



**NSW Government response  
to the  
Final Report of the Commission of Audit**

**August 2012**

## **NSW Government Response to the Final Report of the Commission of Audit**

In mid-2011 the NSW Government established a Commission of Audit to develop a framework for the future of the NSW Public Sector. The intent of the Audit was to assess the current manner of operating within the NSW Public Sector, describe the ideal state of operation and make recommendations on how to improve public sector management and governance in NSW.

The Commission of Audit has been conducted in two parts.

- a Financial Audit comprising a review of the State's finances and fiscal strategy; and
- an Expenditure and Management Audit.

The Expenditure and Management Audit was conducted by an independent Advisory Board chaired by David Gonski AC and a small secretariat led by Kerry Schott. Its findings have been presented in two reports:

- the Interim Report into Public Sector Management (Interim Report); and
- the Final Report into Government Expenditure (Final Report).

The Interim Report was presented to the Government in January, making 52 recommendations to improve public sector management and governance in NSW. The Government supports the substance of the Interim Report's findings and will be pursuing the recommendations as it moves to reform NSW public administration. The Interim Report, the Financial Audit Report and a press release outlining the Government's position were released publicly on 22 February.

The Final Report makes 132 recommendations to improve public sector management and service delivery in NSW. It builds on the Interim Report and sets out broad principles and directions for expenditure in the context of the Government's policies, key strategies and priorities, and also provides recommendations for change.

The Government is broadly supportive of the reform directions identified in the Final Report and will account for its recommendations as it pursues reform to the public sector. The Government is determined to build a world class public service that is effective and able to achieve outstanding service delivery for the people of NSW.

The NSW Government's key targets are set out in *NSW 2021: A Plan to Make NSW Number One*. *NSW2021* is the Government's 10 year strategic plan setting immediate priorities for action and guiding resource allocation in conjunction with the

NSW Budget. Improving service delivery and restoring accountability to government are key areas for action identified in *NSW 2021*.

The Government agrees with the six reform themes identified by the Commission of Audit. In many areas substantial work has been commenced by the Government.

### 1. *Devolution*

The Government has been working to transfer more of the authority and accountability for decision-making to the local level. It is the Government's view that where possible, local people should be involved in the decisions that affect them and their communities. However, before these responsibilities are transferred to the local level, significant work needs to be undertaken to ensure that the right processes, procedures and accountabilities are in place.

Some significant reforms that illustrate the Government's commitment to devolution include:

- the repeal of Part 3A of the *Environmental Planning and Assessment Act 1979* and the transfer of more decision-making powers to local councils and regional panels;
- the establishment of *Local Schools, Local Decisions*, which is about giving greater powers to principals to manage their schools; and
- empowering 15 Local Health Districts by giving them responsibility and accountability for managing all aspects of hospital and health service delivery for their district or network.

### 2. *Partnerships and outsourcing*

The NSW Government is actively pursuing a range of options for working with the private sector with the aim to deliver better services at lower cost and with greater innovation. Some recent achievements are:

- Developed a new franchising model for the operation of Sydney Ferries. Harbour City Ferries will transition to take over management of Sydney Ferries from July 2012 with the view to improving customer service, safety, operations, maintenance and management of the Sydney Ferries workforce. The NSW Government will work in partnership with the new operator to improve services for ferry customers.
- Commenced the transfer of responsibility for delivery of out-of-home-care services to non-government organisations (NGOs). The first stage, to transfer existing providers to standard contracts, is now complete. The second stage,

to transfer children in statutory foster care to existing and new providers, has also commenced.

- In September 2011, the NSW Government launched a request for proposal to identify pilot Social Benefit Bonds in the areas of Improving Out of Home Care and Reducing Recidivism. The Government is now working with the private sector to further develop the pilots for this innovative product.
- The Government has committed to delivering a new convention, exhibition and entertainment precinct at Darling Harbour, which it will do via a public private partnership. The PPP will deliver new world class facilities in a way that means better value for the taxpayer and reduced risk for the Government.

As part of the process for developing the 20-year State Infrastructure Strategy, the Government is currently investigating ways to increase private sector financing of major infrastructure projects in such a way as to encourage innovation and minimise total cost to the taxpayer.

### 3. *Workforce flexibility*

The Government has already taken steps to ensure that the public service of the future is flexible enough to meet new challenges and respond to the changing needs of the community.

The Government has established a Public Service Commissioner to advise the Government on the leadership and strategic management of the public sector workforce. The Commissioner will also advise the Government on service delivery strategies and models for the public sector through collaboration with the private business sector, the not-for-profit sector and the wider community.

As an independent office the Public Service Commissioner is well placed to advise the Government on how to further implement the recommendations of the Commission of Audit, including those that promote greater workforce flexibility and that encourage more modern work practices.

### 4. *Transparent and evidence based decisions*

The Government has been active in reviewing its current programs so they deliver outcomes that are consistent with the Government's priorities as outlined in *NSW 2021* and to ensure value for money.

Independent reviews recommended by the Commission of Audit are already underway into internal activities such as procurement and shared corporate services.

- The Government's procurement reforms are expected to deliver both significant savings as well as improvements to the efficiency of procurement practice in NSW.
- The *Shared Services Reform Program* aims to provide quality, integrated services that represent greater value for money and set world-class standards for excellence in public service delivery. The reforms will lead to a streamlined and standardised corporate and shared services framework, leading to a more efficient, low cost service with a focus on customer service.

The Government is also putting in place a broad structure that supports transparent and evidence based decision making. Examples of this include the development of a new financial management framework that includes rigorous processes for evaluating the effectiveness of Government spending. Spending decisions are also based on business case requirements and capital proposals must comply with Total Asset Management Policy as well as Procurement policy.

#### 5. *Collaboration and coordination*

The Government has reconfigured clusters and further strengthened administrative arrangements to help ensure that Government services are delivered more efficiently and effectively. The clusters allow for similar government services to be better coordinated within a broad policy area. This makes it easier for business and the community to engage with government and allows for services to be better targeted to meet people's needs.

An example of this is the ambitious program of structural reform within the transport cluster, with the establishment of Transport for NSW. Transport for NSW consolidates all transport planning and policy functions into the one authority for the first time. This will ensure that the community will have access to roads and public transport services that work together, with seamless timetabling and ticketing for trains, buses and ferries.

Whole-of-government initiatives are looking at ways in which further collaboration and coordination between clusters can deliver efficiencies across the sector. For example, the *NSW Government ICT Strategy 2012* outlines new approaches to ICT procurement that will support the Government to deliver better services through ICT and to achieve better value from ICT investments. The work of the Property Asset Utilisation Taskforce is another example where synergies are being created in the extensive government property portfolio.

Consistent with the Commission of Audit's recommendations, improved sector-wide management and reporting structures have been established, including a Senior Management Council and forums of key professional groups, such as Chief Financial

Officers. Central agencies, through the *Strategic Centre Project* and other initiatives, are reviewing internal regulatory requirements to identify gaps and redundancies with the view to reducing the compliance burden on agencies and improving information availability.

## 6. *Budget constraint*

The Government is committed to returning the State's finances to a sustainable surplus. The 2012-13 Budget has confirmed the Government's strategy to restore fiscal sustainability while delivering better services and infrastructure.

The policy decisions taken in the 2011-12 and 2012-13 Budgets will turn large prospective budget deficits into surpluses averaging \$674 million for the next three years.

The Government has also committed to a significant transformation program that includes wide-ranging reform of the public sector financial management framework and supporting information systems. Robust business cases need to accompany proposed programs, pilots and initiatives to establish their cost, benefits and linkage to government priorities. Business cases must also specify appropriate baselines across financial and non-financial performance as well as relevant Key Performance Indicators to facilitate objective evaluation.

The NSW Government is pleased to receive the Final Report of the Commission of Audit and will continue to work to incorporate the findings and recommendations as it moves to deliver world class services to the people of NSW.

Outlined below in the Government's response are:

- further details about the Government's reform achievements to date and an outline of the Government's plans for further reform against each of the service delivery areas examined in the Final Report; and
- a response against each of the 132 recommendations in the Commission of Audit's Final Report.

## Part II (3): Service Delivery – Health

The Commission of Audit noted that the Government has already achieved significant reforms in health. The first phase of the health reforms has seen the implementation of new governance arrangements across the NSW health system. These reforms have included:

- *Empowerment at the Local Level* – In 2011, a comprehensive governance review of the NSW public health system was undertaken, with the objective of devolving decision making to the local level and increasing clinician engagement and empowerment. To support local decision making, three Speciality Health Networks (SHNs) and 15 Local Health Districts (LHDs) were established, supported by local boards. Greater control of operational matters and planning for service delivery now rests with the LHDs and SHNs. NSW Health is providing tools to assist the LHDs and SHNs in exercising these roles.
- *Health Reform Transition Organisations Abolished* – The three Health Reform Transition Organisations have been abolished, removing a middle layer of bureaucracy and devolving resources to the LHDs. This has been a major redeployment of staff and resources to the LHDs, with over \$1.2bn and over 8,100 FTE (excluding pathology staff) transferred to the LHDs. Separately, a review is underway to explore structuring pathology services staff as a State-wide service as outlined in the governance review to achieve improved efficiency and consistency of service standards and pricing.
- *Pillar Agencies Strengthened* – To support the more active engagement of clinicians, the Garling ‘Pillar’ organisations of the Clinical Excellence Commission, the Agency for Clinical Innovation, the Bureau of Health Information and the Health Education and Training Institute were strengthened, with resources and functions transferred from the Department of Health. Initiatives such as Clinical Redesign and the Chronic Care program will now be located in the ACI. CEC will have responsibility for clinical quality and safety matters and HETI is the system leader for the development of education and training to support the public health workforce.
- *Smaller and more focused Ministry of Health* – The Government has restructured the Department of Health to form a smaller and more focused central agency, renamed the Ministry of Health. Reducing duplication of functions and stepping back from operational matters allows the Ministry of Health to focus on its role as system manager, purchaser and regulator and coordinating the public health function. The Ministry of Health will be 25 per cent smaller than the previous Department of Health.

Other significant achievements in the Health portfolio include:

- The Mental Health Commission has been established as an independent statutory organisation and will have a key role in better managing the experience of people with mental illness, their families and carers. The MHC will be operational from 2 July 2012.
- Following the recommendations of the Expert Group to consider future governance arrangements for children and young people's health services in NSW, chaired by the Hon Ron Phillips, NSW Kids and Families is being established as a statutory corporation to commence on 1 July 2012.
- The Office of Medical Research has been established within the health cluster. A 10 year Health and Medical Research Plan for NSW is being developed. Investment in the medical research sector is being enhanced, with a boost to the Medical Research Support Program and the establishment of a medical devices seeding fund program to deliver better treatments and interventions.
- The governance arrangements for ICT services are also being reviewed, with new arrangements to be implemented to allow local flexibility while still ensuring adequate consistency at the state level. The new agency will be known as eHealth NSW.
- A strategic review of the management and operation of the Ambulance Service of NSW is also underway, to support improved access to critical care services for communities across NSW.

### **Future Reforms in Health**

The Government's plans for the reform of the Health system are consistent with the Commission's recommendations.

NSW Health's newly implemented devolved governance structure provides the foundation for improved transparency, accountability and engagement in the planning and delivery of world class services and infrastructure, consistent with the reform agenda of government. In 2012-13, NSW Health will take the reform agenda one step further through developing a new Strategic Health Plan which will provide the blueprint for ongoing investment in health care services over the next decade.

To assist Local Health Districts and Specialty Health Networks in their newly devolved planning and service delivery roles, the Ministry will implement new State-wide Planning, Performance and Community Engagement Frameworks and invest in education and leadership programs for Board members, clinicians and managers. To drive health improvement, the Ministry will also sponsor frameworks and initiatives for selected State-wide clinical services (such as organ donation) and population health (Aboriginal health, Tobacco, Obesity) to improve health outcomes against agreed priorities and targets. To ensure ongoing accountability, Health will

commission the Bureau of Health Information to develop public performance reports aligned with key reform priorities.

Other priorities for the Government across the Health portfolio include:

- *Partnerships and outsourcing* – LHDs and SHNs, with the support of the Ministry, will explore partnerships and outsourcing opportunities as mechanisms to manage demand, deliver service quality and improve cost efficiency across a range of clinical and non clinical support service areas. An assessment of private sector partnerships in developing innovative capital funding and maintenance strategies will also be explored and taken forward where appropriate as a means of delivering and maintaining world class health care facilities.
- *Workforce flexibility* – The Ministry's *Health Professionals Workforce Plan 2012-2022* sets out the strategies to ensure NSW Health trains, recruits and retains the doctors, nurses and allied health professionals it needs to meet the future health care needs. Consistent with changing needs, the Plan outlines initiatives to support more flexible workforce models to provide the "right people with the right skills in the right place". Increasing the number of nurses and midwives remains a particular priority for NSW Health as the demand for services continues to increase in line with population growth and ageing.
- *Transparent and evidence based decisions* – The Agency for Clinical Innovation and Clinical Excellence Commission will provide leadership in identifying evidence based models of care that can be implemented on a State-wide or local basis to improve quality, safety and efficiency. Key areas of attention will include chronic care models of service delivery – with palliative care and pain management being key priorities in 2012-13 – and service models that appropriately substitute for hospital admission. NSW Health will also implement the NSW Health and Medical Research Strategic Plan to encourage investment in research to deliver innovative new treatments, devices and diagnostic techniques and ultimately, improved patient care.
- *Collaboration* – Intersecting with the introduction of a purchaser provider model and outsourcing initiatives, Health will work with LHDs and SHNs to explore opportunities for greater collaboration with private and non government organisations as a means of improving access, quality and cost of care delivery. Within Health, the Ministry in collaboration with LHDs and SHNs will also take forward the development of State-wide service delivery models – in key areas such as Pathology – to develop models that deliver service improvements and cost efficiencies whilst retaining the integrity of services that are core to the delivery of public health care.
- *Budget constraint* – Within the context of increasing demand and a tight budgetary environment, the introduction of Activity Based Funding will, for the first time, provide LHDs and SHNs with budget transparency and accountability within

agreed service volumes. This knowledge will help drive local and system wide operational and financial performance. In terms of capital investment, NSW Health will also continue to invest in improved maintenance and new health infrastructure to provide capacity for growth (including additional beds) and drive efficiencies through enabling new models of care supported by eHealth systems.

## Part II (4): Service Delivery – Education and Training

The Commission found that there is considerable scope in NSW to reallocate expenditure in education and training to improve outcomes for students through greater devolution of resource allocation decisions to the local level.

The Government has already been moving in this direction. *Local Schools, Local Decisions* is the NSW Government's plan to give greater powers to school principals to manage their schools. The Department of Education and Communities has consulted extensively with education stakeholders on the proposed *Local Schools, Local Decisions* reform outcomes.

Other achievements which complement this devolution agenda include:

- commissioning and completing an independent review of the *School-Based Management Pilot* undertaken in 47 schools. This review recommended that school-based management should be extended to other schools, based on the potential opportunities for improving outcomes for students and schools.
- signing the *Empowering Local Schools National Partnership* with the Commonwealth. In NSW, 229 public schools will participate in the \$475.5 million initiative that aims to empower schools to make decisions at a local level, supporting them to better respond to the needs of students and the school community and provide services designed to assist their students to achieve their best educational outcomes.

Other major achievements in reforming education and training include:

- *Literacy and Numeracy Action Plan* –The Government has established a Ministerial Advisory Group on Literacy and Numeracy and provided funding for an extra 200 full time equivalent teachers in 2012 to target underperformance, including the appointment of 50 hands-on Instructional Leaders in those public schools with the greatest need.
- *Every Student, Every School* – With a strong focus on professional learning development for teachers and support staff, this program will provide better learning and support to 90,000 students in NSW public schools with a disability, learning difficulty or behaviour support need. This program will be supported by an extra \$48 million in funding from the Commonwealth for students with disabilities.
- *Smart and Skilled* – In October 2011, the Department of Education and Communities released its Smart and Skilled discussion paper, commencing a skills reform consultation process to develop a more highly skilled workforce.

