more compelling business case.

Three agencies (ACTPLA, Registrar General's Office, and ACT WorkCover) have based their business practices on the use of IDMS. If the IDMS project were to be disbanded and no longer supported, the agencies would need to implement alternative systems. There is no suggestion that replacement technologies would be any less expensive – and the costs of a transition of technologies would be prohibitive. Abandoning IDMS is therefore not a viable option, and the existing sites should continue<sup>16</sup>.

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<sup>14</sup> The system (at November 2005) had 803 registered users. Of these, 427 were active users, connecting to IDMS at least once every two working days.

<sup>15</sup> Benefits Evaluation Report; 2004.

<sup>16</sup> The cost of supporting these sites (excluding agency incurred costs such as storage charges levied by InTACT) is \$1.5 million per annum. Forward estimates provide for \$0.5 million per annum, and the Review has incorporated an additional \$1 million per annum in the provisions.

There seems no benefit in preventing agencies (or sections of agencies) that see merit in the use of IDMS from going ahead with its implementation. Such agencies may already have extensive dealings with ACTPLA or ACT WorkCover or the RGO. The costs of the implementation of IDMS should be funded by the agencies themselves. In the current budgetary environment, however, it is difficult to see how agencies could fund such costs against other high priorities.

No agency should be permitted to develop and commit to a full function electronic document management system (including workflow) that has capabilities directly comparable with those of IDMS. IDMS should remain the ACT Government's preferred product of this nature, as further implementation in other agencies would reduce costs at a whole-of-government level.

### **Other Solutions**

Agencies whose interest in records is limited to compliance with the *Territory Records Act 2000* could benefit from other more cost effective solutions.

In conjunction with InTACT, DUS has proposed the 'EDMS<sup>17</sup> Light' approach. This approach offers search/discovery capabilities from the desktop, across an agency's digital records base both within the Microsoft directories domain (including email databases), and in other information databases, such as Lotus Notes, and SQL databases.

The license costs are \$30,000 to \$40,000 (maintenance is around \$10,000 annually). Implementation costs are relatively modest, comparable with the license fees. EDMS light would thus deliver search/discovery functionality at a fraction of the cost of implementation and support of IDMS, albeit, at a much lower functionality.

It should be viewed as an interim measure to provide an affordable electronic search/discovery tool until there is a stronger business case for the deployment of a whole-of-Government IDMS – as the technologies mature and costs reduce.

**Recommendation 49: a whole-of-government rollout of IDMS be deferred to a later time:**

- **the existing sites continue to be supported on a fee for service basis;**
- **no agency should be permitted to develop and commit to a full function electronic document management system (including workflow) that has capabilities directly comparable to those of IDMS; and**
- **as an interim cost effective measure, the Electronic Document Management System proposed by Urban Services and InTACT should be explored further, on the basis of its costs being absorbed by agencies.**

<sup>17</sup> Electronic Document Management System.

## **5.14 INSURABLE RISK MANAGEMENT**

Incidents reported to the ACT Insurance Authority (ACTIA) in the period 1 July 1999 to 30 June 2005 are expected to generate a total claim payment exceeding \$85 million<sup>18</sup>. The cost of claims is rising every year across Government – the majority of agencies have reported increases in the number and the expected cost of claims over this period.

Reducing the number and cost of claims and losses experienced across the ACT Government through the use of risk management should lead to significant savings in internal and external insurance costs that can subsequently release funds for the implementation of other Government policies.

If nothing is done to address the current trend, the cost of claims over the next six years will exceed \$85 million. Whilst these figures represent the amounts paid on claims or reserved against future claims by ACTIA, the true cost to Government is even higher – including administrative costs of dealing with claims and the costs of claims that fall below agency's insurance excesses.

Six ACT agencies account for over 96 per cent of non-bushfire claims paid by ACTIA from incidents in this period. The agencies are ACT Health (61.6 per cent), ACTION (9.6 per cent), Urban Services (7.7 per cent), Education (6.6 per cent), Disability, Housing and Community Services (5.7 per cent) and the Chief Minister's Department (5.4 per cent).

ACTIA has attempted to address this issue by promoting the benefits of risk management to agencies through the provision of seminars, training courses and one to one assistance and through the introduction of initiatives such as Risk Management Benchmarking and the Enterprise Wide Risk Management Framework<sup>19</sup>.

The success of this work to date has been uneven - whilst a few agencies have managed to improve claims performance, the majority have not and more direct support is required. The Review proposes that the six agencies that generate the majority of insurance claims be mandated to work with ACTIA to improve their insurance claims performance. Agencies would also be required to accurately and regularly report the progress made to Cabinet. Performance in reducing the number or cost of claims should also be measured in and form part of Chief Executive performance agreements.

The majority of claims relate to public liability and medical malpractice. Claims in these classes often take many years to resolve and so it may take a number of years before costs to budget are reduced. There are, however, non-financial benefits - reduced insurance claims will relate to fewer injuries to customers of ACT Government services and a consequent improvement to the reputation of the agencies concerned.

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<sup>18</sup> This excludes the January 2003 Bushfires incident.

<sup>19</sup> ACTIA's functions also include: to develop and promote good practices for the management of territory risks; and to give advice to the Minister about insurance and the management of territory risks; Section 8 (e) and (f); *Insurance Authority Act 2005*.

**Recommendations 50 and 51:**

- the six agencies that generate the majority of insurance claims be mandated to work with ACTIA to improve their insurance claims performance and risk management; and
- performance in reducing the number or cost of claims should form part of Chief Executive performance agreements.

**5.15 SUMMARY OF SAVINGS AND STAFFING IMPACTS**

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m	Total FTE Impacts
Public Service Superannuation Arrangements - Contribution Rate of 9% + 1% Matching	1.500	4.400	7.300	10.100	0
Cash Management and Control (Savings)	4.900	5.100	5.200	5.200	0
Cash Management and Control (Interest)	4.700	4.500	4.400	4.400	0
Advisory Boards and Committees	1.000	2.000	2.000	2.000	0
Government Vehicles - 6 to 4 Cylinder (Progressive Savings)	0.275	0.550	0.850	0.850	0
Whole-of-government Fleet Management Fees	1.100	1.128	1.156	1.185	0
Reduction in Whole-of-government Fleet Size	0.200	0.500	0.513	0.525	0
Office Accommodation to 15m <sup>2</sup> per Office Employee	1.606	3.416	3.551	6.211	0
Legal Services	0	0	0	0	0
<b>TOTAL WHOLE-OF-GOVERNMENT SAVINGS</b>	<b>15.281</b>	<b>21.594</b>	<b>24.970</b>	<b>30.471</b>	<b>0</b>

# **ONE ACT SERVICE: TOWARDS SHARED SERVICES**

COPY No. 25

COPY No. 25

## CHAPTER 6

## SHARED SERVICES

### OVERVIEW

Core corporate services (including human resources, finance, information technology and communications, procurement and records management) cost in excess of \$145m and are delivered by more than 1,000 staff. They provide critical support for front line service delivery. Governments nationally and internationally are moving to implement shared services approaches to corporate service delivery to drive higher performance. Shared Services enable governments to become more outcome oriented, client focused and accountable by allowing service delivery agencies to focus on their core responsibilities. Shared services can reduce administrative costs while improving service delivery.

### KEY RECOMMENDATIONS/CONCLUSIONS

- The ACT has a hybrid approach to the delivery of its corporate service functions and would benefit from the introduction of a single Shared Service Centre. The benefits will derive both from improved service delivery and efficiencies.
- The Shared Service Centre should provide transaction and some tactical services to all ACT Government agencies.
- The Shared Service Centre be managed by a governing committee of departmental/agency chief executives but be attached to a central agency for administrative and legal accountability.
- The savings resulting from the proposed shared services arrangements will be \$9.3 million in 2006-07 rising to \$18.3 million in 2007-08 and forward years. The costs of implementing the initiative will be \$7.2 million in 2006-07 and \$1.7 million in 2007-08.

### 6.1 CURRENT CORPORATE SERVICE PROVISION: A HYBRID APPROACH

The ACT Government has a hybrid approach to the delivery of its corporate services currently but over the last few years had moved to more “shared” or centralised models.

Across departments and agencies, there are centralised and decentralised approaches. Some agencies are self sufficient (for example, significant corporate services are predominately provided from within the agency, such as, ACT Health) while some have entered into cross-portfolio arrangements for some components (for example, the Chief Minister’s Department provides financial services for the Department of Treasury and the Department of Justice and Community Safety among others, but its payroll service is provided by the Department of Urban Services).

In another case one department provides a service across the whole of the government (e.g. records management although even here some agencies manage their own mail distribution and file management services).

Information technology is an important tool to support corporate services provision and to drive efficiency. The Territory has invested in recent years to update its software and move towards a common platform across both finance and human resource management functions. Most departments and agencies now operate on Oracle Financials as the financial system platform. However, as each major department is responsible for its own upgrade path, there are now ten instances of the system in use. Similarly, the Territory is progressively implementing a new Human Resources Management system (CHRIS 21) across a significant portion of the sector. This is being delivered through four payroll centres that require the system to be configured differently to meet their different interpretations of policies. Again, there is a significant risk that multiple instances will become accepted practice.

Results from the data collection from agencies indicate that in total the ACT Government has 1,078 staff engaged in core human resources, finance, IT, procurement and records activities.

**Table 6.1: Resources deployed for core corporate service activities**

<b>Activity</b>	<b>FTE (1)</b>	<b>\$'000</b>
Human Resources	350	33,065(2)
Finance	296	27,789(2)
IT	326	74,750(4)
Procurement	78 (3)	9,089(4)
ACT Records	28	3,800
<b>TOTAL</b>	<b>1,078</b>	<b>\$148,493</b>

*Detail in Attachment B*

- (1) These figures are probably under-estimated, as the agency returns of some agencies with highly decentralised structures did not include staff in functional areas or business units undertaking a range of finance, human resources or procurement activities.
- (2) These figures do not include amounts spent by agencies on consultants/contractor for a range of HR and finance advice and support.
- (3) Further transfers from Agencies are likely to increase these numbers by about 10 FTE.
- (4) From 2005-06 budget papers for InTACT and Procurement Solutions. For IT this does not include approximately \$60 million of agency controlled IT expenditure.

These staff represent 6.6 per cent of the public service FTEs.

In 2005, following a review of information technology services, the ACT Government decided to expand InTACT to create a Shared IT Services Group (still called InTACT) to provide all IT infrastructure, IT management and systems development and application support across government except for the education portfolio.

InTACT provides infrastructure for the Department of Education and Training (DET) Central Office and the Canberra Institute of Technology (CIT) administration. DET manages a separate network for schools including infrastructure. Similarly, CIT operates a student network. DET is scheduled to fully roll into InTACT in 2007-08.

Staff and associated resources from other government agencies are progressively transferring to InTACT (although in many cases they will remain physically located with their client agency). Benefits from this level of consolidation of InTACT are already factored into the forward estimates.

The ACT Government spent some \$524.3 million on goods and services in 2004-05 (excluding grants, payments to the Australian Government for community policing, payments to the New South Wales government for prisons and payments to the Australian Government in respect of GST administration). In addition, the Territory Government spent approximately \$129 million on capital works in the same year. This procurement activity represents 23 per cent of the Government's total expenditure and is a major enabler of the delivery of government services.