A key aspect of this consultation was discussion of the future role and structure of TAFE NSW.

On 13 April 2012, the NSW Government signed the National Partnership on Skills Reform, securing additional funding from the Commonwealth that will enable the NSW Government to pursue its Smart and Skilled reform agenda.

## **Future Reforms in Education and Training**

The Government's reforms to education and training are continuing in a way that is consistent with the reform directions proposed by the Commission of Audit.

The *Local Schools Local Decisions* program will continue to be implemented as the Department of Education and Communities moves towards devolving power and budget control and giving greater autonomy to individual local schools. This work is supported by a recently signed National Partnership Agreement on Empowering Local Schools. *Local Schools Local Decisions* will involve the development of a new allocation model for the distribution of resources to schools and will result in the management of school budgets by principals (including staffing resources). The program will roll out over five years with schools being identified by their readiness to participate in the program.

### *Teacher Progression*

NSW is also working towards a nationally consistent progression and certification framework that recognises attainment of professional skills and allows for teachers to be rewarded based on their attainment of professional standards. At the same time, annual performance reviews will be instituted and, as part of *Local Schools Local Decisions*, principals will be given greater power to deal with performance issues. The Government is working with the Commonwealth and the Australian Institute for Teaching and School Leadership (AITSL) to improve the quality, performance and development of all teachers through the negotiation of a National Partnership Agreement on Rewards for Great Teachers.

### *Vocational Education and Training Reform: Smart and Skilled*

NSW is working towards major reforms in the delivery of vocational education and training to improve outcomes and workforce participation. This work is supported by the recently signed National Agreement for Skills and Workforce Development and the National Partnership Agreement on Skills Reform. The thrust of the reforms is to move Government funding for the NSW training system to a more market-based footing and create a demand driven rather than supply-led system. As part of these reforms, NSW has committed to introducing a broad-based entitlement for training, increased availability of income-contingent loans, greater contestability of

Government training funding and support for TAFE as the public provider of vocational education and training.

*TAFE Structure and Governance Reform*

The Government acknowledges TAFE's role as the public provider of vocational education and training in NSW. However, the Government is considering how to improve TAFE structures and governance in order to ensure that TAFE is able to compete effectively in a reformed training environment. This will include consideration of proposals contained in the Commission of Audit Report including: greater autonomy for individual TAFE institutes; budget reforms which allow TAFE to plan over a three or four year period; changes to TAFE employment structures; and a review of the service relationship between TAFE NSW and the Department of Education and Communities.

## **Part II (5): Service Delivery – Family and Community Services**

The Commission of Audit notes that over the last four years, expenditure growth on family and community services has exceeded 8 per cent a year, making it one of the fastest expenditure growth areas for Government. While this expenditure growth has extended the scope and capacity of services, the effectiveness of the service system is undermined by the limited transparency on programs and expenditure. The Commission recommends that this information gap be addressed as a matter of priority.

The Commission also recommends that greater outsourcing to the non-Government sector can increase both effectiveness and innovation in service provision.

The Government has implemented a number of reforms in the area of Family and Community Services, in line with the *NSW 2021* strategy to return quality services by:

- better protecting the most vulnerable members of our community and breaking the cycle of disadvantage; and
- increasing opportunities for people with a disability by providing supports that meet their individual needs and realise their potential.

### *Children's services*

The Department of Family and Community Services has commenced the transfer of responsibility for delivery of out-of-home-care services to non-government organisations (NGOs). The first stage, to transfer existing providers to standard contracts, is now complete. The second stage, to transfer children in statutory foster care to existing and new providers, has also commenced.

### *Affordable housing*

The Government has provided funding for 4,800 new affordable rental housing dwellings, and commenced consultation on the biggest social housing Public Private Partnership (PPP) in the State's history.

### *Ageing*

In line with *NSW 2021*, the Government has released a whole of Government Ageing Strategy. The Government is also currently transitioning Home and Community Care responsibility for support of older people to the Commonwealth (Aboriginal people over 50 and non-Aboriginal people over 65) as per the National Agreement.

### *Disability*

In line with the Government's commitment to personalising service delivery and allowing individuals to choose the services they want, \$137.6 million in funding has been provided for new disability services under *Stronger Together 2*. The

Government has also committed \$82 million to assist disabled people with the transition to individualised funding under *Stronger Together 2*.

*NSW 2021* includes targets to increase the participation of people with disabilities in employment or further education. The first target is that 60 per cent of transition to work participants will move into employment or further education by 1 July 2014 and 65 per cent of transition to work participants will move into employment or further education by 1 July 2019. The second target is to close the gap in the unemployment rate between people with a disability and the overall community by 50 per cent by 2016. To support this, the Government has introduced a payroll tax rebate of up to \$4,000 for businesses who employ a person with a disability.

### **Future Reforms in Family and Community Services**

The Government's reform agenda for Family and Community Services is focused on improving outcomes for vulnerable individuals and families in NSW through concentrating on people rather than programs, working with individuals and families as early as possible to help build their capability and harnessing the capacity of communities.

Organisational reform within FACS is centred on building capabilities to work better and smarter for clients, which involves:

- moving beyond responses focused on the symptoms of disadvantage to working on breaking disadvantage;
- shifting from a culture of entitlement to one of personal responsibility, that builds the capability of vulnerable individuals and families to remove them from welfare dependency; and
- more client centred services, working better with other NSW Government agencies and moving to a position of valued influence with other State and Federal Government agencies to benefit clients and improve services and outcomes.

These reform goals cannot be achieved without the support of strong, innovative and flexible NGOs. The key current reforms facing the NGO sector are:

- transition to an individualised funding system for disability services which delivers person centred services and places the control of funding with the person;
- transfer of out-of-home care (OOHC) placements to NGOs and focusing responsibility for support of children to families and communities;
- building the capacity of registered community housing providers, and
- Implementation of the transitioning of Home and Community Care responsibility for support of older people to the Commonwealth (Aboriginal people over 50 and non-Aboriginal people over 65).

The Department has already begun the process of investing in NGO sector development and will continue to develop strong partnerships with the sector.

Integrated planning, focusing on building community capacity and linking mainstream, NGO and specialist government services, is being developed across FACS. Capacity building and supports to the sector are critical to its development. Government is implementing strategies such as the Keep them Safe Workforce and NGO Capacity Building Plan, as well as implementing the Industry Development Fund actions, to support NGOs in their capacity building and workforce development so that they are well positioned to attract resources from business. Initiatives planned for 2013-14 include capacity building in the Aboriginal NGO sector, and transitioning funding arrangements for NGOs to an 'underwriting' model.

Government is also assisting NGOs to improve governance and management capacity, and reduce the red tape burdens on NGOs. This includes participation in the not for profit regulation and taxation reforms being undertaken by the Commonwealth through the COAG process.

The recent decision of Fair Work Australia to award an Equal Remuneration Order which will address the low pay rates in the sector will be significant in contributing to the increased professionalisation of the sector. The NSW Government will work with the sector to ensure that workforce reform delivers the necessary skill improvements in NSW, including leveraging the recently agreed COAG skills reform package, to ensure that the needs of the social and community services workforce are addressed.

## **Part II (6): Service Delivery – Justice**

The Commission found that the cost of policing and corrective services in NSW is currently higher than in other jurisdictions. The inmate population across NSW correctional facilities is almost double that of the other states, similarly the number of juveniles in detention. The Commission recommends that NSW Police and Corrective Services revise their workforce allocation and resource practices.

The Government has already implemented significant reforms over the past year to improve access to justice and continue cost saving and efficiency measures across the sector. We have replaced the existing Police Death and Disability Scheme with a sustainable Police Death and Disability Scheme, which aims to get injured officers back to work. An independent audit has also been completed of police numbers and resources which will enable Government to examine exactly where to best place front line officers.

We have conducted a review of Corrective Services NSW (CSNSW) and we are currently undertaking a major restructure, with 600 funded positions to be abolished, and 350 voluntary redundancies which has resulted in significant cost savings. We have committed to establishing an Inspector of Custodial Services to monitor standards in correctional facilities across NSW. The Inspector will be appointed later this year and will be able to review correctional and juvenile justice facilities at any time and make recommendations about issues of concern.

Other efficiency improvements include:

- the closure of three prisons (Parramatta, Kirkconnell and Berrima);
- undertaking independent expenditure reviews of the Office for Director of Public Prosecutions, Victims Services and Emergency Services;
- Working to establish a second drug court focusing on treatment and rehabilitation aimed at reducing the prison population and re-offending;
- establishing a joint project between the NSW Police Force and the courts to enhance and increase the electronic exchange of data to improve the efficiency, timeliness and accuracy of the criminal justice system; and
- establishing a Mental Health Commission, to ensure a coordinated and integrated approach to mental health. NSW has received \$57.6 million from the Commonwealth over 5 years, through the National Partnership Agreement on Mental Health, to improve mental health support services, which will enable people suffering from a mental illness to access support within the community and the health system, so that they can avoid unnecessarily coming into contact with the criminal justice system.

Legislation has been passed to allow vulnerable people to work off their fines through education, mental health treatment and voluntary work, which keeps vulnerable people, who are not a risk to the community, out of prison. We have also introduced legislation to introduce the 'three strikes' policy for licensed venues, introduced a new offence of 'intoxicated and disorderly', and have provided police with sufficient powers to 'move on' disorderly people when necessary.

Funding has been allocated to employ 400 additional police officers by June 2014, with 100 of these boosting officer numbers in the Traffic and Highway Patrol Command. In addition, \$115 million over four years has been allocated to the Police Transport Command, created to improve passenger safety and security across the public transport system.

We have provided an additional \$20 million to improve and expand Police and Citizens Youth Clubs. Police have also established a Neighbourhood Watch Pilot Program, known as *'Eyewatch'*, allowing police to be better attuned to the needs of the community.

Other major achievements in the justice cluster include:

- increasing the numbers of Court Intake and Bail Support Officers to assist juveniles during their bail hearings; and
- Trialling the use of Social Benefit Bonds as an alternative model for reducing recidivism.

### **Future Reforms in Justice**

The aims of the Justice cluster are to keep the community safe, improve access to justice, reduce recidivism and support diversionary programs for those people who are not a risk to the community. The Government's plans for the reform of the justice cluster are consistent with the Commission's recommendations that a whole of government preventative and early intervention approach is required to address juvenile crime, and that further outsourcing of prison facilities and inmate transportation should be considered.

The Government has developed a Strategic Framework to reform the management of offenders who come into contact with its services and programs. It is aimed at integrating the approaches and delivery of services to offenders and will reform all programs delivered in courts, correctional facilities and post release. In relation to juvenile offenders, DAGJ has developed a new model for responding to juvenile crime which will allow for systemic early intervention, at key points, for young offenders deemed at risk of re-offending. Those deemed at risk will be referred into a system of intensive case management. The Government will also examine the Law Reform Commission report on Bail and the impacts of bail law on juvenile offenders.

The issue of Minimum Security inmates is discussed in the Commission of Audit. A priority for the Cluster is to expand options available to police and courts to deal with minor offenders – a particular area of focus for 2012-13 will be in relation to repeat traffic offenders. Traffic and vehicle related offences account for 50-60 per cent of the charges brought before the Local Court. A subset of this – driving while disqualified, suspended or cancelled account for 20 per cent of the entire Local Court charge workload.

The NSW Government is committed to:

- reviewing prisoner transfer services, with a view to identifying options for improved and more cost-effective arrangements for the transport of adult and juvenile offenders;
- continuing the ongoing reform process within CSNSW and the Cluster more generally which aims to reduce both the cost of the prison system as well as a reduction in the volume of offenders coming into the system; and
- identifying best practice benchmarks for prison operations that can be applied to both private and public sector models. As part of the wide ranging reforms to Corrective Services NSW, the Department of Attorney General will review a number of key functions, including the opportunity for and benefit of outsourcing functions and whether privatisation can deliver further efficiencies and savings.

### **Part III (7): Business and Community – Transport**

The Commission found there is considerable scope to improve the efficiency of RailCorp and Roads and Maritime Services (RMS) through greater outsourcing and changes to existing work practices. The Commission also recommends that the proportion of costs to be recovered from RailCorp passengers should be increased to 30 per cent (currently 22.1 per cent) and that a long term transport plan be developed with input from Infrastructure NSW, Treasury, the Department of Premier and Cabinet, and the Department of Planning.

The Government has already begun an ambitious program of structural reform within the transport cluster with the establishment of Transport for NSW (TfNSW). TfNSW consolidates all transport planning and policy functions into the one authority. RMS has also been created to focus solely on service delivery. Other efficiency improvements include:

- Leasing Port Botany – The NSW Government has committed to a long term lease of Port Botany, pending a pre-transaction scoping study to identify key issues, estimate market interest and potential transaction proceeds. The Port Botany facility will be refinanced under a 99-year lease, which is expected to be signed in the first half of 2013. This will improve efficiencies and will fund investment in priority infrastructure.
- Franchising Sydney Ferries – Harbour City Ferries has won the contract to operate Sydney Ferries under a new franchise model, and will take over operations in July 2012.

The development of a Long Term Transport Master Plan is already underway. The NSW Government has released a discussion paper for public comment, to inform the development of the Master Plan which will be released by the end of 2012. The Transport Master Plan will be integrated with the Metropolitan and Regional Land Use Plans as well as the 20 year Infrastructure Strategy being developed by Infrastructure NSW.

Other major achievements in the transport cluster include:

- Planning for the construction of the North West Rail Link, a 23km rail line to Sydney's growing north-west region, is underway and the first Environment Impact Statement is now on public exhibition. Construction of the South West Rail Link, a new 11.4km twin track extension from Glenfield to Leppington, is well advanced and running ahead of schedule.
- Light rail – The NSW Government will extend the light rail system from Lilyfield to Dulwich Hill, expected to be operational in early 2014. In November 2011, the project's two major tenders were issued. The Government has also purchased Metro Transport, the owner of the light rail and monorail networks in Sydney, to enable the efficient delivery of future light rail extensions. Feasibility studies of potential light rail extensions to Circular Quay, Sydney University and the University of NSW are well advanced.
- Roads – The Government secured agreement to widen the M5 West, with work to start in 2012/13, and awarded the contract for Stage 1 construction of

the Princes Highway upgrade from Gerringong to Bomaderry. The upgrade of the M2 between Baulkham Hills and North Ryde is underway and is expected to be completed in the first half of 2013.

## **Future Reforms in Transport**

The Government's plans for the reform of the transport cluster are consistent with the Commission's recommendations. The Government's focus is to put the customer at the centre of transport decision-making.

The Government will overhaul RailCorp to improve efficiency and customer service delivery. RailCorp will be split to form NSW Trains, which will serve regional customers, and Sydney Trains, which will cater for metropolitan commuters. The rationale for the separation is the recognition of the different needs of metropolitan, intercity, and regional passengers. A newly established entity called the Asset Standards Authority will have responsibility for asset standards. The management of rail cleaning services will also be reformed with the establishment of a specialist subsidiary unit to attack graffiti and rubbish on trains and stations. In order to simplify processes and reduce bureaucracy, 750 middle management jobs will be cut.

The contracts for regular bus services in Sydney will be competitively tendered for the first time, in two stages, commencing in July 2012. The new contracts will embed customer service and reliability performance measures to deliver service improvements. The Government will also examine the potential for greater contestability in the provision of road maintenance.

Roads and Maritime Services will continue to work with Service NSW to simplify Government services and integrate service outlets and other delivery channels.

Beginning in late 2012, the Government will commence the rollout of the Opal Card, a new electronic ticketing system, starting with Sydney Ferries. The new system will be implemented on all forms of public transport in Greater Sydney by the second half of 2014. The Opal Card will include light rail services.

In relation to fare levels, the Government recognises that the cost recovery of public transport services and particularly RailCorp must improve, and that improved cost recovery will be achieved by both reducing costs and increasing revenue. However, higher real ticket prices are conditional on customer service improvements.

The Government will also finalise the NSW Long Term Transport Master Plan with a draft report due to be released for public comment in mid-2012, and the final plan due to be released by the end of 2012. The Government will also develop regional and modal strategies to support that Plan.

The Government is committed to completing the duplication of the Pacific Highway by 2016 and has provided \$1.5 billion which is a 20 per cent of the funding needed to complete the duplication.

The NSW Government is committed to:

- beginning major tunnelling work on the North West Rail Link in 2014;
- introducing services on the South West Rail Link in 2016;
- completing feasibility studies on possible extensions of the light rail network to Circular Quay and the Universities of Sydney and NSW;
- starting work on a major Sydney road project in its first term. The decision on which project will proceed will be made in the light of advice from Infrastructure NSW; and
- completing the Intermodal Logistics Centre at Enfield and working with the Commonwealth Government and the private sector to establish a Moorebank Intermodal Terminal.

### Part III (8): Business and Community – Electricity

The Commission noted that the NSW electricity businesses are inefficient in comparison to others and that this has contributed to faster price increases than in other jurisdictions. The Commission has suggested that the Government should sequence reforms to improve efficiency so that early benefits can be attained where possible.

The Government has already embarked on a significant program of energy reforms with the aim of improving efficiencies and driving down costs so that the consumer benefits. Capital and operational efficiencies will be driven through the Government's network integration project, which aims to adopt best practices from Essential Energy, Endeavour Energy and Ausgrid, and provide economies of scale in procurement as well as consolidate corporate and some back office functions.

To address cost of living pressures and contain increases in energy prices for NSW households and businesses, the NSW Government has also:

- continued to oppose the carbon tax, which will impose significant additional costs on NSW households, businesses, industry and the NSW economy;
- released *NSW 2021*, containing targets to: assist businesses and households to realise annual energy savings of 16,000 GWh by 2020 compared to business as usual trends; and support 220,000 low income households to reduce energy use by up to 20 per cent by June 2014. Actions to deliver on these targets include supporting low income households to reduce energy use through the Power Savings Kit and advice on behaviour change, and delivering high standard building retrofit programs so that 50 per cent of NSW commercial floor space achieves a 4-star NABERS energy and water rating by 2020;
- closed the former Government's financially unsustainable Solar Bonus Scheme to new customers, to reduce impacts on consumer energy prices;
- implemented a new dividends policy to cap dividends for each of the NSW Government owned electricity businesses at existing forecast levels. Boards will need to declare that dividends will not place additional pressures on price, service quality or future reliability;
- commissioned an Australian Energy Market Commission review into distribution reliability standard outcomes to ensure that distribution networks deliver a level of reliability that most effectively balances the costs of incremental investment and ongoing maintenance with the benefits of reliability; and
- announced that the savings to be delivered from the network integration project will fund an increase to the Low Income Household Rebate and a new Family Energy Rebate to assist families struggling to manage rising electricity costs.

In addition, NSW Government is taking action to improve coordination between State and Commonwealth energy policy measures and to remove costly duplication of energy programs. These actions include:

- reviewing NSW Government climate change mitigation activities to ensure they are complementary to the national carbon price;
- closing the NSW Greenhouse Gas Reduction Scheme on commencement of the national carbon price;
- calling on the Commonwealth Government to close its Renewable Energy Target scheme on commencement of the carbon tax or, if not, compensating households for the increased energy costs associated with the scheme or considering how the scheme could be made cost neutral;
- working with the Victorian Government to increase alignment between NSW's and Victoria's energy efficiency savings schemes, to: promote economic growth and competitiveness; make it easier to do business; and put downward pressure on the cost of living, and running a business; and
- announcing support for a cross-jurisdictional review of all energy financial assistance measures to reduce duplication and improve the efficiency of delivery of these measures.

### **Future Reforms in Electricity**

The NSW Government is committed to working towards an affordable and sustainable energy industry. This will include continuing to address cost of living pressures and containing energy price increases for households and businesses, and working towards improving the performance of the NSW economy through ensuring, for example, efficient electricity prices.

To assist cost of living pressures, the Government is restructuring NSW's electricity distribution businesses, which is expected to deliver at least \$400 million in efficiency savings over four years. Savings from this reform will be delivered back to customers through the Low Income Household Rebate, and the Family Energy Rebate, which will commence in 2012. The Government will also return the financial benefit received by electricity retailers under the Solar Bonus Scheme, identified in IPART's final report on Solar Feed-in Tariffs, to all NSW consumers.

To improve customer access to information about energy pricing, the Government has established a price comparison website, independently administered by IPART, which allows small customers to easily compare electricity and gas pricing offers. From 1 July 2012, the Government will also require electricity retailers to inform customers about the impact of the carbon tax and green schemes by providing this information on electricity bills.

More broadly, the Government is committed to improving the performance and efficiency of the electricity sector. Actions directed towards this goal include the Government's sale of NSW electricity generation assets and electricity development sites, as well as working to increase the alignment between NSW's and Victoria's energy efficiency savings schemes, in order to promote economic growth and competitiveness, make it easier to do business, and put downward pressure on the cost of living, and running a business.

Into the future, NSW is working towards increasing energy efficiency and moving towards a diverse energy mix, contributing to increased energy security and lower emissions. The Government has committed to developing a Gas Industry Development Plan, to ensure that all the necessary policies are in place to support the appropriate development of all aspects of the gas industry, including securing supply to meet NSW's expected future needs for gas.

### **Part III (9): Business and Community – Water**

The Commission reported that NSW water policy effectively balances public health considerations, delivery standards and water security against commercial objectives. However, the Commission has identified a number of areas which could be improved, including promoting competition in the urban water sector, developing processes to ensure long term water-security and supply and improving maintenance arrangements in both the urban and rural sectors to increase efficiency. The Commission has also proposed matters that may warrant consideration to better promote transparency and competition in Independent Pricing and Regulatory Tribunal (IPART) pricing determinations.

The NSW Government has committed to water market and usage reform through the National Water Initiative (NWI). The NWI provides for the development of a more productive national water market and facilitates sustainable and efficient water management. NSW has made strong progress in implementing NWI reforms such as the introduction of water sharing plans across most of the state and through the adoption of efficient pricing principles aimed at moving the water sector towards full cost recovery.

The Government is also committed to the promotion of an efficient and competitive urban water sector and has already undertaken a number of steps to achieve this, including the successful refinancing of the Sydney Desalination Plant for \$2.3 billion and establishment of a long-term lease over the plant.

Additionally, the Government has passed amendments to the *Water Industry Competition Act 2006* that will strengthen and streamline the regulation requirements for recycled water operators, increase customer protections and provide greater certainty for network operator licensees. Specifically, the amendments have introduced new licensing principles which require Government planning policies such as the Metropolitan Water Plan to be considered when determining licence applications.

Other reform work progressed in the sector includes:

- development of a program of practical cost saving measures for Sydney Water which will improve efficiency and put downward pressure on user charges to keep cost increases for Sydney Water customers below the cost of inflation over the next four years;
- working with key stakeholders to ensure the Murray Darling Basin Plan is developed in a manner which gives balanced consideration to the needs of the environment, communities and regional economies. NSW has provided a submission to the Murray Darling Basin Authority which addresses NSW concerns with the proposed Murray Darling Basin Plan;

- commencement of the development of a Lower Hunter Water Plan, based on COAG's National Urban Water Planning Principles, to provide water security during drought; ensure reliable water supplies to meet growing water demand; help protect aquatic ecosystems; and minimise costs to the community.

## **Future Reforms in Water**

Consistent with the Commission's reform recommendations, the Government's plans for reform in the water portfolio seek to introduce greater competition and efficiency, while still ensuring secure supply. A number of reform activities are in place to achieve these outcomes.

NSW is taking steps to promote greater competition in the water sector, including through a comprehensive review of the regulatory arrangements for the licensing of recycled water schemes. This is being conducted in tandem with the statutory review of the *Water Industry Competition Act 2006*. Together the reviews aim to improve and streamline current regulatory arrangements. This will build on amendments already made to the Water Industry (General) Regulations to provide for greater transparency in IPART's pricing determinations.

The Government is also engaging with IPART in its review of the first application for a voluntary access undertaking received from Sydney Water. Access undertakings can be applied for under the *Water Industry Competition Act 2006* and allow third party or private sector access to water infrastructure. This process of opening up of access will provide for more efficient and competitive infrastructure and supply services.

The Government is already acting on many of the issues addressed by the Commission and is currently considering options for reviewing:

- the *Dam Safety Act 1978* to determine whether current dam safety standards are based on up to date risk management principles;
- current rural bulk water charges to determine if they can be better matched to business cash flows;
- the operational and regulatory functions of the NSW Office of Water and State Water to eliminate duplications and identify efficiencies.

The Government will also continue to assist the Murray Darling Basin Authority in the development of a final water plan for the Basin that will achieve optimal outcomes for the environment and NSW communities. This will include highlighting the need to develop parallel processes with Commonwealth agencies to address essential NSW concerns regarding the implementation of the Basin Plan, including agreement on Commonwealth funding for State implementation costs and structural adjustment for affected communities.

### **Part III (10): Business and Community – Workers’ Compensation**

The Commission found the financial position of the NSW WorkCover Scheme has deteriorated rapidly. There are increasing scheme operating deficits and increasing net liabilities. NSW business is at a considerable disadvantage because premiums payable by employers are above those in Queensland and Victoria by 20-60 per cent. The Commission recommended urgent action in a number of key areas to restore the NSW WorkCover Scheme to a sustainable footing and to improve return to work outcomes.

The NSW Government is responding to the deteriorating performance of the Workers Compensation Scheme and has acted urgently to ensure its long term sustainability to provide injured workers with support while remaining affordable, fair and competitive for NSW.

A joint Select Parliamentary Committee was established to inquire into the Scheme’s performance in meeting key objectives including promoting better health outcomes and return to work outcomes for injured workers, as well as the Scheme’s financial sustainability and impact on the NSW economy. The committee released its report on 13 June 2012.

The NSW Government broadly accepted the recommendations of the Parliamentary Committee and has passed legislation to give effect to these necessary reforms.

The Government’s reforms seek to ensure that the Workers Compensation Scheme remains financially viable and that it better facilitates the rehabilitation and return to work of injured workers. The reforms will also ensure seriously injured workers receive more generous benefits, commensurate with their work capacity, and are supported to return to work where possible.

WorkCover has also recently reviewed and adjusted its remuneration arrangements with the Scheme Agents responsible for managing claims under the Scheme, with a view to providing Agents with incentives to improve outcomes in key areas of Scheme deterioration. Early monitoring shows significant improvement in relation to the finalisation of long tail claims since the introduction of the revised arrangements. The commencement of new harmonised work health and safety laws in NSW on 1 January 2012 was a key achievement for the Government in its first year. WorkCover is continuing to work extensively with stakeholders to assist them to comply with the new laws by providing a range of seminars, workshops and guidance material.

A further reform objective is to strengthen the accountability of WorkCover and workers compensation insurers for decision making processes.

## **Part IV (11): Internal Efficiencies – Corporate and Shared Services**

The Commission found that there was considerable scope to streamline and improve the delivery of corporate and shared services across the government sector, and that more detailed reporting would assist senior government officers to remain informed of progress in this area.

The Government is already working toward these same goals.

In July 2010, the Department of Premier and Cabinet released the *Blueprint for Corporate and Shared Services in the NSW Government*. The Blueprint provided a plan for improving the delivery of corporate and shared services across multiple agencies in the public sector.

The NSW Government is now building on the Blueprint reforms to deliver a high profile whole-of-government reform initiative, which aims to provide quality, integrated services that represent greater value for money and set world-class standards for excellence in public service delivery. At the heart of this reform initiative is the Corporate and Shared Services Reform Program.

The reforms aim to achieve a more streamlined and standardised corporate and shared services framework and service delivery, leading to a more efficient, low cost service with a focus on customer service.

In 2011-12, the Government made significant progress toward these reforms with the restructure of ServiceFirst (expected to be complete in 2012-13), as part of the increased sector-wide focus on business efficiencies and effective financial management. Work has also progressed on standards design and benchmarking for government corporate and shared services, and the delivery of departmental reports. A whole-of-government report on corporate and shared services delivery is forecast for completion in mid-2012.

As a result of the work in 2011-12, the Government is now considering a new operating model, which includes a new governance structure, an investment and benefits plan, a workforce strategy and an implementation plan.

### **Future Reforms in Corporate and Shared Services**

The Government's reforms to corporate and shared services are continuing in a way that is consistent with the reform directions proposed by the Commission of Audit.

Over the coming years, the Government will implement significant reforms to the delivery of corporate and shared services across NSW Government agencies.

The steering committee for the Government's Corporate and Shared Services Reform considered opportunities to realise additional benefits from the 2010 *Blueprint for Corporate and Shared Services* in the NSW Government. One of the recommendations arising from this was the formation of a new entity with an operating model that employs resources with the skills and capabilities to purchase, provide and manage outsourced shared services, and provide high quality services at a market competitive price. Consistent with the Commission's findings, the review specifically recommended that this new entity acquire and consolidate the resources and assets of Businesslink and ServiceFirst. A high level business case has now been completed and is currently under consideration by the Government.

Beyond this, the Government's Corporate and Shared Services Reform Program will continue to improve the effectiveness and efficiency of delivering these services across all government agencies.

To ensure that the reforms achieve the Government's objectives, suitable reporting and evaluation processes will be set up, in line with the Commission's recommendations. This will ensure that senior government officials and relevant Ministers remain well informed of progress, and are in a position to direct further adjustments to corporate and shared services as required.

## Part IV (12): Internal Efficiencies – Procurement

The Commission found that there are a number of ways in which government procurement could be made more efficient and less costly. The Commission recommends that a more flexible approach to whole-of-government contracts be adopted and that clusters and agencies improve their procurement capability across capital, ICT and more basic goods and services

The Government has already begun significant reform to government procurement and is on track to deliver both significant savings as well as improvements to the efficiency of procurement practice in NSW. The NSW Government is committed to saving \$1.015 billion over four years through procurement reform. \$72 million in savings have already been achieved in 2011-12 and agencies are on track to save \$199 million in 2012-13.

The Government has made a number of key achievements in this area.

- A new government procurement framework has been developed that will result in more efficient and effective sourcing of goods and services. Under this framework, responsibility for the sourcing and procurement of goods and services will be transferred to agencies that have specialist knowledge of the category of goods being purchased (for example, NSW Health with medical supplies). Legislation is currently being drafted to implement this new framework.
- The *NSW Government ICT Strategy 2012* outlines new approaches to ICT procurement which will support the Government to deliver better services through ICT and to achieve better value from ICT investment. The Strategy expands the role of the ICT Board to take a whole of government view of ICT investment to enable it to promote collaboration, reduce duplication, share investments and reduce costs.

An example of the new whole of government approach to ICT investment in NSW is the announcement by the Minister for Finance and Services on 15 May 2012 of the construction of two state-of-the-art data centres that will allow the NSW Government to consolidate its many current data centres and reduce unnecessary technologies used in its daily operations.

- Development of a Better Value Infrastructure Plan for COAG, in consultation with industry, with the objective of assisting Australian governments to drive better value in capital procurement and infrastructure development and delivery. Amongst other things, the Plan recommends that governments implement a collaborative approach between private sector proponents for infrastructure projects and government project teams during procurement.

Through the COAG Infrastructure Working Group, NSW has supported the development of guidelines on best practice in procurement and delivery of

infrastructure, including Guidelines for Public Private Partnerships, Alliance Contracting and Design and Construct contracts.