The Government has already introduced major procurement reforms with the introduction of the *Government Procurement Act 2001* and the establishment of Procurement Solutions in its current form in the same year to provide procurement services to the majority of Government agencies. Savings have already been achieved through centralisation of the staff involved.

Record Services within the Department of Urban Services provides records management assistance and advice including management and supply of records creation and storage, and mail, postage and courier services for a number of government departments and agencies.

Government printing services are currently managed by Publishing Services within the Department of Urban Services. Services are available to all departments, although not all agencies are under tied arrangements.

Publishing services manage about 1,620 publishing projects per year, at a cost of \$2.85 million. In addition, departments undertake their own publishing. In the majority of cases, work is outsourced to the private sector.

## **6.2 ANALYSIS OF CORPORATE SERVICES ACTIVITY**

From an analysis of the data and discussions with a number of people from a variety of agencies a number of conclusions can be drawn:

- there are pockets of good practice in a number of agencies (although no agency shows best practice across all areas of corporate services). However, with strong individual silos it is very difficult, if not impossible, to implement best practice processes across the entire government sector;
- there are inconsistent policies or interpretations of policy resulting from the decentralised approach of the last decade;
- the focus has been on compliance and process rather than on the quality of the outcomes;
- there is a lack of strategic focus on corporate service issues as a consequence of them being regarded as "back office" and not the core business of any agency;

- a number of agencies are too small to develop some of the corporate services capacity or capability they need;
- there are multiple instances of some core systems (e.g., Oracle Financials), however, not all agencies use these core systems. Even where the same software is used (e.g., CHRIS 21), there is customisation and different configurations. This divergence results in higher costs to government through the higher costs of maintenance and upgrades;
- specifically in relation to procurement, the focus has been on establishing Procurement Solutions and on the tendering process particularly for capital works. However, much remains to be achieved through policy review, strategic sourcing and aggregation, process simplification supported by appropriate technology with further development of procurement professionals and building capacity in relation to goods and services; and
- InTACT is well advanced in agreeing the transfer of relevant IT staff from most agencies (the exception being the Emergency Services Authority). Generally, this arrangement is well accepted with InTACT developing a client focused service delivery culture. However, the efficiency gains expected are at risk as a result of fewer staff transferring to InTACT than planned and the exclusion of the Canberra Institute of Technology and the Department of Education and Training.

### 6.3 SHARED CORPORATE SERVICES

Corporate service areas have been under pressure to deliver efficient services, to provide professional and value adding services to management, to be responsive to agencies needs and to be flexible to support government realignment of programs. This has led to the growth of shared corporate services initiatives by governments both nationally and internationally.

Shared services within the government sector can be usefully defined as “the consolidation of administrative or support functions (such as human resources, finance, information technology and procurement) from several departments or agencies into a single, stand-alone organisational entity whose only mission is to provide services as efficiently and effectively as possible”<sup>1</sup>.

Both the words ‘shared’ and ‘service’ are critical: shared because it emphasises the shared responsibility for the end results and service for its emphasis on the delivery of high quality services to clients.

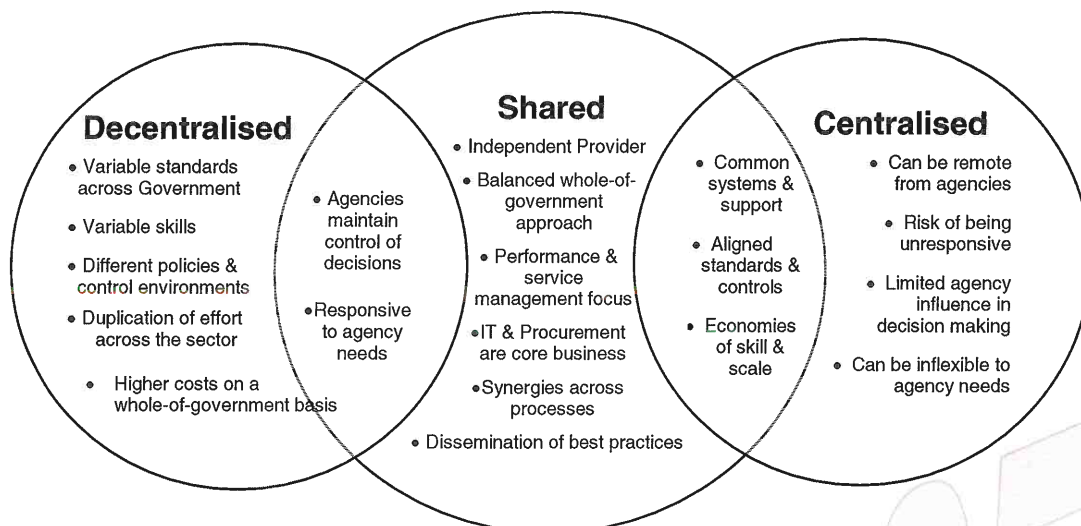
Shared services are not a centralised model in disguise. Historically the provision of corporate services has swung between centralised and decentralised models.

The following model describes the strengths and weaknesses of both the decentralised and centralised approaches and the promise of a shared service approach to capture the best of both.

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<sup>1</sup> *Driving High Performance in Government: Maximising the Value of Public-Sector Shared Services*. 2005. Accenture: [www.accenture.com/Global/Research\\_and\\_Insights/By\\_Industry/Government](http://www.accenture.com/Global/Research_and_Insights/By_Industry/Government).

**Approaches to Corporate Services<sup>2</sup>**



Shared services achieve efficiencies through:

- Consolidation – combining processing and expertise into one structure;
- Streamlining – all processes are streamlined and standardised with common underpinning policies; and
- Automation – common enabling technology used to automate transaction processing and improve transparency (eg standard, automatic reports produced, e-procurement (from procure to pay) and employee self service).

**6.4 A MODEL FOR THE ACT**

A shared services approach to corporate services will bring together resources to achieve economies of scale, performance improvements and realise tangible benefits.

**6.4.1 A Single Shared Service**

The model proposed for the ACT is for a single shared service centre incorporating tactical and transactional human resources, finance, information technology, records management and procurement. Strategic capacity should remain with individual departments/agencies as it relates to the setting of overall organisational direction and is inextricably linked to governance and the agencies performance framework. A single shared service is proposed, as a shared service centre needs a high volume of transactions to achieve processing efficiency. With some 16,500 FTE staff in the public service, a single ACT Government shared service would not be large by Australian or international standards<sup>3</sup>.

<sup>2</sup> Price Waterhouse Coopers Consulting, 2002.

<sup>3</sup> The four shared service centres in Western Australia support 25,000 to 35,000 staff.

However, any move to a centralised model as distinct from a shared service arrangement, to achieve quick benefits/savings should be resisted. In the medium to longer term this will effect the perception of shared services and damage the ability for a shared service provider to deliver corporate services transformation (process re-engineering, standard reporting etc).

The main underpinnings of shared service need to be in place from its commencement. These include:

- a governance structure that provides for client “ownership”;
- service level agreements;
- charging (fee for service) arrangements which balances simplicity with accurate, transparent costing; and
- a performance framework that benchmarks the Shared Service and drives a continuous improvement culture.

*Staff of the Shared Services Centre should be co-located as this will enable:*

- better sharing of skills and experience between the staff;
- greater adherence to whole-of-government policies and standards;
- the development of a strong service oriented culture;
- ongoing training of corporate services staff;
- multi-skilling, job rotation and therefore enhanced career development of the staff;
- the centre to manage peaks and troughs in work; and
- the development of “centres of excellence” for tactical advice.

**Recommendation 52: establish a single, co-located Shared Service Centre to provide transactional and tactical human resources, finance, information technology and telecommunications, records management and procurement services, on a fee for service basis.**

### 6.4.2 Scope of the Shared Service

The Shared Service Centre should provide services to all ACT government departments/agencies. A full list is at Attachment 6.1.

An important principle for shared service operations is that agency executives remain accountable for their agency’s activities. Decisions to procure certain goods, fill a vacant position, appoint a particular person as a result of a selection process etc remain with the agency but the procurement and recruitment processes will be located within a shared service.

There is also an important distinction between strategic and tactical and transactional activities. Strategic activities relate to the setting of the organisation’s directions and policy framework and are integral to the governance and performance management of the organisation. Broadly the services to be provided by the Shared Service Centre will be both transactional and tactical. The transactional services (eg payroll, accounts payable) will need to be managed with a focus on delivering fast and

accurate throughput to reduce the cost per transaction. Tactical services<sup>4</sup> require a greater level of agency understanding and, in a number of cases, can be delivered by the shared service as it will attract and develop professional staff and will have customer relationship managers for each department/agency.

The services to be provided through the Shared Service Centre will include the transactional and tactical components of:

- Human Resources:
  - payroll including tax payments and salary packaging;
  - recruitment, selection and appointment;
  - redeployment and redundancy;
  - labour relations;
  - performance management (advice on policy and guidelines);
  - workers' compensation (reporting and advice on policy and guidelines and possible case management for small agencies);
  - statutory and management reporting;
  - organisational data management; and
  - Equal Employment Opportunity.
  
- Finance:
  - accounts payable (including commitments capture);
  - accounts receivable and banking;
  - general ledger;
  - tax payments (preparation of returns, advice);
  - fixed assets including leases;
  - statutory and management reporting;
  - budgeting and forecasting (tools and templates);
  - cash flow management and bank reconciliations (reconciliation, monitoring and reporting); and
  - financial management planning, controls (including procedures, user manuals, monitoring of accounting standards).
  
- Procurement:
  - development and promulgation of toolkits to assist agencies in adopting a strategic, whole-of-government approach to procurement;
  - development and management of Common Use Contracts;
  - implement and manage a whole-of-government e-procurement system (in conjunction with InTACT);
  - statutory and management reporting of all procurement spending;
  - provision of information to companies doing business with the ACT Government;
  - standardisation and streamlining of documentation for agency specific procurement activities (including tender and contract documentation); and
  - procure capital works.

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<sup>4</sup> Tactical services: focus on planning the means to achieve the outcome through the most effective business processes (e.g., redesigning recruitment processes).

- Records Management:
  - file creation, retrieval and storage;
  - mail postage, sorting and delivery; and
  - courier services.
- Information Technology: covering all operational aspects of IT within the ACT Government including;
  - infrastructure development and support;
  - management of whole-of-government applications;
  - IT help desk;
  - IT administration;
  - application support;
  - voice and communication technology; and
  - procurement of IT hardware.
- Publishing Services: covering all aspects of publishing and printing of Government material including;
  - graphic design;
  - desktop publishing;
  - web publishing;
  - editing;
  - printing; and
  - specialist publishing advice.