## **Future Reforms in Procurement**

The Government's ongoing reforms to procurement are consistent with the recommendations proposed by the Commission of Audit. The 2012-13 Budget allocates \$13 million to further develop and implement whole-of-government policies and strategies for ICT, procurement and finance.

The Government's future reform directions for procurement are outlined in the new procurement framework and the *NSW Government ICT Strategy 2012*.

Broadly, the NSW Government's goals for its revised approach to procurement are:

- achieving better value for money and budgetary outcomes from Government procurement and by reducing administrative costs and duplication of the procurement function across Government; and
- reducing red tape, improving competition and simplifying access to Government business for the supply community, especially small and medium enterprises and regional businesses.

The next areas of major reform that correspond to the Commission's recommendations are:

- the introduction of legislation to give effect to the Government's reforms including the abolition of the State Contracts Control Board, the establishment of the NSW Procurement Board, the broadening of approaches available to agencies seeking to source goods and services and the establishment of requirements for the Agency Accreditation Scheme for Goods and Services Procurement;
- the development of agencies' procurement knowledge and skills to support the transition to a new system, and the accreditation of agencies to perform procurement functions based, in part, on demonstrated capability;
- the creation of an appropriate data and analysis base to better inform procurement decision making by agencies, the Department of Finance and Services and the NSW Procurement Board. As the first step, the Department of Finance and Services has already developed an Expenditure Data Cube to collate and analyse agencies' general ledger transaction data to be continuously updated; and
- review of the NSW Government Procurement Policy, including the Code of Practice for Procurement and other related documents.

An important policy objective is to use the NSW Government's procurement system to promote innovation. This includes seeking new products, processes or services, or delivering services in new ways.

In relation to ICT procurement, the implementation of the procurement reform actions under the *NSW Government ICT Strategy 2012* will extend into late 2013, supporting the implementation of the Government's wider vision for ICT through 2014 and beyond.

## **Part IV (13): Internal Efficiencies – Public Sector Insurance and Worker’s Compensation**

The Commission found that there are a number of NSW Government agencies and entities that are not Treasury Managed Fund (TMF) member agencies. The Commission argues that all NSW Government agencies and entities should utilise the TMF scheme for their insurance requirements.

Also, the Commission noted concern about the recent rise in the number and cost of public sector workers’ compensation claims. However, the Commission also noted that a number of actions have already been taken to address this adverse trend and recommended that effective case management be improved to ensure optimal return to work outcomes.

The Government has moved quickly to make greater use of the benefits of the TMF scheme and will mandate new requirements for agencies.

The Government will also deliver key reforms to reduce the cost of workers’ compensation premiums for agencies and to improve the outcomes for public sector employees injured at work. In developing an appropriate package of reforms, the NSW Government will take the findings and recommendations of both the Commission and the current Parliamentary inquiry into Worker’s Compensation into account.

### **Future Reforms in Public Sector Insurance and Worker’s Compensation**

As noted above, the Government has decided to strengthen public sector insurance arrangements in line with the Commission of Audit’s recommendations.

All agencies, other than electricity generators and suppliers, will be mandated to consult with the NSW Self Insurance Corporation (SICorp) with a view to obtaining entry to the TMF for the 2013-14 Fund Year for all their insurance requirements.

Also, those agencies that do not take up membership of the TMF will be required to demonstrate that their existing arrangements offer equal or better coverage to that offered by TMF at an equal or better price.

Mandating the use of SICorp and the TMF for all insurance needs will provide transparency to the cost of insurance to government while providing balance sheet protection.

It is estimated that mandating the use of SICorp for all insurance needs will result in savings of 30 per cent or more for non-member agencies over commercial insurance arrangements.

This proposal will also work to reduce the State's aggregate risk profile through better whole-of-government management of risk.

## **Part IV (14): Internal Efficiencies – Concessions**

The Commission found that the NSW Government provides a wide range of concessions in the form of discounts, subsidies, rebates, waivers and exemptions, as well as in the form of concessional treatment on a number of state duties and taxes. The Commission identified that there is no overriding framework to prioritise, set or evaluate commitments in this area noting that some concessions may be poorly targeted, ineffective or no longer a priority.

The NSW Government is committed to restoring the State's finances and to improving the efficiency and effectiveness of government expenditure, including on concessions. In NSW 2021, the Government's 10-year plan to guide policy and budget decision making, priority actions include the development of comprehensive fiscal and savings strategies.

The development of a comprehensive whole-of-government policy framework for concessions as well as periodic reviews of all concessional arrangements align closely with the strategic savings already achieved through in-depth reviews of agency expenditure.

From 1 July 2011, the NSW Energy Rebate was replaced with a new Low Income Household Rebate, providing eligible customers with \$200 a year assistance with their energy bills (rising in value each year to \$235 on 1 July 2014). In addition, the Family Energy Rebate will commence in 2012 and provide eligible families with an additional \$75 a year assistance (rising each year to \$150 in July 2014). Low income families will be eligible for both rebates, up to a cap of \$250. The Family Energy Rebate will be reviewed after five years of operation. Customers may also be eligible for the NSW Life Support Rebate, Medical Energy Rebate, or support under the Energy Accounts Payment Assistance (EAPA) Scheme.

### **Future Reforms to Concessions**

Concessions are an important method of the Government promoting equity to individuals, families, small businesses and other organisations, and ensuring access to essential services. The Government is committed to maintaining a system of concessions that moderate the impacts on those in society who face the greatest financial pressures, but that is financially responsible and well targeted.

For example, as part of the *Building the State* package announced in the 2012-13 Budget, the Government will be extending its support for home buyers who purchase new properties. The package targets spending where it is needed most, shifting incentives to promote an increase in the supply of new homes.

Over the coming years, the NSW Government will continue to undertake efficiency and effectiveness reviews on a rolling basis to ensure that all Government expenditure is both properly targeted and achieving the desired results.

This is consistent with the Commission's recommendations that concessions be reviewed and subject to a comprehensive whole of government policy framework.

The Commission also recommended the establishment of a central access point or portal in Plain English for people seeking information about concessions and with a simplified application process.

This is consistent with the Government's commitment to deliver a new service culture that is responsive to community need. The Government's future reforms in this area include the establishment of a Customer Service Commission, led by a Commissioner to improve service design and delivery.

The Government is also establishing a single 24/7 NSW Government phone number, a customer-friendly government web portal and one-stop shops where multiple transactions are carried out. The Commission's recommendations are consistent with the Government's reform direction for service delivery and could be integrated easily into their development and delivery.

## NSW Government Response to the Commission of Audit (Final Report)

No.	Recommendation	Response
<b>Expenditure</b>		
1	<p>The Commission recommends that each year NSW Treasury review the allocation of general government current expenditure to check that it is reflecting government policy and priorities, namely improving the capability of the public service, devolution of service delivery to more local levels, strengthening non government organisation (NGO) arrangements, focussing on early intervention, keeping people healthy (prevention) and out of hospital, and improving medium to long term planning.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>This detail will be required to be included in cluster budget submissions. The Government would then be in the appropriate position to have a high-level overview of current expenditure and make decisions to align with current Government policy and priorities.</p>
2	<p>The Commission recommends that each year NSW Treasury review the allocation of capital expenditure to check that it is reflecting government policy and priorities, namely an increase in IT spending to enable devolution, a focus on transport, critical infrastructure including freight and port connections, further road upgrades, and an increase in IT systems to improve financial reporting and management of people and physical assets.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>This detail will be required to be included in cluster budget submissions. The Government would then be in the appropriate position to have a high-level overview of current expenditure and make decisions to align with current Government policy and priorities.</p>
3	<p>The Commission recommends that the reporting of Public Trading Enterprises in the Budget splits out non-commercial Public Trading Enterprises so that their increasing capital expenditure and debt, and reliance on general government is not hidden through their aggregation with commercial Public Trading Enterprises.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>This was implemented in the 2012-13 Budget.</p>

No.	Recommendation	Response
4	<p>The Commission recommends that the general government operating result (generally called the Budget result) should be managed to avoid a deficit in order to achieve sustainable current expenditure.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The 2012-13 Budget contains measures to restrain expense growth, return the Budget to significant surplus and slow the growth in net debt, while reducing the infrastructure gap and introducing reforms to grow the State's economy.</p> <p>The Government's fiscal strategy is set in accordance with the requirements of the <i>Fiscal Responsibility Bill 2012</i>. There is an explicit target of 'Annual general government expense growth to be less than long-term average revenue growth' which is put in place to achieve sustainable expenditure.</p>
5	<p>The Commission recommends that NSW Treasury review the target measure of 0.9 per cent of gross state product for general government net debt to gross state product and explain the reason for the chosen target. In this review they should consider both general government and the reliance of the non-commercial Public Trading Enterprise sector on general government.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government's fiscal strategy, announced in the 2012-13 Budget, together with the new <i>Fiscal Responsibility Bill 2012</i> removes the stated 0.9 per cent of Gross State Product target for net debt.</p> <p>The object of the Bill is to maintain the AAA credit rating, which requires the State to maintain a sustainable balance sheet including sustainable net debt levels in both the general government and non commercial PTE sectors.</p> <p>Also see Recommendations 3 and 4 above.</p>
6	<p>The Commission recommends that to achieve sustainability the budget operating result should aim to run a surplus each year of around \$500-900 million to fund general government and non-commercial infrastructure.</p> <p>Implementation Timeframe: Long Term (&gt;24 months)</p>	<p>Supported in principle.</p> <p>The Government's 2012-13 Budget forecasts the achievement of significant operating surpluses over the forward estimates.</p> <p>The Government's fiscal strategy is set in accordance with the requirements of the <i>Fiscal Responsibility Bill 2012</i>. There is an explicit target of 'Annual general government expense growth to be less than long-term average revenue growth' which will drive a structural improvement in</p>

No.	Recommendation	Response
		the operating result.
Health		
7	<p>The Commission recommends that HealthShare NSW should investigate whether some of its functions would be more effectively provided through outsourced arrangements.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government will consider outsourcing opportunities. These options will be developed for further market testing. This process will also assist in identifying and informing longer term opportunities where these represent value for money.</p>
8	<p>The Commission recommends that Health Infrastructure consider what level of capital project delivery should be done centrally, by the Ministry for Health, and what should be the responsibility of the new Local Health Districts.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government will assess all Health infrastructure projects to establish which projects can be more efficiently and effectively delivered centrally and what decision making can be devolved to the local level.</p>
9	<p>The Commission recommends that Health discusses its reform progress (and difficulties) with the Directors General of the central agencies (including the Health Efficiency Improvement Taskforce and the Public Service Commission) at least annually; and seek their assistance when this is judged helpful.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>Health is currently undergoing significant governance and structural reform. A range of fora will be used to deliver this recommendation, including the Health Efficiency Improvement Taskforce (HEIT), which meets quarterly to provide inter-agency advice and support to Health in progressing reform and efficiency strategies.</p>
10	<p>The Commission recommends that NSW Treasury and NSW Health identify clearly what specific funding measures are required to meet the Health budget between now and the commencement of the National Health Reform Agreement in 2014-15.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>This will be met through the growth funding model that NSW Health operates under and will be considered as part of the normal Budget process.</p> <p>The key financial risk over the period up to 2014-15 is the impact of terminating National Partnership Agreements, where the Commonwealth has not yet committed to ongoing funding for new and additional services</p>

No.	Recommendation	Response
		that have been provided. Non-renewal of these Agreements will mean that funding earmarked for growth in demand will need to be redirected to maintain the services or those services funded by National Partnership Agreements will need to be wound back.
11	<p>The Commission recommends that the Ministry for Health and NSW Treasury examine the Health capital budget with a view to increasing it so that each Local Health District is able to meet maintenance standards and so that new facilities can be added when supported by business case assessments.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported in principle.</p> <p>The Government has agreed to review the quantum of Health funding through a comprehensive Health Strategic Capital Review which will also consider the need for improved capital planning (linked to LHD service plans), more rigorous prioritisation linked to service planning, the need for service reconfiguration (consistent with Garling Review recommendations) and improved project delivery.</p>
12	<p>The Commission recommends that the Ministry for Health set up training for Local Health District Boards and their senior management in effective engagement with clinicians and the community.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>A tender is being finalised for the supply, development and implementation of a Training Program for Members of LHD Boards. The training program is designed to build capacity of Board members and includes seven health modules with topics such as organisational culture, clinical governance oversight and clinical service planning. Training delivery will be done face-to-face and through e-learning. The Government will also update the Community Engagement Framework in 2012 to provide guidance to LHDs.</p>
13	<p>The Commission recommends that the Ministry for Health set up a system to monitor Local Health Districts consultation obligations and advise on how consultation may be improved. This system could be embedded in the existing Performance Framework for Local Health Districts.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>See comments at Recommendation 12.</p>

No.	Recommendation	Response
14	<p>The Commission recommends that Local Health Districts devolve both annual budgets and four-year budget forecasts to the cost-centre level, having assured themselves that financial and management systems, including accountability frameworks, are appropriate at that cost centre level.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government is committed to the staged rollout of budget accountability to LHDs.</p> <p>NSW Health has developed a state-wide Management Reporting Tool (SMRT) which is currently being utilised at the Management/Budget Accounting level within LHDs. The next stage is to roll out desktop reporting at the cost centre level. Once the roll out, including the associated accountability framework, is complete the next stage will be the devolution of annual budgets and budget forecasts to the cost centre level.</p> <p>Also note comment on the education and training of clinicians and health managers at Recommendation 17.</p>
15	<p>The Commission recommends that Local Health Districts and the Ministry for Health ensure they have adequate financial and administration support to undertake their new roles in managing a budget at both the Ministry for Health level and cost centre level.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The new structure of the Ministry and the devolution to LHDs of the intermediate “cluster” level of administration and services is designed to strengthen administrative and financial capacity under a devolved, purchaser provider model.</p> <p>Under the Activity Based Funding (ABF) reforms the transparency of real costs as they relate to clinical service delivery will facilitate devolved cost centre management.</p>
16	<p>The Commission recommends that the Ministry for Health prioritises the implementation of systems to allow the cost of services in different hospitals to be compared.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The introduction ABF will facilitate more transparent comparisons of the costs of public hospital services. Continued development of the SMRT design tool In conjunction with ABF will facilitate benchmarking.</p>
17	<p>The Commission recommends that the Ministry for Health and Local Health Districts continue to communicate and educate their workforce on their accountability, responsibility and governance</p>	<p>Supported.</p> <p>The NSW Health Financial Management Education Program will be rolled</p>

No.	Recommendation	Response
	<p>arrangements under the new reforms.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>out across the state. The program aims to increase the capacity of clinical directors and other managers to make more decisions at a local level in relation to their budgets and managing finances.</p> <p>Managers will undertake a course which is designed to assist in:</p> <ul style="list-style-type: none"> <li>• Understanding key financial principles and concepts;</li> <li>• Interpreting performance and making decisions across a range of report formats and information;</li> <li>• Sharing and communicating budget objectives and decisions made to support financial outcomes; and</li> <li>• Appreciate how their activities impact on their finances and how finances available influence activities.</li> </ul> <p>LHD Service agreements will now include Corporate Governance as a strategic priority. Chief Executives will need to ensure that the District has the skills and expertise to achieve service agreement priorities through:</p> <ul style="list-style-type: none"> <li>• building capacity of board members in key areas including governance, financial and operational and organisation culture; and</li> <li>• building management capacity of Executive and Health Service management.</li> </ul> <p>LHDs will be supported by tools and programs developed on a state-wide basis by the Ministry and by the Health Education and Training Institute (HETI).</p> <p>LHDs are also required to have good corporate governance by meeting the requirements of the Corporate Governance Compendium and ensure processes are in place to support and enhance staff awareness of statutory and organisational reporting requirements.</p>
18	The Commission recommends that the Ministry for Health identify	Supported.