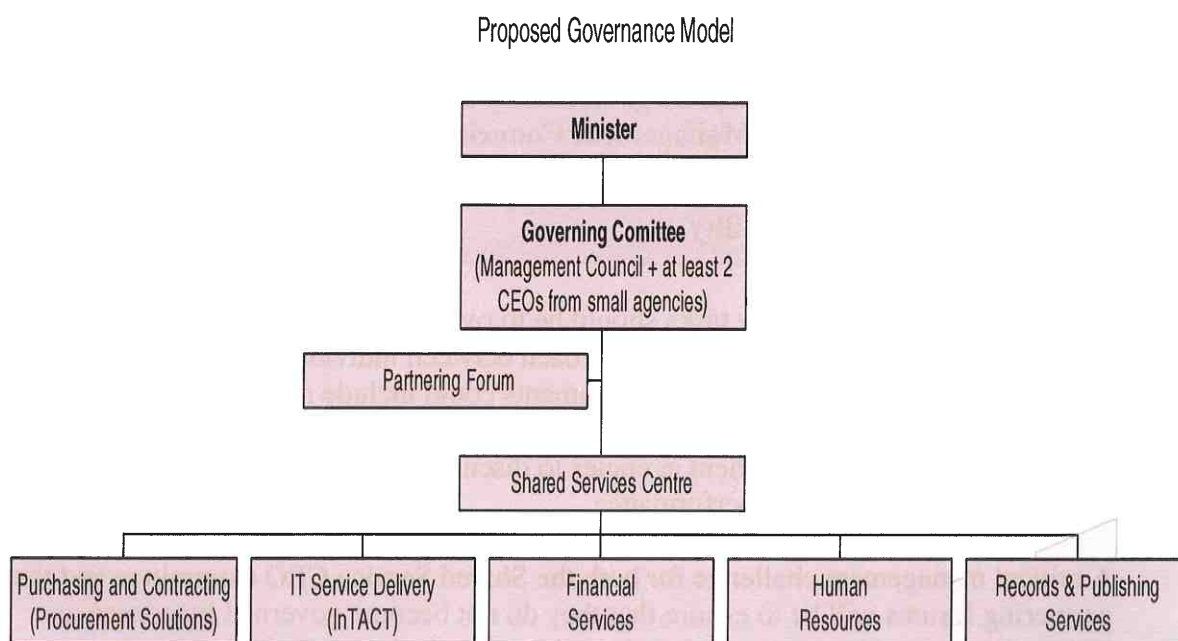
**Recommendation 53: all ACT agencies be supported by and tied to the Shared Service Centre which will provide the transactional and tactical components of the full range of HR, finance, ICT, records, publishing and procurement services.**

**Recommendation 54: policy responsibility for consistency and standards of government printing and publications be transferred to the Communications Unit, Chief Minister's Department.**

### **6.4.3 Governance and Performance Management of the Shared Service Centre**

Clear governance arrangements will be critical to the success of the shared service initiative. The governance arrangement will need to ensure effective whole-of-government decision-making and involvement and participation of management. It will need to ensure that the whole-of-government benefits are achieved and that the shared service centre provides appropriate support for agencies' core business. The arrangements will need to encompass the principles of transparency, inclusiveness and accountability while ensuring delivery of the initiative within a tight timeframe.

The following diagram sets out the proposed governance model:



The Shared Service Centre should be attached to a department which is the employing authority under the *Public Sector Management Act 1994*, the *Financial Management Act 1996* and the *Auditor General Act 1996* for the shared service centre staff. The Minister accountable in the Assembly should be the Minister of the employing authority. Each agency remains accountable for its own expenditure, revenue, assets and liabilities transacted through the shared service centre.

A key component of the governance model should be a Shared Service CEO Governing Committee that, during the first couple of years, should provide both governance and stewardship of the Shared Service Centre. This Committee should be the Management Council, plus at least two CEOs from small agencies and should:

- oversee implementation planning to ensure that a whole-of-government approach is implemented;
- hold each CEO accountable for the implementation of their responsibilities during the implementation phase;
- demonstrate leadership across the public sector in relation to the changes necessary to implement the shared service centre;
- develop a whole-of-government performance management framework for the centre;
- be accountable for the ongoing viability of the shared service centre;
- resolve performance and resourcing issues which impact on all client agencies; and
- report to Cabinet on the progress of the initiative.

The Governing Committee should be chaired by the Chief Executive, Chief Minister's Department.

**Recommendation 55 and 56:**

- **the Shared Services Centre be governed by a Governing Committee which is a sub-committee of the Management Council;**
- **the Centre is to be attached to the Department of Treasury for administrative and financial accountability.**

One of the Committee's early tasks should be to oversee the development of formal arrangements to support a partnering approach between individual line agencies and the Shared Service Centre. These arrangements could include regular partnering forums (perhaps three monthly) between the Shared Service Centre (initially the implementation office) and client agencies to discuss business improvement initiatives and review service delivery performance.

A critical management challenge for both the Shared Service CEO Committee and the partnering forums will be to ensure that they do not become governed by consensus. If there is a consensus approach, inertia and inaction is the inevitable consequence.

Service level agreements (SLA) are an important element of the governance framework. This is partly because the very process of their negotiation results in a clarification of the expectations of both parties and greater understanding of the deliverable products and partly because they provide the framework for ongoing monitoring and continuous improvement.

Initially, there may be a tension between the level of detail required by most agencies and the necessity to produce a document that is practical, has measurable service levels and focuses on outputs rather than inputs. This issue will need early resolution by the CEO Committee to ensure the costs of implementing an SLA are commensurate with internal service provision and total cost of the service.

A pricing model based on full cost recovery principles including capital investment should accompany the service level agreement. It should provide equity, transparency and differential pricing for services. The link between levels of service provision and cost is an important one in any assessment of effectiveness of the service.

Additionally, if the Government is to know the full cost of its front line service provision, agencies must be able to include the cost of their corporate overhead.

**Recommendation 57: the Governing Committee oversee the development of service level agreements between the Shared Service Centre and agencies including appropriate service charging regimes.**

Benchmarking is an accepted tool for accessing and identifying opportunities for greater efficiency. It will be particularly important for the ACT to participate in benchmarking with other government shared services to help the Steering Committee manage the risks inherent in a monopoly provider. Benchmarking requires the establishment of a baseline that should be done as part of the detailed implementation plan for the proposed Shared Service Centre.

Governments in NSW, Queensland and Western Australia have or are implementing shared corporate service arrangements and this should provide some opportunities to benchmark with like service providers.

**Recommendation 58: the Governing Committee facilitate the formal benchmarking of the Shared Service Centre to assess its performance and drive continuous improvement.**

## **6.5 IMPLICATIONS FOR INTACT, PROCUREMENT SOLUTIONS AND RECORDS MANAGEMENT**

### **6.5.1 InTACT**

InTACT appears to be developing a client focused culture and the next 12 months will be critical in terms of cementing this while delivering the required benefits to the Government. It has taken the approach of “re-badging” agency staff but leaving a number in place in agencies. This arrangement should continue and be the only exception to the general approach of a co-located shared service.

Currently savings of some \$6 million per annum are factored into the forward estimates from 2007-08 (rising from \$1 million in 2005-06 to \$6 million in 2007-08 and forward years) as a result of the Governments decision in 2005 to create InTACT as the whole-of-government shared IT service provider. A component of that decision was to exclude the Education portfolio. In light of the progress with establishing InTACT to date, this decision should be revisited.

CIT's expenditure on IT is estimated to be \$10 million with \$5.8 million provided to InTACT and \$4.2 million being CIT direct costs. These figures do not include the infrastructure costs of the student network. CIT has raised a number of concerns about being part of the IT Shared Service including:

- a student network with 20,000 clients and the need for support on a 24x7 basis;
- the ability for CIT to obtain educational discounts;
- the need for students to be able to use the latest software sometimes ahead of InTACT's preparedness to certify the software for use on the system;
- the diversity of CIT's IT environments;
- the specialist nature of some of CIT's business applications; and
- the fact that only 8 per cent of CIT's staff use the government network with the remainder using CIT's network.

These issues and concerns are not unique to CIT. Similar arguments could be raised by other agencies such as ACT Health. These issues are not sufficient to allow CIT to be exempt from whole-of-government initiatives.

**Recommendation 59: the Canberra Institute of Technology be included in the InTACT component of the Shared Service Centre.**

Similarly, the expenditure by the Department of Education (DET) on IT in 2004-05 was estimated to be \$30.27 million, with some \$13.8 million being expenditure by ACT Government schools on leasing and purchasing equipment and software, \$8.8 million provided to InTACT with the remainder being DET staffing and other internal costs.

Apart from concerns about the lack of control over IT, DET's main concerns about rolling all its IT into InTACT revolve around the critical nature of IT in schools educational role. Given the transformational role of the Government's planned investment in IT in schools, there is concern that neither DET nor InTACT yet have the skills, knowledge and experience of educational IT that will be necessary to effect this change. Thus staff will need to be retrained or additional support brought in.

In this environment, it would ease the pressure on both the Department and schools if InTACT assumed responsibility for hardware, software and related support leaving DET and schools to focus on the educational transformation required. This would also mitigate risks associated with the current arrangements whereby the Department must maintain and develop skills and expertise in a relatively small unit. Skilled IT professionals are still in demand and highly mobile.

The best look for challenging work is an environment that is large enough to provide diversity and exposure to new technologies. Such an environment is most likely to be provided by InTACT.

**Recommendation 60 and 61:**

- **the Shared Service - InTACT be responsible for Department of Education and Training's (including schools) infrastructure, applications and applications support; and**
- **the Shared Service - InTACT work in partnership with Department of Education and Training and schools to deliver the proposed new investment in IT in Schools project.**

### **6.5.2 Procurement Solutions**

Procurement arrangements are also in transition following the Government's decision in 2005 to centralise procurement staff for capital works and goods and services, within Procurement Solutions. Given how recent these changes some uncertainty and resistance from agencies is to be expected. However, this should not be used to slow down the change process but should be dealt with through increased communication at all levels using all available communication channels (eg. internet, presentations to agency staff etc).

The Government's decision in 2005 in relation to Procurement Solutions included a decision of exempt the Department of Education and Training (including the Canberra

Institute of Technology – CIT) from the new arrangements until 2007-08. However, both the Department and CIT would benefit from access to expertise and the efficiencies and savings that will be delivered through an expanded range of common use contracts. Conversely their buying power when aggregated with the rest of the government, will assist in leveraging lower prices which will be available to all agencies. In fact Procurement Solutions and the Department of Education and Training already work in partnership to deliver capital works and a range of goods and services contracts.

**Recommendation 62: the Department of Education and Training, including the Canberra Institute of Technology, be included in the Procurement Solutions component of the Shared Services Centre.**

Procurement Solutions has experienced difficulties in implementing the Government's decisions of last year and should benefit from the collegiate support of the broader Shared Service. A number of agencies and senior staff have reported to the Review dissatisfaction with the timeliness and the accountability arrangements associated with the current procurement arrangements. Comparisons with the time taken by the private sector for similar procurements are often used to the detriment of the government procurement agency. However governments are by their nature risk averse and the ACT, like all other Australian jurisdictions, has a set of policies and procedures designed to reduce the risks to government of procurements to as close to zero as possible. These policies add processes and checks and balances not commonly employed by the private sector.

Timeliness of response is also a product of a service delivery culture and the number and quality of the staff. The need for a strong focus on developing a service delivery culture for the proposed shared service has already been discussed. Procurement Solutions is currently suffering from a shortage of skilled and experienced staff. This results partly from lower than anticipated numbers of staff transferring from agencies and partly from the "back office" nature of the function that has traditionally resulted in lower levels of training and development opportunities.