No.	Recommendation	Response
	<p>and, where appropriate, modify state-wide policies and agreements that limit the options available to Local Health District Chief Executives to deliver high quality services within their Local Health District budget.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>The Government supports delivering greater flexibility for managers in LHD's in serving their local communities, matched by accountability for performance. However there are a number of issues where a statewide policy framework is appropriate.</p> <p>An example is allowing Chief Executives to have flexibility to negotiate remuneration above award subject to Ministry approval to mitigate the potential competition between LHDs for limited skilled workforce which may increase costs for LHDs.</p> <p>NSW Health will review existing policies, in consultation with LHDs to ensure that the benefits of these policies outweigh their costs.</p>
19	<p>The Commission recommends that the Ministry for Health's new ICT strategy should balance local and state-wide initiatives and set very clear standards for ICT state-wide. Consultation is required and a set of ICT operating rules established.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Ministry has initiated activity to inform the best way forward to establish clear consultative operating roles for the proposed agency eHealth NSW. The establishment of eHealth NSW will have responsibility for implementation of this recommendation.</p>
20	<p>The Commission recommends that the Ministry for Health and NSW Treasury investigate why innovations that could save money but which may need some upfront funds, are not being delivered.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government will encourage and support innovation. Where a business case can be established, funding will be brought forward to support upfront investment that delivers efficiencies in the longer term.</p>
21	<p>The Commission recommends that Local Health Districts investigate ways to establish partnerships with other parts of the health system, including between hospitals and local GPs, and between hospitals and residential aged care. The Commission recommends that the Agency for Clinical Innovation work with Local Health Districts to help establish these partnerships.</p>	<p>Supported.</p> <p>The Agency for Clinical Innovation will have a key role in identifying innovative models of care, which will be implemented in partnership with LHDs. LHDs also have a key leadership role, in partnership with Medicare Locals, in identifying new models of care, particularly chronic care and hospital avoidance models.</p>

No.	Recommendation	Response
	Implementation Timeframe: Medium Term (12 -24 months)	The Government is working with the GP Council, Aged Care Providers and Medicare Locals to explore new models of care for those residing in aged care facilities with a focus on hospital avoidance initiatives.
22	<p>The Commission recommends that the Clinical Excellence Commission (CEC) and Agency for Clinical Innovation (ACI) work with Local Health Districts to establish a framework for effective engagement with clinicians in the development and implementation of CEC and ACI recommendations. This role for the CEC and ACI should also be reflected in their Service Compacts with the Ministry for Health.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>This recommendation will be incorporated in Service Compacts agreed between the Ministry and ACI and CEC for 2012/13.</p>
23	<p>The Commission recommends that Local Health Districts, with the assistance of the Ministry for Health and the Health Education Training Institute (HETI) focus on building up their management and leadership capabilities. The Public Service Commission should, with HETI, review progress and assist where possible.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>Strong clinical and management leadership at facility and LHD level will be essential to achieve the intended benefits of devolution in Health. Work has already commenced to give effect to this recommendation.</p>
24	<p>The Commission recommends that the Ministry for Health articulate its capital investment priorities. The Ministry for Health and NSW Treasury should then investigate ways to increase funding for capital works from all potential sources, and make adjustments to the capital expenditure limit to ensure there is no disincentive in using non-government funding sources.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The NSW 2012-13 Budget allocates record amounts to improve and upgrade health infrastructure. NSW Health is establishing strategic capital planning functions to better plan for future health infrastructure and is working with Treasury to ensure that opportunities will be available to the private and non government sector to contribute to the delivery of Health infrastructure.</p>
25	The Commission recommends that the Ministry for Health articulate the timetable for implementing reform to the health system and commit itself to allowing the system adequate time to	<p>Supported.</p> <p>Given the magnitude of the changes to governance arrangements being</p>

No.	Recommendation	Response
	<p>adjust before benefits are expected. The current round of reforms should be allowed to bed down for around five years or more.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>put in place in NSW Health, it will take time to bed down the reforms.</p>
26	<p>The Commission recommends that Government and Local Health Districts define and communicate the level of service that Health can appropriately provide and what is provided at present within the community. This should include consideration of the appropriate level of out of hospital care, the role of the private health sector, primary health and aged care, and interactions with other parts of the Government such as the Department of Family and Community Services.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>LHDs have responsibility for planning health care services for their communities in consultation with public and private health care providers, clinicians and the community.</p>
27	<p>The Commission recommends that Local Health Districts pursue service and hospital reconfigurations that lead to more appropriate and safer mix of services in their Local Health District.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>LHDs will be developing their Health Care Service Plans over the next twelve months. These plans will identify the projected health service needs of their catchment population(s) and will formulate strategies for their networks of services to provide effective, efficient, and safe care. These plans will identify changes that may be required in the service mix across facilities.</p>
28	<p>The Commission recommends that the Ministry for Health select case studies of experience with devolution and use those case studies to assist in their transition to devolution. The case studies may be from another jurisdiction, outside the public sector or an entirely different business. Moving beyond the familiar may make the lessons of experience clearer.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>Further use of case studies and external expertise will be utilised to assist NSW Health to transition smoothly to the new governance arrangements. Experience in other Australian and overseas jurisdictions have already been used in developing the governance arrangements and ABF implementation.</p>

No.	Recommendation	Response
Education and training		
29	<p>The Commission recommends that:</p> <ul style="list-style-type: none"> <li>• TAFE Institute budgets be extended beyond one year and out to four years, and that retained earnings may be carried forward for use in the next year;</li> <li>• commercial 'fee for service' courses be increased and that Institutes be given the authority (and accountability) to pursue opportunities in a responsible manner; and</li> <li>• that the cost of corporate and shared services be identified and borne by the party (schools and TAFE) using that service.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government supports greater flexibility and accountability for TAFE Institutes.</p> <p>The NSW Government will look at all of these options as part of the broader review of TAFE governance and structure.</p> <p>TAFE and the Department of Education and Communities are organising an independent review on the identification of cost of corporate and shared services for TAFE, to be conducted over the next three to six months.</p>
30	<p>The Commission recommends that the TAFE sector adopt and prepare a long term strategy to achieve improved productivity, including more face to face hours for TAFE teachers and more flexible employment arrangements.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The NSW Government Wages Policy allows for higher wages in exchange for increased productivity. The NSW Government will pursue improved productivity in the the context of the Wages Policy.</p>
31	<p>The Commission recommends that the Department of Education and Communities continue to actively manage any remaining over-establishment staff and especially provide assistance and if necessary exits for poor performers to keep the number of staff on this list to a minimum.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>Ongoing action on school based staff, through audits of establishment and entitlements of schools, is being undertaken in consultation with NSW Public Schools and regions.</p> <p>Corporate staff covered by 2008 or 2011 Managing Excess Employees policies are actively managed in accordance with these policies.</p> <p>The Department of Education and Training continues to actively manage staff on the over-establishment list identified as poor performers.</p>

No.	Recommendation	Response
32	<p>The Commission recommends that:</p> <ul style="list-style-type: none"> <li>• The Department alert principals about any staff whose sick leave behaviour appears to be atypical. Principals should then undertake an investigation of sick leave in their school, to determine whether some individuals may be abusing their entitlement.</li> <li>• Principals implement measures to require the use of coverage provisions in the Award prior to temporary or casual staff being employed to cover for short term absences. Enforcement of this provision should be made by the school and related savings should stay with the school.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Department of Education and Training conducts annual sick leave monitoring for teaching staff in schools.</p> <p>Principals are advised annually where teachers have taken more than five individual sick leave absences that are not supported by a medical certificate and principals identify appropriate action.</p> <p>With the implementation of the new HR/payroll system principals will have access, through Manager Self Service, to current information about staff leave patterns which will assist them to manage staff leave in their school</p> <p>Principals have the authority to utilise coverage provisions in the Award prior to employing temporary staff.</p> <p>The Department of Education and Training is actively working with principals to identify and develop strategies to help reduce the amount of schools' global budgets being spent on short term casual relief.</p> <p>As part of the <i>Local Schools Local Decisions</i> reforms principals will have greater control of their local budgets and therefore more incentive to actively enforce coverage provisions in the Award.</p>
33	<p>The Commission recommends that the Department of Education and Communities review the cost of long service leave entitlements for NSW teachers, comparing these to other jurisdictions and examining options for reducing the cost of long service leave entitlements over the long term. For example, Teachers may prefer more pay rather than generous long service leave entitlements, and a negotiated settlement may be better for both teachers and the Education budget.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Noted.</p> <p>Long service leave/extended leave accrual for teachers vary across jurisdictions.</p> <p>Changes to teacher long service leave are not current Government policy, however arrangements will be reviewed in the context of the NSW Government Wages Policy.</p>

No.	Recommendation	Response
34	<p>The Commission recommends that the Department of Education and Communities, in consultation with the Public Service Commission, implement measures to improve the management of poor performing teachers.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>One of the commitments of the <i>Local Schools Local Decisions</i> reforms is to strengthen performance management, planning and development processes for all staff, including school administration and support staff, by the start of Term 4, 2012.</p>
35	<p>The Commission recommends that the legal autonomy for TAFE be considered as a matter of priority, in particular:</p> <ul style="list-style-type: none"> <li>• TAFE Institutes be established as separate corporate entities, reporting to the TAFE Commission, which would retain responsibility for overall coordination of TAFE policy;</li> <li>• the government provide TAFE Institute Directors with greater autonomy over the management of TAFE Institutes, including for financial and staff management; and</li> <li>• TAFE Institute Directors be given greater autonomy over the hiring and remuneration of staff, to acquire necessary management and training capabilities required in a competitive Vocational Education Training market.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The NSW Technical and Further Education Commission is a statutory body and is a reporting entity under the <i>Public Finance and Audit Act 1983</i>.</p> <p>The NSW Government is a signatory to the National Partnership on Skills Reform.</p> <p>TAFE NSW will be positioned to enable it to deliver on the Government's goals for vocational education and training in NSW including meeting the needs of industry and the community.</p> <p>The Government supports increased autonomy of individual TAFE NSW institutes under the overall coordination of the TAFE Commission.</p>
36	<p>The Commission recommends that:</p> <ul style="list-style-type: none"> <li>• demand management tools be used to ensure that the cost of a demand driven or entitlement based funding model is consistent with TAFE funding allocation</li> <li>• demand management tools, along with communication and information programs, be actively used to ensure that entitlement based funding models are consistent with future state wide skill requirements.</li> </ul>	<p>Supported in principle.</p> <p>The recommendation is broadly consistent with the policy direction of the Government's Smart and Skilled reform process. The Government has committed to the implementation of entitlement based funding under the National Partnership Agreement on Skills Reform. Under any entitlement model, demand management tools would be needed to ensure that demand does not exceed available funding.</p> <p>Demand management will also be implemented to help align demand with</p>

No.	Recommendation	Response
	Implementation Timeframe: Medium Term (12 -24 months)	State skills needs.
37	<p>The Commission recommends that the Department of Education and Communities at the cost centre clearly sets out the roles and functions to be done by the centre and by schools. This should identify resources (including staff no longer needed) and the additional resources needed at the school level. The aggregate budget will be generally stable but expenditure decreases at the centre and increases at a school level.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>This recommendation is consistent with <i>Local Schools, Local Decisions</i> reforms. Roles and functions will be clarified with the introduction of a new Resource Allocation Model being developed in 2012.</p>
38	<p>The Commission recommends that:</p> <ul style="list-style-type: none"> <li>• NSW Government proceed with greater autonomy in NSW schools, particularly in relation to staffing and financial management;</li> <li>• as part of the implementation of greater school autonomy, detailed consultation and profiling of schools be undertaken to identify those schools where greater autonomy can be provided in the near term;</li> <li>• for other schools, the government invest in leadership development and training for schools, in advance of providing greater autonomy; and</li> <li>• a structured program of school leadership and support be developed for both current and future school principals.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>This recommendation is consistent with <i>Local Schools Local Decisions</i> reforms currently in progress. Specific commitments include:</p> <ul style="list-style-type: none"> <li>• School leaders have leadership and management credentials before being eligible for leadership positions.</li> <li>• Current school leaders have access to professional development in the transition to greater authority, starting from Term 3, 2012.</li> </ul>
39	<p>The Commission recommends that the Department of Education and Communities select case studies of experience with devolution and use those case studies to assist in their transition to</p>	<p>Supported.</p> <p>The Government has previously used case studies from other jurisdictions in developing specific aspects of the reforms, e.g. a new resource</p>

No.	Recommendation	Response
	<p>devolution. The case studies may be from another jurisdiction, outside the public sector or an entirely different business. Moving beyond the familiar may make the lessons of experience clearer.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>allocation model. Expert advice from specialists with broad experience in a range of contexts, including the private sector, is being sought to inform detailed design of the future state.</p> <p>Case studies of the 47 Schools Pilot project and the National Partnerships: Empowering Local Schools program will also provide case studies that may be used to assist with devolution.</p>
<p>Family and Community Services</p>		
40	<p>The Commission recommends that the NSW Government reach agreement with not for profit community organisations on the establishment of a community partnership forum along the lines of that in Western Australia. The Forum should establish its own set of principles and behaviours and require a high level of continuous participation and commitment from both government and not for profit members.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported in principle.</p> <p>Subject to the detailed consideration of Government, the proposal to develop a NSW Partnership Forum provides a unique and innovative opportunity for Family and Community Services to lead or be part of the development of a whole of NSW government partnership approach. It is anticipated that the development of the Partnership would assist the Department of Family and Community Services in driving a sector reform agenda to:</p> <ul style="list-style-type: none"> <li>• Develop capacity within non-government and government agencies alike, especially in governance, leadership, management and investment, to manage sustainable growth;</li> <li>• Strengthen the existing partnership approach where government and NGOs work together and use their strengths to deliver real outcomes;</li> <li>• Build a sustainable workforce, undergoing substantial growth and change;</li> <li>• Shift to innovative funding approaches which encourage improved services and better outcomes for vulnerable people; and</li> <li>• Balance regulation for strengthened outcome-focussed accountability, without imposing unnecessary costs and administrative burdens which</li> </ul>

No.	Recommendation	Response
		detract from delivering services for people.
41	<p>The Commission recommends that the NSW government transition to a performance-based contracting model for all services provided by the Non Government Organisations (NGO) sector. This model should provide strong assurance around the quality, effectiveness and efficiency of services provided by the sector but give flexibility in how funding is spent.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government will ensure that Family and Community Services will continue to move towards performance based contracting of Non-Government Organisations, noting that improved and more effective services in Family and Community Services will require improved contract management, including for more effective controls over the provision and ongoing management of funding.</p>
42	<p>The Commission recommends that the Department of Family and Community Services increase its commercial and contract management capabilities to allow it to effectively undertake its significant contracting function and become an effective purchaser of services.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government agrees with the Commission’s Interim Report on Public Sector Management which highlighted that there are a number of areas where synergies can be driven across Family and Community Services to improve services and lives. These include grants administration, case management and prevention and early intervention programs (p. 160).</p> <p>The Government recognises that the sourcing arrangements that Family and Community Services use for allocating funding are not ‘procurement’ in the traditional sense. Funding is not provided on a fee for service basis and the expectation through Funding Agreements is that a co-contribution will be made to the delivery of services by the Non-Government Organisation (through fees and other sources). In the main, Family and Community Services specifies the service type and specifications that will be funded, but the method of delivery is a matter for Non-Government Organisations and will be tailored around the specific circumstances of the people to be supported or the local community.</p>
43	<p>The Commission recommends that the growth of the NSW Community Housing Sector should be conducted in a staged approach to enable capacity building of the Community Housing</p>	<p>Supported.</p> <p>The Government believes that improving services in social housing needs providers, whether government or non-government, that have the</p>

No.	Recommendation	Response
	<p>Sector and greater clarity around matters relating to governance and cost.</p> <p>Implementation Timeframe: Long Term (&gt;24 months)</p>	<p>capabilities to manage assets effectively and improve services to transition tenants from dependence.</p> <p>There has been extensive modelling of the benefits of community housing provision and the cost savings to Government beyond the UK example cited in the Report. NSW has established both a performance based contracting framework and an outcomes based regulatory system for the sector. The new contracting and performance management regime for the Community Housing Sector introduced in 2012 will also look to set operational benchmarks for the sector. The Government agrees that further growth of the community sector be properly informed and appropriately staged, noting capacity building and industry development over the last 15 years. This includes larger providers who in recent years have introduced new business models, brought more skills on to their Boards and developed commercial expertise and new capabilities.</p>
44	<p>The Commission recommends that the decisions by Government to transfer further social housing stock to the Community Housing Sector, over and above the 6,019 dwellings currently committed, should be undertaken in an informed manner to achieve this. Family and Community Services should implement an evaluation framework to clarify the achievements of Community Housing Providers with the current round of stock transfers.</p> <p>Implementation Timeframe: Long Term (&gt;24 months)</p>	<p>Supported.</p> <p>The Government is developing a Social Housing Strategy for NSW. Any further transfer of state-owned public housing assets to community providers will be subject to evaluation of the effectiveness of any transfers made to date, including the capacity for providers to leverage additional finance and deliver new supply; the capacity for providers to meet ongoing operational costs, such as repairs and maintenance over the life of the asset; and improved services and lives for tenants, including transitioning social housing from entitlement to transition from dependence.</p> <p>Also see comments at Recommendation 43.</p>
45	<p>The Commission recommends that NSW agencies investigate other opportunities to pilot individualised funding models, including across health services and services for the ageing.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government acknowledges that its direct influence on ageing services will alter from 1 July 2012 with the transition of the Home and Community Care (HACC) program to the operational responsibility of the Australian</p>

No.	Recommendation	Response
		<p>Government.</p> <p>Individualised funding packages may allow for a more effective and efficient provision of services in certain areas. Individualised funding packages are being progressively introduced by 2013-14 in NSW with regards to disability support services and international experience primarily from the UK suggests that such models may be applicable to areas such as mental health services and chronic conditions.</p>
46	<p>The Commission recommends that the NSW Government trial a centralised Family Recovery Unit (hosted by the Department of Premier and Cabinet) which is able to provide intensive support programs for multiple and complex needs families.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Partially supported.</p> <p>The Government supports the establishment of a trial Family Recovery Unit.</p> <p>The Government will further consider the appropriate location for such a unit, but notes that it will require an agency that has the expertise and infrastructure to support intensive family case management and child protection services, as well as the capabilities to coordinate service delivery with other agencies.</p> <p>Strong governance structures will also be required to support the unit.</p>
Justice: Police, Corrective Services and Juvenile Justice		
47	<p>The Commission recommends that the NSW Police Force adopt revised workforce allocation practices that allow resourcing at the Local Area Command level to be more flexible and efficient and better attuned to community needs. In particular, the authorised strength concept should be replaced by outcome measures that allow more flexibility in the NSW Police Force.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>An independent review of the NSW Police Force has been conducted which recommends a more effective allocation of police resources to meet community needs, including more officers assigned to frontline duties. The Government is currently exploring ways to implement these recommendations.</p> <p>The Government is considering the proposal to replace the concept of authorised strength with outcome measures, and will report on this issue by the end of the year.</p>

No.	Recommendation	Response
48	<p>The Commission recommends that the Department of Attorney General and Justice should evaluate the effectiveness of offender management programs with a view to consolidating and rationalising less effective programs and investing in the more successful ones.</p> <p>Implementation Timeframe:</p>	<p>Supported.</p> <p>The Department of Attorney General and Justice is conducting a review of offender management programs to evaluate the effectiveness of these programs. Following the completion of this review, the Government will invest program funds in those interventions that will deliver the highest rate of reduction of offending and crime. It will divest in programs for which there is no evidence of efficacy.</p>
49	<p>The Commission recommends that the trial of the Social Benefits Bonds be monitored and after three years evaluated for progress to date.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>An evaluation of the trial will be included in the development of the scheme.</p>
50	<p>The Commission recommends that:</p> <ul style="list-style-type: none"> <li>• the NSW Mental Health Taskforce and the subsequent NSW Mental Health Commission should include a suitable level of focus on mental health issues that impact corrective services;</li> <li>• greater investment be made in prevention and early intervention programs to ensure that individuals with mental health problems receive the support they need well before they offend and end up in the prison system; and</li> <li>• the NSW Government should continue to engage the Commonwealth Government on the matter of funding for increased mental health services.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Mental Health Commission will be established from 1 July and will ensure there is quarantined and accountable funding for mental health expenditure, and that resources are focused on where they are most needed. Providing services and support within the community and the health system to those suffering from a mental illness may reduce the risk of them ending up coming into contact with the criminal justice system.</p> <p>The Law Reform Commission is conducting an inquiry into <i>People with cognitive and mental health impairments in the criminal justice system</i>. This inquiry has been split into two reports, with the first report on diversion now complete. The second report, which concerns sentencing, fitness to be tried and other matters, will be finalised in November 2012. The Department of Attorney General and Justice will work closely with the Mental Health Commission to assess the reports.</p>
51	<p>The Commission recommends that negotiations around the next</p>	<p>Supported.</p>

No.	Recommendation	Response
	<p>Corrective Services Industrial Agreement should ensure that provisions that affect staffing deployment and levels do not impact better and more effective service provision.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>The Award is due for review in November 2012.</p>
52	<p>The Commission recommends that the Government should explore further opportunities to outsource correctional facilities with appropriate governance and performance frameworks.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government is engaged in an ongoing reform process within Corrective Services NSW which aims to reduce both the cost of the prison system as well as a reduction in the volume of offenders coming into the system. A key component of this reform process is to identify best practice benchmarks for prison operations that can be applied to both private and public sector models.</p> <p>The Government will complete the first phase of reforms to Corrective Services NSW in 2012 which will see devolution of management functions to the individual facility level.</p> <p>The second phase of reform has commenced and involves a comprehensive review of key functions within Corrective Services NSW, such as the transport of juvenile and adult offenders, to identify more cost-effective arrangements. This work includes assessing the opportunity for outsourcing some functions.</p>
53	<p>The Commission recommends that the Department of Attorney General and Justice examine the potential to outsource prisoner transportation and escort services in NSW and provide options for Government's consideration.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government is currently undertaking a review of prisoner transfer services – both adult and juvenile. The review of escort security arrangements will identify options for improved and more cost-effective arrangements for the transport of adult and juvenile offenders, including:</p> <ul style="list-style-type: none"> <li>• evaluation of the cost-effectiveness of current escort security arrangements;</li> <li>• identification of options for improved and more cost-effective escort</li> </ul>

No.	Recommendation	Response
		<p>security services that comply with existing legislative responsibilities for the transport of offenders, and the health and safety of offenders and staff. A component of this process will be an assessment of whether outsourcing will deliver financial and other benefits; and</p> <ul style="list-style-type: none"> <li>the provision of an implementation plan to transition to the recommended option.</li> </ul>
54	<p>The Commission recommends that the Government, through the Department of Premier and Cabinet, should examine measures to promote a concentrated and whole-of-government approach to dealing with juvenile crime.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government is developing a new model for responding to juvenile crime.</p>
55	<p>The Commission recommends that for the same reasons outlined for Corrective Services outsourcing should be considered and potentially bundled in the same tender process for the transport of juvenile offenders.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Noted.</p> <p>Refer to the response to recommendation 53 above – this initiative covers both adults and juveniles.</p>
<b>Transport</b>		
56	<p>The Commission recommends that strong support be given to Transport for NSW and Infrastructure NSW to enable long lasting transport plans to be developed and implemented in stages over future decades. NSW Treasury, the Department of Premier and Cabinet and the Department of Planning all have important support roles in this work.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government is in the process of developing a Long Term Transport Master Plan, a 20-year State Infrastructure Strategy and Metropolitan and Metropolitan and Regional Land Use Plans. These plans will be closely linked.</p>
57	<p>The Commission recommends that the proportion of expenses met</p>	<p>Noted.</p>

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	<p>from the RailCorp fare box increase to over 30 per cent. This would be achieved by a mix of cost savings and modest fare increases until the ratio of 30 per cent is reached. Fares should then increase by CPI each year.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>This is not current Government policy.</p>
58	<p>The Commission recommends that RailCorp's safety and engineering operations be reviewed and benchmarked to identify areas of unnecessary complexity and cost which are of limited or no safety benefit. Measures that lead to better transparency and accountability for safety and operating standards should be identified and implemented while maintaining or improving safety outcomes.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government supports transparency and the use of benchmarking to improve performance.</p> <p>As part of the Fixing the Trains program, the Government has announced:</p> <ul style="list-style-type: none"> <li>• the transfer of responsibility for asset standards from RailCorp to a newly established Asset Standards Authority within Transport for NSW. The design of the functions and organisational structure for this new organisation are being developed; and</li> </ul> <p>the transfer of responsibility for the delivery rail capital projects to the Transport Projects Division within Transport for NSW. This will include ten projects in delivery, such as the Automatic Train Protection, Digital Train Radio and Traction Supply Upgrade projects. The transfer of responsibility and the establishment of a revised organisational structure will commence on 1 July 2012.</p>
59	<p>The Commission recommends that RailCorp investigate whether additional outsourcing of maintenance and cleaning activities is more efficient than current in house arrangements. If so, more outsourcing should be implemented.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The 'Fixing the Trains' reform program includes the creation of a new public subsidiary – Transport Cleaning Services – to deliver cleaning services for stations and trains. A Request for Proposal (RFP) is to be released to solicit expressions of interest from suitably qualified and experienced organisations that can bring management and systems capability to support the new cleaning organisation.</p>

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		The review of RailCorp incorporated review of maintenance functions to identify opportunities to deliver improved customer service and better value for money.
60	<p>The Commission recommends that, as part of its reforms, RailCorp consider the feasibility of implementing one-person (driver only) operated trains and if feasible identify how long the move to such a system would take. The modifications and expenditure required to do so should be identified.</p> <p>Implementation Timeframe: Long Term (&gt;24 months)</p>	<p>Noted.</p> <p>This is not current Government policy.</p>
61	<p>The Commission recommends that the Government consider the feasibility of expanding the number of unattended stations across the NSW railway network, having regard to best practice.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Noted.</p> <p>This is not current Government policy.</p>
62	<p>The Commission recommends that NSW Treasury and Roads and Maritime Services Authority simplify the funding arrangements that apply following natural disasters and put in place a system that does not leave Roads and Maritime Services Authority carrying an unreasonable burden on its budget. Non state road costs should also be examined.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government is continuing to consider natural disaster funding sources, including from the Crown (subject to availability of Commonwealth funding) and higher than forecast weight tax revenues.</p> <p>The Government supports more efficient risk sharing between RMS and local councils on the cost of repairing roads damaged by natural disasters.</p>
63	<p>The Commission recommends that the Roads and Maritimes Services Authority bring forward a proposal to conduct a competitive tender for the road maintenance of the Southern Sydney road network.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The NSW Government is soon to consider the establishment of a network contract for road maintenance in South Sydney.</p>

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64	<p>The Commission recommends that the Roads and Maritime Services Authority, working with Councils, investigate and report back to Government on the potential opportunities to enhance the operation Road Maintenance Council Contracts (RMCC), including:</p> <ul style="list-style-type: none"> <li>• transitioning the current RMCCs to relational or alliance contract forms</li> <li>• for road maintenance purposes, “bundling” a number of adjacent Councils under single road maintenance contracts to enable pooling of capacity/capability and increase scale across Councils.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Partially supported.</p> <p>Road Maintenance Council Contracts are currently being examined, with an expected rollout from 2013/14.</p>
65	<p>The Commission recommends that to assist in managing reforms of motor registries appropriate benchmarking of the cost per face-to-face registry transaction be compared to online transactions. Such a benchmarking exercise could include data from Australia Post and other major transaction based operations.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government supports the greater use of online transactions, where they are appropriate, more cost effective and supported by customers. The Government is implementing Service NSW, a one stop shop strategy to deliver improved Government services to customers, including motor registry services.</p>
66	<p>The Commission recommends that the proposed “one-stop-shop” strategy for services should accommodate a range of channels that reduce the need for “face-to-face” transactions when customers interact with government. The number of motor registry and maritime offices should reduce, though service, convenience and choice for customers should improve. As part of these improvements Roads and Maritime Services Authority should examine the registration system used in Western Australia.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Service NSW “one stop shop strategy” to be implemented in NSW will offer the following channels:</p> <ul style="list-style-type: none"> <li>• A single 24/7 NSW phone service</li> <li>• A web portal with self service capability</li> <li>• One stop shops where multiple transactions are carried out efficiently for customers</li> <li>• Mobile applications that provide real time information</li> </ul>

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		<p>The first phase of implementation will include a single 24/7 phone service and enhanced web channel.</p> <p>NSW Government is focused on making transactions easier to complete and will examine the less paper-based system used in WA.</p>
67	<p>The Commission recommends that Transport for NSW's new performance-based Metropolitan Bus Contracts demonstrate cost efficiencies over the existing contracts where possible, target a reduction in dead running, ensure sufficient flexibility to accommodate long term development of bus services and establish appropriate Key Performance Indicators along with a reward/sanctions framework that is monitored.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>Privately operated metropolitan bus contracts will be competitively tendered in stages from 1 July 2012. The tender will be designed to drive service improvement for customers and efficiency.</p> <p>The new contracts will be performance based with a key performance indicator regime focussed on the customer value proposition (following extensive review of customer needs) and supported by a reward/sanction framework to drive service improvement to customers.</p> <p>The contracts are designed to have the requisite flexibility to support service change, including long-term strategic network development.</p>
68	<p>The Commission recommends that Transport for NSW investigates the possibility of franchising passenger rail services in NSW to ascertain whether such a move would improve commercial outcomes and service. If the franchise options appear to offer benefits a staged process of trial and possible implementation should be established.</p> <p>Implementation Timeframe: Long Term (&gt;24 months)</p>	<p>Supported.</p> <p>As described in Sydney's Rail Future (announced June 2012), rail systems, trains and operations on the North West Rail Link will be provided by a private operator under contract. It is expected the tender process for this contract will start in late June 2012.</p> <p>Sydney's Rail Future also outlines opportunities for additional private sector involvement in the operations of other lines on the network.</p>
69	<p>The Commission recommends that high priority continues to be given to the requirements emerging for Port Botany, Moorebank and the M5 expansion.</p>	<p>Supported.</p> <p>The NSW Government recognises the importance of Port Botany, Moorebank and the M5 expansion as priority projects.</p>

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	Implementation Timeframe: Short term (6 -12 months)	<p>NSW Government is a strong advocate of building an intermodal freight terminal at Moorebank as it is an essential component of the goal to double the proportion of container freight moved by rail through NSW ports.</p> <p>The Government is examining other potential priority projects to support the growth of the Sydney Airport and Port Botany Precinct.</p>
Electricity		
70	<p>The Commission recommends that capital expenditure efficiency for incremental capacity in electricity networks be systematically benchmarked, commencing in 2012 as a part of the network reform. In particular, attention should be on whether replacement rather than maintenance of existing assets is efficient.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government supports greater benchmarking of performance. The Government notes that the Australian Energy Regulator (AER) has stated that it will continue to develop more robust benchmarking techniques, and improve the quality of available information, in order to expand its usage of benchmarking in its evaluation of operating expenditure and capital expenditure proposals. NSW networks will be subject to these AER techniques as part of their distribution determinations.</p> <p>As part of the integration of NSW's distribution businesses, an operational baseline will be established against which efficiency savings made by the business, including capital expenditure savings, will be assessed over a four year period to ensure the delivery of at least \$400 million in savings.</p> <p>The Government also recognises that the reliability licence conditions set by Government impact the decisions made by the NSW distribution business in regards to replacing or maintaining existing assets. These licence conditions are currently subject to review by the Australian Energy Market Commission.</p>
71	The Commission recommends that the various state based environmental schemes aimed at encouraging renewable energy and sustainability be evaluated and those that are not achieving	<p>Supported.</p> <p>The NSW Government supports 20% of the NSW electricity supply being generated by renewable energy by 2020, however this must be achieved at</p>