Procurement particularly of high cost or high risk goods or services or capital works is very complex and the risks are increased if the accountabilities are not clear. It is important that all parties understand the principle of a shared service is that all decisions (whether they are about purchasing through open or selective tender, who the successful tenderer is, what contract variations are to be approved etc.) are the responsibility of the purchasing agency (and holder of the funds). The shared service provider (Procurement Solutions in this case) is responsible for undertaking the process steps and providing professional advice to the purchasing agency. This advice may include a recommendation but the ultimate decision must rest with the delegate within the fund holding agency.

The major benefits from the establishment of a procurement shared service are yet to be realised. These will stem from aggregating purchasing to leverage better prices, the establishment of more mandatory common use contracts (CUCs) with simplified buying processes for CUCs, and consolidating the supplier base.

Common use contracts are contractual arrangements entered into by the government to allow all public sector agencies to buy goods and services directly from selected suppliers without having to establish their own contracts. Usually these arrangements are for goods and services common to most departments/agencies such as cleaning products and services, stationery, and building maintenance services. Common use arrangements eliminate the duplication of effort associated with individual departments/agencies establishing their own similar contracts and they allow the Government to aggregate its spend and therefore use its purchasing power to reduce the cost of the goods and services it buys.

Further efficiencies can be gained from common use arrangements where the Government standardises common goods and streamlines the range of products/services available within a category (thus increasing the volume per product and leveraging lower prices). This should also lead to a reduction in the numbers of suppliers and a consolidation of the number of contracts with consequent opportunities for more effective supplier and contract management.

Increasingly governments are moving to 'pick and buy' arrangements within the common use contract area. These further streamline procurement processes for agencies and mean quotes do not need to be obtained from different firms.

### Recommendations 63 and 64:

- **the number of common use contracts that are available to department/agencies be significantly increased. These contracts should be based on standard products/services, be "pick and buy" where possible and be mandatory for all budget-funded agencies; and**
- **responsibility for developing these arrangements and considering when best value for money would be obtained by leveraging off another jurisdictions contracts (in consultation with the appropriate contracts authority) be with the Shared Service Centre.**

The Review has not been able to assess the number of procurement transactions across the ACT Government and in fact the ACT Auditor-General noted in a report in November 2005, that "fifteen agencies surveyed (49 per cent) did not have readily available data for contract purchases under \$50,000, or could only provide partial data"<sup>5</sup>. However, most other governments find that they have a high number of low value transactions<sup>6</sup>. In response, a number of jurisdictions<sup>7</sup> have, or are moving to purchasing cards to streamline the purchasing of high volume, low value goods.

<sup>5</sup> *Government Procurement. Report No.6/2005* Auditor-General, ACT

<sup>6</sup> A review in Western Australia of seven agencies found that there were over 1 million transactions for a spend between \$0 to \$500 and a further 100,000 transactions for a spend between \$500 and \$5,000. *Strategic Business Review of Procurement Reform with the Western Australian Government Sector*, Department of Treasury and Finance.

<sup>7</sup> For example, in Australia both NSW and WA are moving down this path as has the Department of Defence. In the UK, the introduction of Government Purchasing Cards is seen as a key tool in implementing the results of the Efficiency Review (ref: OGC Buying Solutions website).

Purchasing cards are credit cards with additional controls and value added reporting functionality. The use of purchasing cards eliminates the need to raise manual purchase orders, consolidates multiple payments to multiple suppliers into one payment and reduces the volume of accounts payable data that needs to be manually entered into the finance system. They also improve access to procurement data through the availability of transactions analysis reports that enable examination of the spending patterns and planning for better aggregation and reduction in the levels of maverick buying.

**Recommendation 65: the Shared Service Centre investigate the introduction of purchasing cards and re-engineering the purchasing to payment process to achieve the inherent efficiencies. This should be undertaken with assistance from Treasury (e.g., the Territory banking arrangements could form the basis of the purchasing card contract).**

### **6.5.3 Records Management**

Of the 28.74 FTE staff identified by department and agencies as being involved in mail and records management, 28 are currently located in the central records management unit in the Department of Urban Services. These staff provide a transaction based service to the majority of the ACT Government and should be transferred to become part of the proposed Shared Service Centre.

Some departments store records on site or operate their own storage facilities. This multiplicity of arrangements is not only potentially inefficient but also creates a growing concern about the adequacy of record identification and tracking mechanisms.

As with all other services provided by the Shared Service Centre, all agencies will be required to use the services of the Records Management Unit which should be responsible for ensuring that the most efficient storage and retrieval services are available. As the market for document management services in the ACT is a mature one (used by the Australian Government, legal practices and accountancy firms) the Shared Service Centre should explore whether such arrangements would be of overall benefit to the Territory Government.

#### **Recommendations 66 and 67:**

- **the Records Management Unit from the Department of Urban Services be transferred to the Shared Service Centre; and**
- **the Shared Service Centre is to determine whether using private sector document management service would deliver overall benefits to the Territory Government.**

## **6.6 COSTS AND BENEFITS**

### **6.6.1 Benefits**

Significant non-quantified benefits will accrue to the ACT Government in moving to a shared service arrangement while leaving the policy roles with the Chief Minister's Department and the Department of Treasury. The benefits of shared corporate services include:

- departments/agencies are able to focus on their core business;
- greater transparency of the cost of corporate services and the ability to benchmark with other governments;
- corporate services become the 'core' business of the shared service agency with consequent improvements in internal practices, processes etc leading to continued productivity increases;
- professional, skilled and experienced staff across the range of corporate services are available to all agencies many of which are, individually, too small to be able to maintain access to such staff;
- the ability to provide a career structure and training and development opportunities for corporate services staff because the shared service has the required critical mass and a vested interest in developing its own core business. This in turn improves attraction and retention in the shared service;
- facilitation of structural (Administrative Arrangements Orders) changes within the government as a result of the implementation of common policies, procedures and technical platforms; and
- improved service delivery to most agencies (both faster and more accurate transaction processing and improved reporting and advice).

The extent to which these benefits will be realised will depend on the level of commitment and rigor focused on key elements of consolidation, standardisation and process re-engineering.

### **6.6.2 Human Resources and Finance Functions**

Quantitative benefits accrue through efficiencies generated by consolidation, streamlining and automation. The Queensland Government Shared Service reports that savings of \$10 million were realised in 2004-05, delivering \$18 million in returns to Government since the commencement of the initiative in July 2003. These were in addition to the budget adjustments based on procurement improvements across Government that produced \$6.2 million in saving in the 2004-05 year<sup>8</sup>. The NSW Government estimated that its agencies would deliver a 15 per cent benefit through the consolidation and standardisation (i.e. the move to a shared service environment) and an additional 15 per cent efficiency from the automation of basic transactions<sup>9</sup>.

<sup>8</sup> *Shared Service Initiative Achievement 2004-05: A Performance Report on the Queensland Government's transition to shared corporate services.* Queensland Government at [www.qld.gov.au/sharedservices/pdf/Annual\\_Report\\_04\\_05](http://www.qld.gov.au/sharedservices/pdf/Annual_Report_04_05).

<sup>9</sup> *Shared Corporate Services-Introduction* cited at [www.gcio.nsw.gov.au](http://www.gcio.nsw.gov.au)

Early quantified benefits in the ACT will come from the consolidation of corporate services staff. To calculate these benefits details of the total number of corporate services staff broken down into defined sub-categories together with corporate services activity levels was obtained from each agency. These were then compared to provide some internal ACT Government efficiency benchmarks. For the Finance and Human Resources functions an assessment was made of the proportion of that service which should remain in the agency (e.g., the Shared Service Centre would be responsible for 100 per cent of payroll services but agencies retain 100 per cent of strategic HR staff).

Using these benchmarks and division of responsibilities, the savings are estimated to be \$5.5 million per annum. These savings will only be fully realisable by the Shared Service Centre once it is fully operational. During the first year of operation the Shared Service Centre will need to devote considerable time and effort to standardising and streamlining processes. Not only will this work be resource intensive but until it is substantially completed the Centre will not be able to operate at the benchmarked efficiency levels. For this reason, during that first year, the Shared Service Centre should be able to access half of the anticipated savings for this work to supplement its operating costs. This will ensure that there is no loss of service to agencies.

A second round of efficiencies will be generated when the ACT moves to a more integrated, e-enabled environment. These technology related savings will result from the introduction of employee self service and e-procurement but have not been included in this analysis as there is an initial two to three year program in establishing the shared service arrangements, completing the roll out of the CHRIS 21 human resources system and ensuring that there are standard operating arrangements across government. A move to a fully e-enabled shared service will require some additional investment and a further study and detailed business case should be prepared during the next three years.

**Recommendations 68, 69 and 70:**

- **savings of \$5.6 million be realised from agencies as a result of the establishment of the human resources and finance components of the Shared Service Centre with \$2.75 million in 2006-07 being available to offset the additional costs of the Shared Service Centre in that year to ensure continuity of service delivery to agencies; and**
- **savings be apportioned to agencies on the basis of their current expenditure on these functions; and**
- **agencies' budgets be adjusted for long term savings.**

### **6.6.3 Information Technology**

There are three sources of quantifiable benefits from moving IT to a fully shared service model. These arise from:

- the inclusion of CIT and DET in the Shared Service - InTACT;
- improved management of department/agency controlled IT projects; and

- rationalisation of business applications and redundant capacity.

**Recommendations 71, 72, 73 and 74:**

- **current savings required from Shared Service - InTACT be increased by \$1 million in 2006-07 and \$2 million in 2007-08 and the forward years;**
- **further savings of \$2.3 million per annum (indexed) be achieved through the reduction of duplicated and/or redundant business applications and capacity in agencies; and**
- **agencies' budgets be adjusted for IT savings identified in the 2005-06 Budget and the additional savings identified above; and**
- **the budget adjustments be based on current agency expenditures and settled between Treasury and the respective agency.**

#### **6.6.4 Procurement**

In relation to procurement, efforts to date have focused on the establishment phase of Procurement Solutions and benefits have been restricted to FTE reductions resulting from consolidation of staff.

Literature suggests that procurement reform will result in savings on the procurement spend of between 5 per cent and 20 per cent. Given the relatively small size of the ACT Government and the diversity of services provided, benefits from implementing more comprehensive procurement reform should be in the order of \$35 million over the four years 2006-07 to 2009-10 (\$5 million in 2006-07 rising to \$10 million in 2007-08 and the forward years). This represents 1 per cent of the adjusted goods and services spend in 2006-07 and 2 per cent in the forward years.

**Recommendations 75 and 76:**

- **Departments and agencies be required to achieve savings of 1 per cent of their 2004-05 goods and services spend in 2006-07 and 2 per cent in 2007-08 and the forward years; and**
- **agencies' budget be adjusted for savings identified in Tables 6.4 and 6.5.**

#### **6.6.5 Costs**

Costs of implementing a shared services approach for the ACT have been estimated across four main areas: technology; change management and process re-engineering; accommodation; and project implementation team.