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	<p>their objectives be closed down or modified.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>least cost to NSW electricity consumers.</p> <p>The Government has commenced a review of its climate change policy measures, consistent with commitments it has made through the Select Council on Climate Change and the COAG Business Advisory Forum.</p> <p>The Government has already announced the closure of the NSW Greenhouse Gas Reduction Scheme (GGAS) on commencement of the national carbon price. NSW has called on the Commonwealth Government to consider closing down the Renewable Energy Target (RET) scheme after commencement of the carbon tax. If not, then the Commonwealth should compensate households for the increased energy costs associated with the scheme or consider how the scheme could be made cost neutral. NSW has also closed the former Government's Solar Bonus Scheme to new customers.</p> <p>The NSW Government is working with the Victorian Government to increase alignment between NSW's and Victoria's energy efficiency savings schemes, to: promote economic growth and competitiveness; make it easier to do business; and put downward pressure on the cost of living and running a business.</p>
72	<p>The Commission recommends that the NSW Government re-evaluates the decision-making process and business cases for major investments and projects of state significance based on the likely market scenarios, timeframes for economic payback and the evolving regulatory environment. Business cases should also be supported by Gateway reviews.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	Supported.
73	<p>The Commission recommends that the Board and CEO of the new electricity Holding Company ensure that a robust baseline is agreed so that benefits realisation can be planned and measured</p>	<p>Supported.</p> <p>Work is already well progressed by the project managers of the NSW</p>

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	<p>within an implementation program.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	Network Integration Project.
74	<p>The Commission recommends that the options and appetite to divest the public ownership of Snowy Hydro Limited be reviewed.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Noted</p> <p>This is not current Government policy.</p>
75	<p>The Commission recommends that the government undertakes a study that considers the scope and implementation strategy for the privatisation of state owned electricity utilities. The scoping study should address:</p> <ul style="list-style-type: none"> <li>• Structure</li> <li>• Improvements</li> <li>• Likely market interest and price</li> <li>• Timing</li> <li>• Sale structure</li> <li>• Consultation with community interest groups</li> </ul> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government has announced its intention to transact the sale of Government owned generation assets as well as development sites and the sale or lease of the Cobbora mine, as recommended in the Final Report of the Special Commission of Inquiry into the Electricity Transactions (the Tamberlin report).</p> <p>A scoping study will be undertaken as part of this process. The Government has stated that it will not privatise NSW's "poles and wires" (network distribution businesses) without an electoral mandate.</p>
76	<p>The Commission recommends that NSW Treasury should assess any likely regulatory reforms in electricity and evaluate their impact on each possible sale scenario.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government has stated that it will not privatise NSW's "poles and wires" (network distribution businesses) without an electoral mandate.</p>
Water		
77	<p>The Commission recommends that IPART review the Operating</p>	Supported.

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	<p>Licences of the water utilities with the aim of producing a more simplified less cumbersome Licence that maintains water quality and appropriate delivery standards.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>The Government supports the concept of streamlining and simplifying licences. IPART undertakes 5-yearly periodic licensing reviews, and opportunities for streamlining and simplification should be taken as licences become subject to review.</p> <p>IPART's review of Sydney Water's operating licence in 2009 (current licence 2010 to 2015) already saw a significant shift from predominantly prescriptive requirements, with elements of adaptive/outcomes orientated approaches (water quality, asset management and environmental aspects) to a combination of outcome orientated obligations and prescriptive conditions.</p>
78	<p>The Commission recommends that IPART review the Operating Licences of water utilities and recommend a change to standards and other requirements that do not meet cost/benefit criteria.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>Cost -benefit considerations are able to be incorporated into IPART's periodic review of licensing.</p>
79	<p>The Commission recommends that the Department of Premier and Cabinet, NSW Treasury and IPART examine the IPART Act with the intention of improving IPART's regulation by making its objectives clear. As the water industry becomes more competitive with more private sector involvement it is also timely to consider the introduction of an Appeal or Review mechanism.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government supports the principles of best practice regulation, including the use of merits reviews where appropriate. The Government will consider clarifying IPART's objectives, however the Government notes that Section 15 of the IPART Act requires that IPART give consideration to commercial, asset return and social impact issues. The Department of Finance and Services will also be included in any such review.</p>
80	<p>The Commission recommends that IPART be subject to merit based reviews of its decisions and that work commence on the various options to achieve this outcome.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government supports the principles of best practice regulation, including the use of merits reviews where appropriate.</p>

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81	<p>The Commission recommends that IPART ensures that the access regimes for water and wastewater encourage competition and new entrants, while ensuring that the access owner receives a commercial return on their assets.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The <i>Water Industry Competition Act 2006</i> was introduced to facilitate private sector entry into the water market in NSW. To encourage competition, Part 3 of the WIC Act establishes an access regime for third parties to seek access to existing infrastructure that is either declared under the Act or, for which a service provider has voluntarily provided an access undertaking to one or more of its services.</p> <p>The WIC Act is currently being reviewed. The Government will further consider whether improvements can be made to the WIC Act to better promote competition and new entry, balanced against ensuring that there is a sustainable framework for investment in water infrastructure.</p>
82	<p>The Commission recommends that Sydney Water and Hunter Water examine options to extend the competitive tender of operations, maintenance and lease / ownership of new and existing water treatment and wastewater treatment and recycled water plants. A public private partnership approach should also be considered as part of this analysis.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>While water utilities currently outsource aspects of their operations, the Government recognises that there are further opportunities for greater use of the private sector, where this is cost effective.</p> <p>The Government also supports public private partnership and/or sale and lease back opportunities for future investment in recycled water and water treatment infrastructure, including for the Kooragang Island Advanced Water Plant (recycled water), provided these opportunities meet a public sector comparator.</p>
83	<p>The Commission recommends that Sydney Water and Hunter Water investigate the option of moving their billing system from a property base to a person base, similar to that for energy customers.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported in principle.</p> <p>Recent changes to the <i>Residential Tenancies Act 2010</i> already encourage tenants to become more aware of the amount of water they use. Direct billing would be consistent with this reform direction.</p> <p>It is noted that, an advantage of the current property billing arrangements is that outstanding debts are secured against the property, helping to facilitate very high levels of debt recovery and improving the credit rating</p>

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		of these utilities.
84	<p>The Commission recommends that the Sydney Catchment Authority review future water supply for specific parts of Sydney and the Illawarra where resilience of supply may not be sufficient.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>This is addressed as part of the <i>Metropolitan Water Plan</i>, which assesses water supply and demand in a range of scenarios to ensure an adequate buffer of supply over demand even for possible local depletion.</p>
85	<p>The Commission recommends that the Department of Finance and Services and the Department of Planning set out strategies for community consideration about the long run security of water supply in the lower Hunter.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government has announced the development of a comprehensive Lower Hunter Water Plan, based on COAG's National Urban Water Planning Principles, that aims to provide water security during drought; ensure reliable water supplies to meet growing water demand; and help protect aquatic ecosystems.</p> <p>The development of the Plan will be overseen by an Independent Water Advisory Panel which includes members with recognised expertise and experience relevant to water planning and knowledge of the lower Hunter region.</p>
86	<p>The Commission recommends that Sydney Water investigate further ways to improve productivity in its maintenance work. This review should examine existing outsourced contracts, work practices internally and how more maintenance work can be outsourced if that is the most cost effective option.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>Sydney Water is exploring ways in which it can improve productivity in its maintenance work, including seeking legislative changes to clarify arrangements for the use of contractors for road restorations and in March 2012, developed a comprehensive maintenance sourcing strategy which identifies areas of maintenance work where it is more cost effective to outsource work.</p>
87	<p>The Commission recommends that IPART examines the gap between its regulated asset base (RAB) value and the Modern Engineering Equivalent Replacement Asset (MEERA) value and takes steps to have the RAB value approach the MEERA or</p>	<p>Supported.</p> <p>In May 2012, the NSW Government approved IPART undertaking a review of bulk water charges which will specifically require IPART to take this</p>

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	<p>depreciated optimised replacement values over a shorter time frame that is currently the case.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>recommendation into account.</p> <p>Depending on the outcomes of this review, Government will consider whether IPART should extend this work to all water utilities.</p>
88	<p>The Commission recommends that the three urban utilities, Sydney Water, Hunter Water, and the Sydney Catchment Authority continue to improve their commercial outcomes and that IPART and the shareholders put in place a strategy that will move the utilities to a more commercial capital structure.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The three utilities already have in place a number of tools which drive improved commercial outcomes, including productivity objectives enshrined within their enabling legislation and forward business plans. NSW is supportive of further strengthening and formalising these objectives to drive productivity and efficiency.</p>
89	<p>The Commission recommends that the regulator of State Water examines its regulated asset base and its MEERA (Modern Engineering Equivalent Replacement Asset) base value and consider how to bring the two more closely together over a reasonable period of time.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government has committed to refer to IPART Terms of Reference to undertake a review of rural bulk water prices. As part of this review IPART will examine the gap between the regulated asset base value and the Modern Engineering Equivalent Replacement Asset value and identify options to improve cost recovery in this respect.</p>
90	<p>The Commission recommends that an independent review be conducted of the standards set by the Dam Safety Committee following a thorough risk and cost benefit assessment.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>Given the recent high levels of rainfall over much of NSW, the Brisbane floods in 2011 and the resulting Commission of Inquiry, it is considered timely to ensure that the NSW Dam Safety Committee and the <i>Dams Safety Act 1978</i> undergo a review to ensure they are effective.</p> <p>While the probability of a dam failure under existing standards is extremely low, the consequences of a major dam failure is likely to be catastrophic in terms of damage to property, potential loss of life, and potential severe impact on security of supply for rural and/or urban water users. These factors need to be carefully considered in any review of dam</p>

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		<p>safety standards.</p> <p>The Government will further consider the timing, terms of reference and appropriate skill set to undertake this review.</p>
91	<p>The Commission recommends that State Water and its present and future regulator examine its capital structure and propose changes that would leave State Water financially viable.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported in principle.</p> <p>The Government will ensure that State Water's capital structure is examined as part of any future review of State Water, in consultation with affected agencies.</p>
92	<p>The Commission recommends that the Office of Water regularly reports to the government in some detail on progress made in each of the rural and regional water utilities to improve performance. Where local utilities are not compliant with drinking water standards, the actions being taken to remedy the situation and over what timeline, should be specified.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported in principle.</p> <p>The NSW Office of Water reports on the status of rural and regional water utilities through the annual NSW Water Supply and Sewerage monitoring and benchmarking reports.</p> <p>Although ensuring local utilities meet relevant standards is primarily a matter for Local Government, the Government will consider opportunities to improve the water quality provided by, and opportunities to improve the management of local water utilities.</p>
93	<p>The Commission recommends that the government consider moving the operational activities of the Office of Water to State Water. The regulatory roles of the Office of State Water should be reviewed and made clear.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported in principle.</p> <p>The Government will consider the institutional and administrative arrangements in the water portfolio, including giving consideration to other areas of duplication such as operational duplication between NSW Office of Water and NSW Public Works.</p> <p>It is noted that a review of rural water functions undertaken by the Department of Trade and Investment, Regional Infrastructure and Services found that the current organisational structures and functional responsibilities of the NSW Office of Water and State Water Corporation largely conform to relevant statutory obligations and are consistent with the National Water Initiative (NWI) principle of separating the resource</p>

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		<p>regulator and the resource operator. The review also found that little duplication exists across water agencies and that further efficiency savings will require significant ongoing effort.</p> <p>The review recommended that the management of regulated and unregulated river metering functions (including meter ownership, installation, maintenance, and staff) be transferred to SWC. The review also found that it was appropriate for NOW to retain other operational functions, such as the Hydrometric network, but that increased efficiencies could be achieved through the introduction of contestability for operational programs.</p>
<b>Workers Compensation</b>		
94	<p>The Commission recommends that the Government should request the WorkCover Authority to consider a number of reform options to improve injury management and return to work outcomes under the WorkCover Scheme. WorkCover should liaise with other jurisdictions and consider directions taken elsewhere. The objective is to reduce the cost of weekly payments and in due course lead to lower employer premiums. Reform options should be presented to Government for consideration and should cover:</p> <ul style="list-style-type: none"> <li>• the introduction of a specialist return to work inspectorate</li> <li>• revised Scheme Agent remuneration structures to create better incentives for improvements in active case management</li> <li>• enhanced incentives, or penalties, to encourage employers to offer suitable duties or not terminate the employment of workers who have made a claim</li> <li>• changes to work capacity certification, that is arrangements whereby an injured person's capacity to do work is medically</li> </ul>	<p>Supported.</p> <p>The Government has already taken steps to reform the Workers Compensation Scheme in line with the direction of these recommendations. The reforms seek to ensure that the Scheme remains financially viable and that it better facilitates the rehabilitation and return to work of injured workers.</p> <p>The Government's proposed reforms substantially implement the recommendations of the Parliamentary Joint Select Committee inquiry and report on the NSW Workers Compensation Scheme.</p> <p>In addition, WorkCover has reviewed and adjusted its Scheme Agent remuneration arrangements. Improvement has been targeted in the key areas of Scheme deterioration (Work Injury Damages, Return to Work and Tail Claim Finalisation).</p> <p>Early monitoring shows significant improvement in Tail Claim outcomes since the introduction of the revised arrangements.</p> <p>A follow-up review of remuneration arrangements for 2013-14 has also</p>

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	<p>assessed, documented and used to support a return to work plan</p> <ul style="list-style-type: none"> <li>• introduction of specialist claims management providers</li> <li>• introduction of a work capacity test as a condition for receiving long term partial incapacity, i.e. weekly top-up payments – similar to the one used in Victoria and South Australia</li> <li>• changing the step-down in weekly benefit levels – the point in time when the weekly payment an injured worker receives changes to a lower rate.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>begun to provide a remuneration model that can readily adapt to emerging issues in the Scheme.</p> <p>WorkCover has commenced two claim management projects for severe injury and Work Injury Damages claims which will assess the need for specialist claim managers/ Agents.</p>
95	<p>The Commission recommends that WorkCover Authority should bring forward for Government’s consideration a number of legislative and procedural reforms that better manage the rising incidence of Work Injury Damages claims. The proposed reforms for Work Injury Damages Claims should serve to address the following concerns:</p> <ul style="list-style-type: none"> <li>• the current ineffective statute of limitations</li> <li>• ineffective testing of negligence by the Court and others</li> <li>• increasingly porous impairment threshold</li> <li>• ineffective testing of economic loss</li> <li>• incentives for legal providers and claimants to pursue damages at the expense of recovery and returning to work.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>See comment at Recommendation 94.</p>
96	<p>The Commission recommends that the WorkCover Authority should:</p>	<p>Supported.</p> <p>See comment at Recommendation 94.</p>