*Technology:* Efficiency in the shared service will be enhanced by a move to a common instance of Oracle Government Financials and the full rollout of the new human resources system (CHRIS 21). Accompanying the move to a standard chart of accounts for the ACT Government. The cost of moving from the current ten instances of Oracle to one instance is estimated to be \$2.4 million over the two years 2006-07 and 2007-08.

Change Management and Process Re-engineering: Significant effort will be required to map the corporate services business processes used by all agencies and to re-engineer to standardise and streamline them. While the role of the central agencies will be critical to achieve a whole-of-government policy perspective, some specialist consulting support should be available to them. Similarly there will need to be investment in communication and change management to create an environment conducive to the paradigm change being proposed. It is estimated that \$1.5 million will be needed over the two years 2006-07 and 2007-08.

Accommodation: Staff of the Shared Service Centre will need to be co-located (with perhaps the exception of InTACT). Thus accommodation for some 400 staff will be required at a cost of \$5.0 million for fit out (if no suitable space is available) and \$2.25 million per annum for rent (which should be able to be offset by reduced space in agencies).

Voluntary Severance: While Departments/agencies should be encouraged to make every effort to redeploy surplus staff, it is appropriate to make some provision for redundancies as part of this assessment. Worst case cost would be in the order of \$2 million.

**Recommendation 77: investment of up to \$5.75 million in 2006-07 and \$7.4 million in 2007-08 be provided with the exact amounts to be agreed by Treasury following a business case by the Shared Service Centre.**

## **6.7 BARRIERS, PRE-CONDITIONS TO MOVING FORWARD AND NEXT STEPS**

### **6.7.1 Barriers to moving to a shared service model**

Both InTACT and Procurement Solutions offer some insights into the challenges of moving to a shared service environment. In both cases their establishment has been a long emotive process that left a legacy of scepticism among agencies.

In their establishment phases both InTACT and Procurement Solutions have struggled with agencies' views that they are "unique". It has clearly been difficult to persuade departments/agencies that, although they deliver different products (services, advice etc) to the government and the community, the underlying corporate business processes are similar based on the shared identity of the ACT Public Service.

In discussions with some senior managers it is also clear that the role delineation between Procurement Solutions and departments/agencies has not been clarified. The concerns centre around the distinction between procurement expertise and technical or product specification particularly in relation to capital works programs. The development of service level agreements provides a process for clarifying these boundary issues. Departments/agencies need to be tied to the Shared Service Centre for all core corporate services regardless of whether any particular department/agency claims to have special skills in one or more of those services.

From these experiences and the literature it is possible to identify some of the barriers and challenges of moving to a true shared service. These include:

- perception that corporate services have been targeted again;
- lack of standardised policies and procedures;
- lack of a standardised IT platform;
- arrangements to ensure CEO accountabilities can be met;
- absence of a senior management champion<sup>9</sup>;
- lack of awareness/skills in managing the change to a shared service<sup>10</sup>;
- establishing a balanced performance measurement framework;
- staff concerns about personal and career impacts;
- need to be seen as independent of any one department/agency;
- employee terms and conditions; and
- lack of up-front investment.

### 6.7.2 Pre-conditions for the establishment of a Shared Service Centre

From the lessons learnt in the ACT and in other jurisdictions it is possible to identify some critical pre-conditions for the establishment of a true shared service for the ACT Government. These are:

- significant leadership at both political and senior management levels over a sustained period;
- commitment to standardisation and considerable process re-engineering;
- active support for communication and change management to support the new organisational culture (based on service delivery and a client focus);
- provision of investment funds to enable the change management and an improved technology platform (standardised and integrated); and
- engagement of external expertise to assist in planning and implementation phases.

While the move to a shared service environment will deliver substantial benefits in terms of quality of service, improved transparency, accountability and efficiencies, it will require a very significant shift in the culture of the public service overall and a major effort to re-engineer corporate processes. The benefits will therefore only be realised with a sustained effort as a result of strong, committed leadership.

### 6.7.3 Next Steps

This paper identifies that there will be significant benefits to the ACT Government in moving to a shared corporate service model. Experience in other jurisdictions and

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<sup>10</sup> A recent review by Accenture, *Driving High Performance in Government: Maximizing the Value of Public-Sector shared Services*, found that the executives interviewed rated these as the top two challenges facing governments using or implementing shared services.

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organisations is that the realisation of these benefits takes careful planning, a sustained effort, strong leadership at a strategic level and some investment up front.

The investment required is as much in communication to effect cultural change as it is in infrastructure. Consultation will initially be required to achieve ownership by department/agency CEOs but sustained ongoing communication will be required for staff and middle managers.

Following acceptance of the approach, the next steps will be to develop a detailed implementation plan which maps and timetables all the activities for orchestration (communications, process re-engineering, technology, accommodation arrangements, processes to transfer staff, activity at an agency level including restructuring for changed roles etc). This planning exercise may take 2-3 months and may require input from experienced project managers. During this period decisions (such as whether it is preferable to progressively roll agencies into the Shared Service Centre or to commence full operations for all agencies on a given day) will be resolved.

The Shared Service Centre should be fully operational by mid 2007. By the end of 2007, it should be positioned to drive continued efficiencies and identify additional value adding services for ACT Government agencies. If at any point along this journey, the Government considers that this end point is at risk, consideration should be given to seeking a partnership approach with a private sector provider of shared services. This would be a practical acknowledgement that the combination of aggregation, standardisation and cultural change required to achieve the shared service vision will provide in a very significant challenge. The ability to leverage from the experience and skills of an existing private operator might assist if this challenge becomes overwhelming.

## 6.8 SUMMARY OF SAVINGS AND STAFFING IMPACTS

**Table 6.2: Summary of Savings**

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m	Total FTE Impacts
Consolidation of HR and Finance <sup>(1)</sup>	1.000	3.750	5.570	5.640	62.94
Information Technology	3.300	4.300	4.300	4.300	NA
Procurement – Tender Box Savings	5.000	10.250	10.500	10.760	NA
Technology Costs – Shared Services	(1.200)	(1.200)	0	0	NA
Change Management – Shared Services	(1.000)	(0.500)	0	0	NA
<b>TOTAL SAVINGS</b>	<b>7.100</b>	<b>16.600</b>	<b>20.370</b>	<b>20.700</b>	<b>62.94</b>
<b>Capital Investment</b>					
Fit-out costs	(5.0)				NA
<b>Net Cash Savings</b>	<b>2.10</b>	<b>16.60</b>	<b>20.37</b>	<b>20.70</b>	<b>62.94</b>

<sup>(1)</sup> 2006-07 is a pro rata figure – assumes the shared services centre will commence on 1 February 2007 and allows for \$2.75 million to be available, to allow for progressive reduction of staff, during the first year of its operation.

**Table 6.3: Consolidation of HR and Finance – Transfers from Agencies**

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m	FTE Impacts
ACTION	0.533	1.295	1.312	1.329	14.09
ACT Planning and Land Authority	0.279	0.677	0.686	0.695	6.98
Cultural Facilities Corporation	0.178	0.433	0.438	0.444	4.72
Canberra Institute of Technology <sup>11</sup>	1.082	2.631	2.665	2.700	29.99
Chief Minister's Department <sup>12</sup>	1.110	2.700	2.735	2.770	28.28
Department of Education and Training	2.663	6.475	6.559	6.644	71.34
Disability, Housing and Community Services	1.417	3.444	3.489	3.534	38.11
EPIC	0.050	0.121	0.122	0.124	1.22
Gambling and Racing	0.016	0.040	0.040	0.041	0.37
InTACT	0.435	1.057	1.071	1.084	11.17
Justice and Community Safety	0.132	0.320	0.325	0.329	3.11
Australian Capital Tourism Corporation	0.134	0.326	0.331	0.335	3.61
ACT Workcover	0.075	0.183	0.186	0.188	2.52
ACT Health	4.260	10.357	10.492	10.628	117.85
Emergency Services Authority	0.737	1.791	1.814	1.838	19.92
Department of Urban Services	1.814	4.412	4.468	4.528	48.52
<b>Total Transfer from Agencies</b>	<b>14.915</b>	<b>36.262</b>	<b>36.733</b>	<b>37.211</b>	<b>401.8</b>
Savings	1.000	3.750	5.570	5.640	62.94
<b>Net Transfer to Shared Services</b>	<b>13.915</b>	<b>32.512</b>	<b>31.163</b>	<b>31.571</b>	<b>338.86</b>

The above table detail the transfers from each agency to establish the Shared Service Centre for HR and Finance functions.

<sup>11</sup> Does not include student enrolments and associated process.

<sup>12</sup> Chief Minister's Department provides HR and finance services to Treasury. The transfer includes both Department's share.

**Table 6.4: Allocation of Functional Review Procurement Savings (Tender Box)**

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m	Total FTE Impacts
ACTION	0.187	0.384	0.394	0.403	NA
ACT Planning and Land Authority	0.059	0.121	0.124	0.127	NA
Cultural Facilities Corporation	0.023	0.048	0.050	0.051	NA
Canberra Institute of Technology	0.177	0.365	0.374	0.384	NA
Chief Minister's Department	0.240	0.491	0.503	0.516	NA
Disability, Housing and Community Services	0.593	1.216	1.246	1.277	NA
Department of Economic Development	0.030	0.060	0.061	0.063	NA
Department of Urban Services	1.316	2.698	2.765	2.835	NA
Department of Education and Training	0.143	0.292	0.299	0.306	NA
Emergency Services Authority	0.100	0.205	0.211	0.216	NA
ACT Health	1.318	2.702	2.770	2.840	NA
InTACT	0.378	0.775	0.795	0.814	NA
Justice and Community Safety	0.187	0.381	0.391	0.401	NA
Australian Capital Tourism Corporation	0.139	0.284	0.291	0.298	NA
Treasury	0.103	0.211	0.216	0.221	NA
ACT WorkCover	0.008	0.017	0.017	0.018	NA
<b>Total</b>	<b>5.001</b>	<b>10.250</b>	<b>10.507</b>	<b>10.770</b>	<b>NA</b>

The above table details where the procurement savings will be achieved.

\* Tables may not add due to rounding

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**Table 6.5: Allocation of ERC Procurement Savings**

	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	2006-07 Fees to Procurement Solutions
ACTION	0.111	0.166	0.166	0.166	0.102
ACT Planning and Land Authority	0.049	0.074	0.074	0.074	0.046
Cultural Facilities Corporation	0.000	0.000	0.000	0.000	0.050
Canberra Institute of Technology	0.327	0.491	0.491	0.491	0.304
Chief Minister's Department	0.563	0.844	0.844	0.844	0.522
Disability, Housing and Community Services	0.557	0.836	0.836	0.836	0.517
Department of Economic Development	0.119	0.178	0.178	0.178	0.110
Department of Urban Services	0.754	1.131	1.131	1.131	0.732
Department of Education and Training	0.309	0.463	0.463	0.463	0.286
Emergency Services Authority	0.171	0.257	0.257	0.257	0.159
ACT Health	0.398	0.597	0.597	0.597	0.369
Justice and Community Safety	0.177	0.266	0.266	0.266	0.165
Australian Capital Tourism Corporation	0.037	0.055	0.055	0.055	0.034
Treasury	0.364	0.546	0.546	0.546	0.338
ACT WorkCover	0.012	0.018	0.018	0.018	0.011
ICRC	0.010	0.015	0.015	0.015	0.009
Stadiums Authority	0.027	0.041	0.041	0.041	0.066
Auditor-General's Office	0.015	0.022	0.022	0.022	0.014
<b>Total Procurement ERC Savings</b>	<b>4.000</b>	<b>6.000</b>	<b>6.000</b>	<b>6.000</b>	<b>3.834</b>

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**Table 6.6: Allocation of Functional Review IT Savings + ERC IT Savings<sup>13</sup>**

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m	Total FTE Impacts
ACTION	0.112	0.158	0.158	0.158	
ACT Planning and Land Authority	0.376	0.530	0.530	0.530	
Cultural Facilities Corporation	0.057	0.081	0.081	0.081	
Chief Minister's Department	0.454	0.640	0.640	0.640	
Disability, Housing and Community Services	0.967	1.365	1.365	1.365	
Department of Economic Development	0.111	0.157	0.157	0.157	
Department of Urban Services	0.942	1.329	1.329	1.329	
Department of Education and Training + CIT	0.494	0.697	0.697	0.697	
Emergency Services Authority	0.254	0.359	0.359	0.359	
ACT Health	2.417	3.411	3.411	3.411	
Justice and Community Safety	0.548	0.773	0.773	0.773	
Land Development Agency	0.068	0.096	0.096	0.096	
Treasury	0.238	0.336	0.336	0.336	
ACT WorkCover	0.058	0.082	0.082	0.082	
ICRC	0.009	0.013	0.013	0.013	
ACT Insurance Authority	0.010	0.014	0.014	0.014	
ACT Gambling and Racing Commission	0.030	0.042	0.042	0.042	
ACT Legislative Assembly	0.091	0.128	0.128	0.128	
ACT Executive	0.037	0.052	0.052	0.052	
Auditor-General's Office	0.027	0.037	0.037	0.037	
<b>Total IT Savings</b>	<b>7.300</b>	<b>10.300</b>	<b>10.300</b>	<b>10.300</b>	

The above table details where the procurement saving will be achieved.

<sup>13</sup> ERC IT Savings total \$6 million per annum.

***Agencies to be supported by the Shared Service***

**ACTION**

ACT Planning and Land Authority

ACT Public Cemeteries Board

Chief Minister's Department

Department of Treasury

Central Financing Unit

ACT Superannuation Unit

Home Loan Portfolio

**InTACT**

Legal Aid Commission (ACT)

ACT Health

Department of Urban Services

Department of Justice and Community Safety

ACT Emergency Services Authority

Department of Education and Training

Canberra Institute of Technology

ACT WorkCover

Department of Disability, Housing and Community Services (including the Office for Children, Youth and Family Support)

Department of Economic Development

Exhibition Park in Canberra

Public Trustee for the ACT

Cultural Facilities Corporation

Canberra Cemeteries Trust

CIT Solutions

ACT Gambling and Racing Commission

ACT Insurance Authority

Independent Competition and Regulatory Commission

Workers Compensation Fund

Land Development Agency

***Further consideration may be required for these agencies, given their Independent and Statutory nature***

*Legislative Assembly Executive*

*ACT Executive*

*Auditor General*

# PORTFOLIO ANALYSIS

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## CHAPTER 7.1

# OVERVIEW OF ANALYSIS PROCESS

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### 7.1.1 GENERAL APPROACH

An overview of the information collected from agencies and other sources has been provided in Chapter 1. This information has formed the basis of portfolio analysis.

The Review's strategic direction is enunciated in Chapter 3. Portfolio analysis has been approached within the context of that direction.

As a general approach, the Review's focus has been to improve the cost effectiveness of the public sector. It has sought to preserve outcomes, and particularly in priority areas of health and education to enhance outcomes.

The philosophy underpinning the Review's proposals in relation to Machinery of Government changes is equally applicable to individual portfolio analysis. The Review has sought to identify opportunities for expanding the policy reach within each portfolio, and more coordinated services to the community.

### 7.1.2 ASSESSMENT OF PRIORITIES

The Review has remained mindful of Government priorities, and the Ministerial priorities (as advised) in assessing departmental functions, services and activities.

Specific assessment of each activity, however, is not included in this chapter – it is prepared on an exception basis, and deals with issues where a specific recommendation is made.

### 7.1.3 ANALYTICAL TECHNIQUES

The Review has relied considerably on benchmarking the services and agencies. This has taken one or more of the following forms:

- **internal and local benchmarks:** where evidence is available that some parts of the service area, agency, or other agencies within the public service are operating more efficiently or effectively, it is not unreasonable to expect that the same benchmarks should be achieved;

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- **inter-jurisdictional comparisons:** the ACT exists within a national context of financial and service arrangements. The Review has in general referred to national average as the benchmark. This is reasonable as the Commonwealth-State financial arrangements (that underpin a large proportion of budget revenue) provide capacity to deliver an average level of service at an average level of efficiency; and
- **comparisons over time (time-series analysis):** if an agency or service area had a higher level of efficiency in the past, it is reasonable to expect that the same level could be achieved in the future.

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## CHAPTER 7.2

CHIEF MINISTER'S AND  
TREASURY**OVERVIEW**

The Chief Minister's Department provides a whole-of-government focus on policy and strategic advice on a range of specified issues and advice and support for the Chief Minister and Cabinet. The Department's total expenditure in 2005-06 is estimated to be \$78.4 million with some 370 FTE staff. A significant proportion of these funds are attributable to the operational functions of Arts, Heritage and Environment. In addition, approximately 44 FTE staff undertake corporate management and finance functions across a range of departments.

Treasury provides strategic financial and economic advice to the ACT Government, revenue management, procurement support services and houses the Government's IT shared service provider, InTACT. Treasury's total expenditure in 2005-06 is estimated to be \$33.4 million (excluding InTACT as they report their finances separately) with approximately 213 FTE staff.

**KEY RECOMMENDATIONS AND CONCLUSIONS**

- The policy, organisational and fiscal challenges facing the Territory require a strengthening of central departments' leadership and policy and financial control.
- Policy focus and change management capability be enhanced in central agencies to support the Minister. This will require staff of high calibre with a diversity of experience and skill across policy, economic and fiscal matters.
- Current central agency structures include a number of operational activities that would be better located in other departments. Their relocation will enable both central agencies to focus on whole-of-government policy advice and coordination and driving public sector reforms.
- The Review is working on the assumption that the Chief Minister will also assume the role of Treasurer. However, the two departments should remain as separate entities reflecting their very different responsibilities and the leadership required (See Chapter 4.2).

***Summary Machinery of Government (See Chapter 4.2)***

- Economic Development and Business ACT to transfer to the Chief Minister's Department on abolition of the Department of Economic Development;
- Community Affairs transferring from Chief Minister's to the Department of Community Services;
- Strategic Projects to transfer back to respective agencies, namely the Department of City and Territory, unless the project is whole-of-government in nature.
- Environment, Conservation and Land Management to transfer to the Department of City and Territory. Heritage to transfer to ACTPLA.
- The Office of Sustainability to transfer to the Department of City and Territory, following rationalisation (see below), energy and water policy to remain in CMD.
- Gambling and Racing Commission to transfer to the Treasury portfolio.

## **7.2.1 CHIEF MINISTER'S**

### **Focussing and strengthening the core roles of the Department.**

The primary roles of the Chief Minister's Department are:

- strategic policy advice and support to the Chief Minister and Cabinet;
- management of (a small number of) issues/projects of significance to the Territory; and
- direction and leadership across the ACT Public Sector, to ensure quality and consistent approach to policy development and cost effective service provision.

The Department should also coordinate, monitor and report to Government on the change process proposed under the Review. The discussion in the following sections deals with the existing functions and roles of the Department.

### **Cabinet and Policy Function**

The Cabinet and Policy Group provide a central link between the broader Public Sector and the Executive, but their respective roles should be clarified, to avoid any unnecessary overlaps.

The Group has critical functions in briefing the Chief Minister on submissions. Cabinet will also have a "gatekeeper" role to ensure that all submissions comply with the Cabinet Handbook (see chapter 4.1 for Review's approach on this function).

Split into a number of distinct policy branches, the current focus of the Policy Group is broad. However, a significant proportion of activity is operational, rather than strategic. At times, the group undertakes work that duplicates work in other agencies.

It is proposed that the Policy Group focus on whole-of-government, cross function policy and progression of the Government's priorities. The proposed strategic economic area within the Department would undertake analysis and policy development in relation to economic and regional issues.

Where issues require the strong engagement of the Chief Minister for a limited time, the preferred model of engagement is to establish a strategic inter-departmental task force under the chair of the Chief Minister's Department rather than duplicate agencies or organisational units.

Staff in the Cabinet and Policy Group must be highly skilled, flexible and able to move quickly into different areas as needs change. They should not see their role as being to "shadow" departments but to add value through taking a broader perspective and being an independent mediator between competing departmental/agency objectives. A further role of the Policy Group is to maintain a strong capacity for the Territory in its dealings with other Governments and in fora such as COAG.

Consistent with the role outlined above, some of the project work currently undertaken in Cabinet and Policy Group should be transferred to the appropriate line

agency (For example, Community Affairs into the Department of Health and Community Service).

**Recommendation 78: strategic policy capacity be strengthened in the Chief Minister's Department by refocussing the existing and transferred resources and effort.**

*Communications and Signature Events*

The Department should retain responsibility for communications support for the Chief Minister's Office and also provide whole-of-government coordination of media. It is also anticipated that the Chief Minister will lead the formulation and delivery of 'signature' events in Canberra such as the Centenary of Canberra. These events have a scale and nature that will usually require the assembly of a dedicated team. Most other events, of a regular and ongoing nature, will be the responsibility of the proposed Department of City and Territory, which is also responsible for tourism.

**Recommendation 79: the Chief Minister's Department continue to be responsible for Chief Minister's communication support, and provide whole-of-government coordination of media. The Department should also lead the formulation and delivery of 'signature' events, with responsibility for all other ongoing and regular events with the Department of City and Territory (i.e., Tourism).**

**Public Sector Management and Industrial Relations**

The Public Sector and Industrial Relations Management Group has the central agency policy and advisory role for ACT Public Service employment, as well as broader responsibility for industrial relations policy. The role performed by the Group is critical to the future of the ACT Public Service, and greater effort should be directed, within existing resources, to strategic workforce planning, reform of the public sector employment arrangements, to modernise the public service, and remove unnecessary bureaucratic or redundant policies and procedures and promoting a culture of a single, highly professional ACT Public Service. The Group should also undertake enhanced monitoring of public sector human resources and trends and provide clear direction to agencies on industrial relations policies and approaches. Savings are not proposed in relation to these functions.

CMD also provides support for the part-time statutory role of the Commissioner for Public Administration, the ACT Remuneration Tribunal and the Occupational Health and Safety Council. Savings can be achieved in rationalising the support to the Commissioner of Public Administration, because that position is now combined with that of the Deputy Chief Executive, Governance and through the transfer of responsibility for occupational health and safety data collection to ACT Workcover.

**Recommendation 80: savings of \$0.439 million be realised from combining the position of Commissioner of Public Administration with the Deputy Chief Executive, Governance, within the CMD.**

### **Streamlining the Department to Enhance Focus on Core Functions**

Currently the Chief Minister's Department has accumulated responsibility for a range of key projects such as in the areas of planning and urban services and ageing. Many of these projects overlap with work being done in delivery departments. Responsibility for these have moved beyond the concept stage and now these projects should be transferred to the Department of City and Territory.

Responsibilities for programs in a number of areas including family violence and ageing should be integrated within the Department(s) of Health and Community Services.

**Recommendation 81: key projects be transferred from the Chief Minister's Department to portfolio departments as appropriate.**

### **Office of Sustainability**

The Office of Sustainability provides both policy advising and program management functions. Some of these are very closely linked to functions in other agencies, such as Environment ACT and the sustainable transport and building design elements of ACTPLA, which are proposed to be merged into the Department of City and Territory.

The current function of energy and water policy should be retained within the Chief Minister's Department within the strategic economic and business development group recognising the strong links between them, and the substantial inter-jurisdictional issues which arise in these areas.

Responsibility for broader sustainability policy and the water and energy conservation programs should be transferred to the Department of City and Territory.

### **Recommendations 82, 83 and 84:**

- **the Office of Sustainability be abolished;**
- **the policy role in relation to energy and water be retained in the Chief Minister's Department and aligned with the Economic Development Unit; and**
- **the remainder of the sustainability function merge into the Environment function in the Department of City and Territory, to achieve a saving of \$1.5 million per annum.**

## **Environment Management and Regulation, Conservation and Land Management and Heritage**

As outlined in the Machinery of Government Chapter, Environment Management and Regulation, Conservation and Land Management will be transferred to the Department of City and Territory. Efficiencies should be actively sought from this transfer and used to support the Department of City and Territory's land and maintenance functions, as these have inadequate funding support at present.

The Review has proposed (Chapter 7.10) that Heritage functions be transferred to ACTPLA. In relation to both Environment and Heritage, the underpinning legislation warrant further review, with a view to simplification and the delivery of a more cohesive and streamlined planning and protection system across the ACT. This should be undertaken as part of the Planning System Reform Project.

### **ArtsACT and the Cultural Facilities Corporation**

ArtsACT be retained within Chief Minister's Department together with the Cultural Facilities Corporation (CFC). The Cultural Facilities Corporation, as now, should take responsibility for only those heritage assets which are able to be opened for full community use.

Of its revenue of \$10.9 million in 2004-05, the Cultural Facilities Corporation received \$7.13 million (or 65 per cent) from the ACT Government. The next most significant revenue item was \$2.3 million from business activities (venue hire, ticket sales etc).

There is capacity for the Corporation to increase its revenue from sponsorship/donations or otherwise improve its financial performance by \$0.5 million and thus reduce the Government appropriation by an offsetting amount.

CFC's 2005-06 business plan identifies a range of opportunities where it could improve commercial outcomes, including:

- further developing links with the corporate community and philanthropic donor programs;
- identification and promotion of commercial opportunities, including venue hire, across the range of facilities and sites managed; and
- greater use of electronic ticketing services.

**Recommendation 85: savings of \$0.5 million from the Cultural Facilities Corporation be achieved in 2006-07 and the forward years.**

### *Public Art Scheme - 2 per cent Contribution*

The Chief Minister commissioned a new public art program in 2005 that introduced a new 2 per cent for public art scheme for ACT Government capital works projects.

The scheme imposes a 2 per cent commitment for public art for all capital works over \$5 million. For projects over \$20 million, the 2 per cent will apply up to \$20 million only.

There are several capital works projects for which this scheme does not apply, these include land sub-divisions and underground works, and refurbishments, repairs/maintenance and fitouts to existing buildings and roads.

It is essential that the public arts scheme meet not only the costs of new art but also ongoing maintenance and replacement costs. An appropriate part of the 2 per cent funds should be placed in a sinking investment fund to maintain and preserve the art for each works' entire life-cycle. No additional monies should be called on from the Budget for the purpose of maintenance and preservation of artworks created under this scheme.

**Recommendation 86: artsACT ensure that the 2 per cent for public art scheme monies, allocated as part of the capital works program, include a sinking investment fund for future maintenance and preservation of all art works created or administered through the scheme.**

## **7.2.2 TREASURY**

Treasury's primary aim is to coordinate ACT Government resource management to support both a strong Territory economy and to enable a coordinated approach to the delivery of the Territory's programs and services.

To achieve this aim, its roles include:

- providing advice on the Territory's fiscal strategy (including the setting of targets for the level of net debt as a percentage of Gross Territory Product, and the level of operating surplus);
- the financial management framework (including monitoring the budget, identifying emerging issues and developing strategic options/solutions); and
- administering the Territory's revenue laws and a number of grants and subsidy schemes.

Under proposals elsewhere in this Report, Treasury will also take responsibility for all 'back office' services and the gaming and racing portfolio.

### **Strengthening the Department's Leadership and Change Management Capacity**

A key theme of this Report is the need for greater fiscal responsibility at all levels within the ACT Public Sector. This will require strong leadership from Treasury and an acceptance on the part of all agencies that achieving a budget surplus is now a major Government priority.

The fiscal position and outlook of the Territory requires commitment within the public sector to achieving efficiencies and assisting the Government to prioritise expenditure. The measures proposed by the Review require considerable effort from central agencies.

The Department of Treasury will need a modest increase in resources to obtain the high quality personnel that it needs for these tasks - \$1 million is proposed.

**Recommendation 87: Treasury resourcing be strengthened by \$1 million to enhance central agency capacity to lead directional change and provide high quality economic and financial policy advice.**

### **Independent Competition and Regulatory Commission (ICRC)**

The Independent Competition and Regulatory Commission (ICRC) is a statutory body set up to regulate prices, access to infrastructure services and other matters in relation to regulated industries, and to investigate competitive neutrality complaints and government-regulated activities. The Commission also has responsibility for licensing utility services and ensuring compliance with licence conditions.

In 2004-05, the Commission's fee revenue base fell due to its primary focus being moved away from utility price regulation, as a result of electricity and gas regulation moving to national markets. The Commission's renewed focus has been redirected toward a wider set of utilities' compliance, licensing and regulation issues.

Essentially the core functions of the Commission have been reduced, without a corresponding change in the structure or composition of the organisation.

In line with the Review's recommendation on the creation of a central Regulatory Office, and the transfer of functions from the Commission to that office, the Independent Competition and Regulatory Commission (ICRC) should be restructured to recognise the shift in functions and responsibilities. Appropriation savings of \$0.100 million be achieved through this process, and staff reductions in the order of 3-4 FTE public service staff and non-renewal of the two Commissioner positions (upon completion of their current appointments at 26 June 2006).

The Commission should retain its ability to appoint any number of temporary Associate Commissioners to meet the needs of a specific enquiry.

**Recommendation 88 and 89:**

- **appropriation savings of \$0.1 million per annum from the Independent Competition and Regulatory Commission be achieved in 2006-07 and the forward years, through a reduction of up to four support staff; and**
- **the appointments of the two ICRC Commissioner positions are not renewed upon expiration on 26 June 2006.**

## 7.2.3 SUMMARY OF SAVINGS AND STAFFING IMPACTS – CHIEF MINISTER’S

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m	Total FTE Impacts
Strategic Implementation and Projects (funded for 2005-06 only)	0	0	0	0	-
Sustainability	1.500	1.538	1.576	1.615	13.5
Public Sector Management & Industrial Relations	0.439	0.445	0.450	0.456	2.8
Asbestos (funded for 2005-06 only)	0	0	0	0	-
ACT Cultural Facilities Corporation	0.500	0.512	0.525	0.538	-
<b>TOTAL SAVINGS</b>	<b>2.439</b>	<b>2.495</b>	<b>2.551</b>	<b>2.609</b>	<b>16.3</b>
<b>Procurement (Tender Box) Savings</b>					
- Chief Minister's Department	0.240	0.491	0.503	0.516	-
- Cultural Facilities Corporation	0.023	0.048	0.050	0.051	-
- ACT WorkCover	0.008	0.017	0.017	0.018	-
<b>Procurement (ERC) Savings</b>					
- Chief Minister's Department	0.563	0.844	0.844	0.844	-
- ACT WorkCover	0.012	0.018	0.018	0.018	-
<b>IT (Review and ERC) Savings</b>					
- Chief Minister's Department	0.454	0.640	0.640	0.640	-
- Cultural Facilities Corporation	0.057	0.081	0.081	0.081	-
- ACT WorkCover	0.058	0.082	0.082	0.082	-
<b>Transfer to Shared Services</b>					
- Chief Minister's Department	1.110	2.700	2.735	2.770	28.28
- Cultural Facilities Corporation	0.178	0.433	0.438	0.444	4.72
- ACT WorkCover	0.075	0.183	0.186	0.188	2.52

## 7.2.4 SUMMARY OF SAVINGS AND STAFFING IMPACTS - TREASURY

	2006-07 \$'m	2007-08 \$'m	2008-09 \$'m	2009-10 \$'m	Total FTE Impacts
Investment into enhanced Treasury central economic and financial policy role	-1.000	-1.025	-1.051	-1.077	TBC
Independent Competition and Regulatory Commission (ICRC)	0.100	0.103	0.105	0.108	3
<b>TOTAL SAVINGS</b>	<b>-0.900</b>	<b>-0.922</b>	<b>-0.946</b>	<b>-0.969</b>	<b>3</b>
<b><i>Procurement (Tender Box) Savings</i></b>					
- Treasury	0.103	0.211	0.216	0.221	-
- InTACT	0.378	0.775	0.795	0.814	-
<b><i>Procurement (ERC) Savings</i></b>					
- Treasury	0.364	0.546	0.546	0.546	
- ICRC	0.010	0.015	0.015	0.015	
<b><i>IT (Review and ERC) Savings</i></b>					
- Treasury	0.238	0.336	0.336	0.336	
- ICRC	0.009	0.013	0.013	0.013	
- ACT Insurance Authority	0.010	0.014	0.014	0.014	
<b><i>Transfer to Shared Services</i></b>					
- InTACT	0.435	1.057	1.071	1.084	11.17
- EPIC	0.050	0.121	0.122	0.124	1.22

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## CHAPTER 7.3

## ACT HEALTH

### OVERVIEW

ACT Health directly controls the following service delivery arms: The Canberra Hospital (TCH), Community Health, Mental Health ACT, the Capital Region Cancer Service and the Aged Care and Rehabilitation Service.

The Population Health Division provides a range of public and environmental health services as well as health promotion services. In addition, under an agreement between ACT Health and the Little Company of Mary, Calvary Public Hospital is run by Calvary Health Care Limited for the Little Company of Mary Health Care.

In 2004-05, total expenditure of ACT Health was \$636.2 million, representing around 24 per cent of General Government Sector expenditure in that year. This expenditure was across four major outputs, Acute Services (\$448.7 million), Mental Health Services (\$45.6 million), Community Health Services (\$117.6 million) and Public Health Services (\$23.1 million).

The remaining \$1.2 million related to the Community and Health Services Complaints Commissioner. This function was transferred to the Human Rights Commission in 2005-06.

ACT Health expenditure has increased from \$415 million (adjusted) in 2000-01 to \$636 million in 2004-05. This an increase of \$220 million over four years, with annual increases of 13 per cent, 8.8 per cent, 9.9 per cent and 13 per cent, representing an average annual increase of 11.2 per cent. The published 2005-06 budget and forward years' expenditure for health show an average annual growth of 4 per cent, slightly over one third the recent actual growth rate.

### KEY CONCLUSIONS AND RECOMMENDATIONS

- The task in health is the biggest single challenge the Government will face over the next four years. If the current patterns of utilisation and spending were to continue, an additional \$168 million over the current forward estimate would be required in the last forward year (2009-10). Some planning scenarios, indeed, envisaged an increase of \$225 million.
- The growth in health spending in recent times has been at an unsustainable level, such that if this recent trend continued, health expenditure would represent more than 50 per cent of the total General Government expenditure by around 2020.
- At the same time, the published budget forward estimates for health presently understate expenditure needs under existing or announced policy, and adjustments are required to adequately take into account various provisions and revenue offsets.

## **KEY CONCLUSIONS AND RECOMMENDATIONS (Contd.)**

- The actual health expenditure in the ACT is above the standardised level assessed by the Commonwealth Grants Commission, particularly in the areas of non-inpatient and community health services and population and preventive health. Notwithstanding the ACT's expenditure effort, the efficiency of health services in the ACT is below the national average. For example, the ACT cost per casemix-adjusted separation was 22 per cent higher than the national average in 2003-04.
- There is considerable scope for efficiencies. This will require a new strategic approach that will focus on providing clients of the ACT health system with the appropriate care in the appropriate place, and providing high quality services at a price affordable for the ACT.
- The new strategic approach should incorporate:
  1. role delineation between The Canberra Hospital (emphasis on tertiary and quaternary services) and Calvary (general hospital services) through:
    - clarifying the management arrangements at Calvary by vesting management control in the Little Company of Mary;
    - ACT Government then purchasing general hospital services from Calvary, for example day surgery and rehabilitation; and
    - establishment of a sub-acute facility (already included in the forward estimates) to take these cases out of the acute hospital.
  2. Refocusing and re-orientating community health services to target services to at risk and low-income groups.
  3. Recognising growth in the areas of mental health, cancer services and aged care.
- This approach will result in a growth rate averaging 6.1 per cent per annum across the forward years (7.3 per cent in 2006-07, to 5.6 per cent in 2009-10). This growth is above the current forward estimates, and therefore, additional funding will need to be provided to ACT Health. However, it represents a significant 'saving' of a total of \$390 million over the forward estimates period, on projected expenditure if no action is taken and the recent growth rates are maintained.
- The Review is proposing a more integrated and broader scope of policy advising and service delivery in areas of health and community services through either merging the two Departments, or by establishing systems and protocols (for example, shared administration of service purchasing and grants administration). Improved linkages between hospital care and community programs should also be pursued to support the objective of providing care in the right setting.
- The strategy will require strong Government commitment to improving the effectiveness of the health system, and the efficiency of its operations. It is based on maintaining wage growth at 3 per cent per annum, and productivity offsets above this level. It also requires improvement in staff allocations and work practices across the health system.

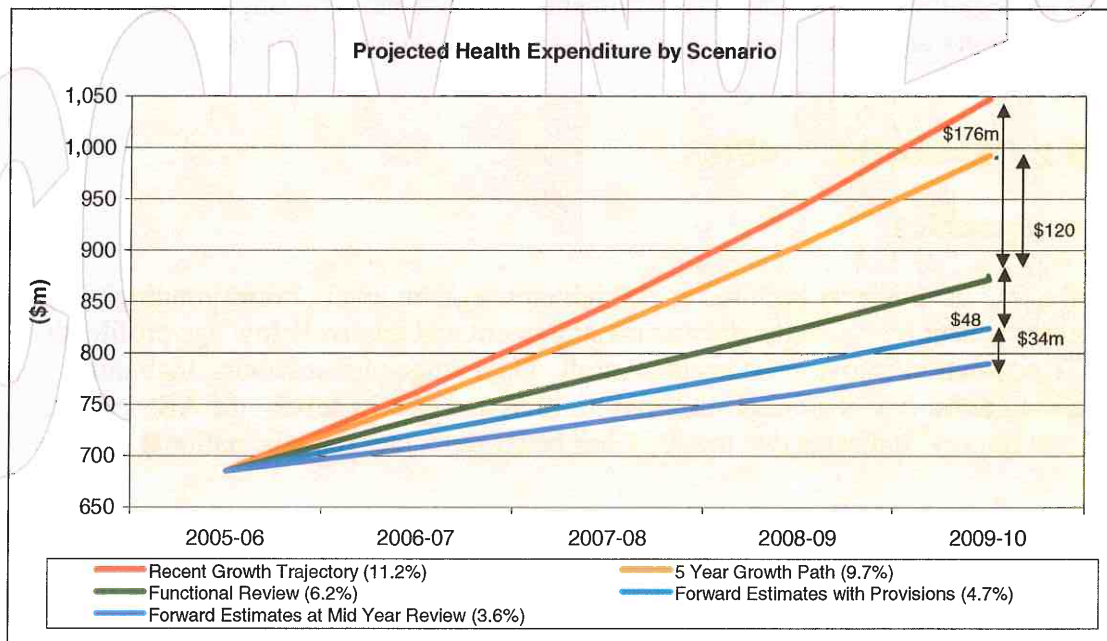
### 7.3.1 HEALTH: EXPENDITURE GROWTH AND BUDGET

ACT Health expenditure has increased from \$415 million (adjusted) in 2000-01 to \$636 million in 2004-05, with an average annual increase of 11.2 per cent. On the other hand, the published forward estimates show an average annual growth in health expenditure of 4 per cent across the forward years, slightly over one third the recent actual growth rate<sup>1</sup>. The Review has identified a situation where:

- continuing the trend growth of the past five years is not sustainable. For example, if this growth in health expenditure continued and with total budget expenditure growing in line with the growth in the economy<sup>2</sup>, then health expenditure would represent more than 50 per cent of the total general government expenditure by around the end of next decade. In the absence of major structural change, this historic growth would continue; and
- the published forward estimates for health expenditure are not realistic. Realistic growth rates need to be identified and reflected in the forward estimates, and the health system needs to ensure that the forward estimates are not exceeded.

In conjunction with ACT Health, the Review has sought to establish a reasonable level of growth which would enable the health system to provide the right level of care at the right time at a cost that is affordable.

The Review is proposing a strategy and a range of specific measures to improve the effectiveness of the health system and efficiency of its operations.



<sup>1</sup> Provisions held centrally relating to wage increase and insurance premiums increase the growth rate across the forward years to an average of 4.7 per cent.

<sup>2</sup> Assumed at 2.5 per cent per annum in real terms, that is, at around half the rate of health expenditure growth.

The ACT spends more than the national average on health, particularly on community and population health - and its needs are relatively lower. What is required is to refocus the current expenditure to programs and measures that:

- reduce avoidable hospital admissions;
- focus on at risk and low-income groups rather than providing universally accessible services; and
- keep the hospital stay to a minimum, with appropriate care provided at home or in a community setting.

Besides providing the right care in the right setting, enhancing people's engagement in maintaining their own health would reduce the growth in demand for hospital services.

Considerable efficiencies are implicit in any level of growth that is lower than the trend growth of the past. The Review has also identified potential efficiencies and strategies to achieve those efficiencies.

The potential effects of ageing (together with technology costs) on demand for hospital services have been well recognised<sup>3</sup>. The impacts of ageing on the economy and in particular on health costs are projected to eventuate during the next decade. The strategic approach proposed by the Review will place the Territory in a position to deal with those challenges as part of any national solutions.

The strategy will require strong Government commitment. Any wage increase above 3 per cent per annum will need to be funded from productivity offsets.

### **7.3.2 DEMAND DRIVERS**

#### **Demographics**

Reflecting its relatively high incomes, high employment levels, correspondingly low unemployment levels, high educational attainment and relatively low age profile, the ACT population enjoys good health overall. On a range of risk factors, including smoking rates, risk of alcoholism, exercise rates and obesity levels, the ABS National Health Survey<sup>4</sup> indicates that the ACT has better outcomes than the national average.

For example, the ACT has:

- the lowest proportion of daily smokers of all jurisdictions (18.7 per cent compared to the national average of 22.4 per cent);
- the highest proportion of population at low alcoholism risk of all jurisdictions (56.4 per cent compared to the national average of 50.8 per cent);
- the lowest proportion of population performing no exercise of all jurisdictions (23.5 per cent compared to the national average of 30.4 per cent);

<sup>3</sup> Intergenerational Report; State and Territory Intergenerational reports.

<sup>4</sup> ABS, *National Health Survey, Summary of Results, 2001*, Cat. No. 4364.0

- the highest proportion of population performing high levels of exercise of all jurisdictions (8.1 per cent compared to the national average of 6.4 per cent); and
- the lowest proportion of obese population of all jurisdictions (11.8 per cent compared to the national average 15.1 per cent).

As discussed in Chapter 2, this demographic profile suggests a lower level of need for health care than the national average. Notwithstanding this, it is recognised that health care needs in the 21<sup>st</sup> Century will be different to those of the 20<sup>th</sup> Century, particularly as chronic disease and mental illness replace communicable diseases as the main drivers of demand for the health services. The health system will be required to be sufficiently flexible to respond to changing areas of need as they occur, and to focus increasingly on assisting people to maintain good health rather than responding to acute episodes of illness.

### **NSW Resident Use of the ACT Health System**

It is worth noting in discussions of population in relation to health, that the catchment for ACT hospitals for tertiary services effectively includes the population of the former Southern Area Health Service, located in NSW<sup>5</sup>.

The population of the Southern Area Region is around 180,000. Around 23 per cent of inpatient separations in ACT public hospitals are from NSW residents, with the vast majority of these being residents of the former Southern Area Health Service. NSW residents represent significantly less activity in the community health and population and preventive health services. Expenditures in the ACT are driven overwhelmingly by the characteristics of the ACT population.

On an age-weighted basis, the region's population is projected to grow at slightly under two per cent per annum. Cost weighted inpatient separations from southern area residents increased by an average of 6.4 per cent per annum over the three years to 2004-05. However, it should be noted that expenditure on NSW patients is at least partially offset by revenue received from NSW under the NSW/ACT Cross-Border Health Agreement.

### **The Ageing Population**

The ACT currently has the youngest population (expressed by median age) of all jurisdictions (with the exception of the Northern Territory). As at June 2005, the median age in the ACT was 34.5, below the national average of 36.6<sup>6</sup>.

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<sup>5</sup> Under the Australian Health Care Agreements (AHCAs), the main Commonwealth/State funding agreements for health, the ACT is required to provide public hospital care to all Australian residents, irrespective of their place of residence. Charging or refusing to treat NSW residents in ACT public hospitals would constitute a breach of the AHCAs, and put in jeopardy over \$100 million per annum in Commonwealth funding. Accordingly, it is likely that ACT hospitals will continue to perform their tertiary role for the surrounding region of NSW for the foreseeable future.

<sup>6</sup> ABS, *Population by Age and Sex, Australian States and Territories*, Cat. No. 3201.0 – June 2005.