No.	Recommendation	Response
	<ul style="list-style-type: none"> <li>• prepare for Government’s consideration, a business case for introducing a regulation making power that would allow for specific determinations of what constitutes reasonable treatment and associated schedules of rates;</li> <li>• undertake further analyses across service types, commencing with the largest medical treatment types by cost to the scheme, to identify the extent of over-servicing and establish more thorough clinical guidelines;</li> <li>• enhance procedures and systems for early identification of aberrant provider behaviour and conduct targeted compliance interventions;</li> <li>• consider contracting a specialist organisation to negotiate highly complex fee schedules, e.g. private hospital fee schedules;</li> <li>• consider contracting a specialist third party to perform compliance reviews and invoice processing e.g. surgical and private hospital; and</li> <li>• investigate and report to Government on alternate medical certification avenues that better enable an early return to work.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	
97	<p>The Commission recommends that the WorkCover Authority should consult with the Health Care Complaints Commission and make a joint submission to the Government on improved and coordinated arrangements for investigating and responding to allegations of over-servicing and poor clinical practice.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Health Care Complaints Commission’s (HCCC) main service is investigating and dealing with complaints about health service providers in NSW. The Government will ensure that WorkCover approaches HCCC to contribute to implementing this recommendation.</p>

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		Also see comment at Recommendation 94.
98	<p>The Commission recommends that a comprehensive review of the NSW workers' compensation benefits regime should be undertaken. The review should seek to identify reforms to workers' compensation benefits that bring them more in line with other states, and balance the need to lower premiums and assist workers recover and return to work.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>See comment at Recommendation 94.</p>
99	<p>The Commission recommends that the WorkCover Authority, the Dust Diseases Board and the Life Time Care and Support Authority should jointly develop, for Government's consideration, options that allow their respective investment funds to be managed jointly in separate funds under a consolidated entity. Periodic independent reviews should also be undertaken to validate the ongoing performance, investment strategies and management of the funds.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Noted.</p> <p>The Government's reforms will replace the Boards of the WorkCover, Motor Accidents and Lifetime Care and Support Authorities, as well as the Sporting Injuries Committee with a single governing Board to oversee the schemes the Authorities administer. The Board will also be responsible for the investment policies of the Workers Compensation Insurance Fund, the Lifetime Care and Support Fund and the Workers Compensation (Dust Diseases) Fund.</p> <p>Also see comment at Recommendation 94.</p>
100	<p>The Commission recommends that the Compensation Authorities, working closely with Central Agencies, should examine options and provide recommendations to Government on approaches to merge the Compensation Authorities and achieve a greater commercial focus. This should be supported by a concise Charter and Statement of Business Intent which sets out expectations, objectives and targets for the merged Authorities. This structure may change once the scheme is stabilised.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Noted.</p> <p>Government's further consideration of this issue must be informed by a detailed evaluation of alternative operating structures and a supporting cost benefit analysis, and the potential risks of a restructure to the State's budget position need to be fully explored.</p> <p>See comments at Recommendation 94 and 99.</p>

No.	Recommendation	Response
101	<p>The Commission recommends that WorkCover should expand the Authority's staff capability and should discuss and implement this measure with the Public Service Commission.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government accepts the recommendation and WorkCover has commenced a cultural change program to improve staff capability to deliver business objectives.</p>
102	<p>The Commission recommends that WorkCover should investigate options to improve the data interfacing between itself and its Scheme Agents. This should include options to access more comprehensive live data feeds from its Scheme Agents or gaining real time access to their workers' compensation data systems.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government will conduct a feasibility study.</p> <p>Also see comment at Recommendation 100.</p>
<b>Corporate and shared services</b>		
103	<p>The Commission recommends that the Corporate and Shared Services reforms in each cluster include detailed plans that when implemented mitigate against the risks associated with change management, workforce capabilities, required staff reductions and technology that needs upgrading and/or is non-standard.</p> <p>Implementation Timeframe: Short term (6 -12 months) The Commission recommends that the importance of communication and change management in the Corporate and Shared Services reform be recognised in the preparation of a detailed communication plan for Directors General, CEOs, staff, agencies and to cover progress reporting to central agencies.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>Guidelines for Corporate and Shared Services Reform business cases are being prepared and include risk management plans for change management and workforce impacts.</p> <p>Each cluster is required to prepare a business case for consideration as part of the Government's Corporate and Shared Services Reform Program.</p> <p>The Corporate and Shared Services Reform Program is preparing a communications strategy for sector-wide information and advice on CSS initiatives, including progress reporting on major milestones.</p>
104	<p>The Commission recommends the following Corporate and Shared</p>	<p>Supported.</p>

No.	Recommendation	Response
	<p>Services strategies for the short-medium term:</p> <ul style="list-style-type: none"> <li>• The Health and Education and Communities clusters should continue to improve their single providers.</li> <li>• The clients of ServiceFirst and BusinessLink be moved to a new shared service provider (NewCo). This new service provider is to be gradually populated with systems and functions in a way that brings efficient service. The plan to transition certain clusters and agencies (such as Trade Investment Regional Infrastructure Services and the Office of Environment and Heritage) to this vehicle by 2015 should proceed.</li> <li>• The Transport cluster should continue to consolidate its shared services in-house and upgrade its systems. This will take at least a year. Consideration should then be given to using different sourcing strategies and amalgamation with other NSW Government shared service providers, including working with the NewCo on outsourcing certain functions.</li> <li>• The Attorney General and Justice cluster should continue with its plan to merge its shared services, based on Fire and Rescue NSW's systems. The Police Force should remain separate until the merger is complete, then should be amalgamated into it.</li> <li>• The Government must ensure that there is adequate investment in these transformations and that it is expertly managed.</li> <li>• The Department of Finance and Services should monitor the progress and benefits of the various CSS programs across the sector and report on progress (or otherwise) to Ministers in a robust and transparent way.</li> </ul> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>The Government has committed to a Corporate and Shared Services Reform Program, that will address the issues identified. Each cluster is required to prepare a business case for consideration as part of the Program</p>

No.	Recommendation	Response
105	<p>The Commission recommends that the Directors General of the Health, Education and Communities, Attorney General and Justice, and Transport clusters consider establishing a skills based board to oversight the provision of shared services within their cluster to drive a more commercial approach. Consideration should be given to whether the current governance structures are appropriate or whether a more commercial driven approach which better leverages independent expertise from the shared service industry may advance the introduction of more effective shared service arrangements.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Corporate and Shared Services Reform Program has engaged independent industry expertise to guide the strategy.</p> <p>Each Department will consider implementing skills-based Boards to govern their own corporate and shared services implementation plans.</p>
106	<p>The Commission recommends that the Department of Finance and Services should work with cluster Directors General to:</p> <ul style="list-style-type: none"> <li>• make clear that fleet policy is understood and complied with. Fleet cars should be pool managed and not exist for individual operational requirements;</li> <li>• install and activate GPS in government vehicles, after consultation with employees and their unions, to improve employee safety and vehicle utilisation;</li> <li>• introduce vehicle pools within a cluster, and across all agencies in the same geographic region, to improve utilisation and dispose of any surplus vehicles; and</li> <li>• standardise vehicles within specific agencies/clusters.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government is currently implementing the recommendations of the Fleet Efficiency Review. In addition to identifying savings opportunities to remove underutilised vehicles from the Government's fleet, priorities of the Review include:</p> <ul style="list-style-type: none"> <li>• developing strategic and operational fleet policies;</li> <li>• considering establishing pool and vehicle swap facilities; and</li> <li>• driving standardisation of vehicle specification through the whole of government motor vehicle contract.</li> </ul> <p>As part of the Fleet Efficiency review, the option of installing GPS units in fleet vehicles was found not to be cost effective, however the principles of greater employee safety and improved vehicle utilisation are supported.</p>
107	<p>The Commission recommends that the recent move to PCards be accompanied by a benefits realisation program in each cluster. This</p>	<p>Supported.</p> <p>This recommendation (in part) replicates the Government's earlier review</p>

No.	Recommendation	Response
	<p>should identify the changes in the type and numbers of transactions occurring and the positions that are redundant because of the change.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>of Purchasing Cards.</p> <p>Agencies are currently undertaking this process as part of the implementation of their PCards Program. The Government is committed to savings from procurement of over \$1 billion, and some reductions in staffing levels are anticipated as a result of these reforms.</p>
108	<p>The Commission recommends that:</p> <ul style="list-style-type: none"> <li>• the Director General of the Department of Finance and Services explore the benefits and risks of outsourcing of specific functions (eg payroll) the new vehicle servicing the clients of ServiceFirst and BusinessLink.</li> <li>• the Director General of the other clusters examine whether or not they wish to join the outsourced model for any specific services in that vehicle.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The recommendation to consider the benefits and risks of outsourcing specific functions will be considered as part of the development and assessment of the Corporate and Shared Services Reform Program .</p>
109	<p>The Commission recommends that:</p> <ul style="list-style-type: none"> <li>• the Department of Finance and Services develop an estimate of the investment required across the sector for the Corporate and Shared Services reform programs across the clusters;</li> <li>• NSW Treasury provision a central pool for clusters' investment in Corporate and Shared Services reform programs; and</li> <li>• Clusters monitor and check that benefits are being realised and take steps to ensure this outcome which in turn would cover their investment in the reform program.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Noted.</p> <p>This recommendation will be considered as part of the work program of the Corporate and Shared Services Reform Program and included in the benefits realisation strategy currently under development.</p> <p>Agencies will need to develop robust business cases to seek funding for proposed investments in corporate and shared services reforms.</p>
Procurement		

No.	Recommendation	Response
110	<p>The Commission recommends that the mandatory requirements to use whole of government contracts be applied only to those that clearly provide value for money for both the specific goods and the related services. Over time as contracts expire, the mandatory requirement to use whole of government contracts should be restricted to those that add value for money.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The State Contracts Control Board (SCCB) is moving away from whole-of-government, fixed-term panel contracts.</p> <p>The <i>Public Sector Employment and Management Amendment (Goods and Services) Bill 2012</i> abolishes the SCCB and its central contracting function, which will devolve to agencies, who will procure goods and services under a single Government regulatory and policy structure.</p> <p>The Department of Finance and Services is reviewing which current SCCB contracts should be remain mandated whole-of-government based on clearly demonstrated added value.</p>
111	<p>The Commission recommends that Transport, Education, and other heavy users of the Contingent Workforce Contract (C100) examine whether this large annual spend on temporary contract staff is value for money and the best way to manage their workforce.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government will carefully monitor usage of the C100 contract, and will seek to restrict its usage to situation that genuinely represent value for money.</p> <p>Government agencies rely on a range of labour sources. While permanent employees are the predominant form, temporary staff and contractors are also relied on to supplement the core workforce where appropriate.</p> <p>One of the key features of the 2012-13 Budget has been the introduction of a labour expense cap which applies to both employee and contract labour expenses which will avoid additional labour costs of \$2.2 billion over the forward estimates period. The Budget identifies a range of strategies which can be relied on to meet the labour expense cap and specifically includes reviewing the use of contractors.</p>
112	<p>The Commission recommends that the Department of Finance and Services provides agencies with information about their major expenditure on contracts at least annually and if possible more regularly. Agencies should then review this data and consider</p>	<p>Supported.</p> <p>The project on procurement data management (collection, analysis and advice) a major component of the Government's <i>Review of Government</i></p>

No.	Recommendation	Response
	<p>whether this procurement was the best way to meet their requirements and if so was the procurement value for money. Any lessons should be noted for future implementation by agencies and if relevant Finance and Services.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p><i>Procurement</i>, which will be overseen by the proposed NSW Procurement Board.</p> <p>As the first step, the Department of Finance and Services has developed an Expenditure Data Cube to collate and analyse agencies' general ledger transaction data. All agencies have provided initial data for this exercise, and this will be continuously refreshed to ensure data is accurate and up to date.</p> <p>The Department of Finance and Services also conducts regular meetings with client agencies and provides agency expenditure data on contracts.</p>
113	<p>The Commission recommends that all procurement strategies examine both the direct cost of procuring goods and services and also the indirect costs of their ongoing delivery and service.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The State Contracts Control Board and Department of Finance and Services has moved to a category management approach to procuring goods and services, including requiring business cases, where needed. These steps allow the Government to consider early the broader implications of particular procurement activity.</p> <p>These initiatives will be enhanced by <i>The Public Sector Employment and Management Amendment (Goods and Services) Bill 2012</i> which allows for agencies to consider more broader and flexible approaches sourcing goods and service than the current requirements to seek tenders.</p>
114	<p>The Commission recommends that both the Eligible Customer definition, and the fees they pay to use NSW Government contracts, should be reviewed by the Department of Finance and Services. The Victorian and Queensland approach should be considered, along with other alternatives to narrow the number of Eligible Customers. Options should go to the Government for consideration along with any recommended changes to fees paid by Eligible Customers.</p>	<p>Supported.</p> <p>A review of eligible customers is a component of the Minister for Finance &amp; Service's <i>Review of Government Procurement</i>. The Department of Finance and Services (DFS) is drafting the eligible customers review terms of reference for the Minister's approval.</p> <p>DFS and NSW Treasury are well advanced on developing possible fee structures for eligible customers to access Government contracts.</p>

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	Implementation Timeframe: Short term (6 -12 months)	
115	<p>The Commission recommends that the Department of Finance and Services, in partnership with the Public Service Commission, continue to improve the procurement capabilities of the NSW public sector.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>Improving the procurement capabilities of the NSW public sector is the next major component of the Minister for Finance and Service's <i>Review of Government Procurement</i>, to be overseen by the proposed NSW Procurement Board. The Department of Finance and Services and the Public Service Commission have had preparatory discussions. This project will complement the requirements of the <i>Public Sector Employment and Management (Goods and Services) Amendment Bill 2012</i> that agencies must be accredited (including demonstrating capability) under the <i>Agency Accreditation Scheme for Goods and Services Procurement</i> to operate under the new procurement model.</p> <p>The recommendation should be extended to cover construction and ICT procurement capabilities.</p>
116	<p>The Commission recommends that the procurement staff in agencies review and consider the detailed scope of their capital projects before committing to a contract. The way the project fits into the asset management plans should also be identified.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>Success will depend on the capabilities of procurement staff, and their ability to influence capital investment decisions through the life of projects. The achievement in improvement against current performance levels will require an audit of capabilities, addressing the gaps in capability, and a strengthening of controls on capital investment decisions, at approval stage and through the life of the project.</p>
117	<p>The Commission recommends that a review of risk and allocation by an experienced outside party, for projects over \$20 million, be conducted.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Gateway Review System is a series of structured reviews that are held at key decision points (gates) in the procurement process. The Government has developed the Gateway Review System to help agencies improve their procurement discipline and to achieve better service results from their procurement activity. The Gateway Review process monitors</p>

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		<p>project progress against, amongst other things, risk management and allocation. Reviews are undertaken by procurement practitioners that are not involved in the projects.</p> <p>As required by NSW Treasury Circular 10/13, government agencies are required to submit for Gateway Review all procurement proposals for projects with an estimated total cost over \$10 million.</p>
118	<p>The Commission recommends that in Public Private Partnerships optimal value for money is sought by allowing the private sector to conduct non-core activities where their provision of these activities is more cost efficient than public sector provision.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government supports the use of Public Private Partnerships to deliver services where they meet appropriate benchmarks and represent value for money.</p> <p>The private sector already deliver, non-core services (e.g. cleaning, maintenance) in existing non-health PPP's (e.g. schools, housing) without labour agreement constraints.</p> <p>There are recognised constraints around existing Health Service Union (HSU) labour agreements embedded in Health PPPs signed by the previous Government that do not allow the private sector to deliver non-core activities in the most efficient manner.</p> <p>Ways to minimise the impact of these constraints on future PPP's are currently being explored, in order to maximise value for money in the provision of non-core services by the private sector.</p>
119	<p>The Commission recommends that Infrastructure NSW and NSW Treasury should investigate options to optimise risk transfer arrangements for future toll road Public Private Partnerships (PPPs), with a view to ensuring that associated infrastructure remains off the State's balance sheet and encourages private sector participation. In particular, the risk allocation in tenders for toll road PPPs be reconsidered so that the entire traffic volume risk is appropriately allocated and that toll costs are kept as low as</p>	<p>Supported in principle.</p> <p>NSW has a strong track record in delivering motorway infrastructure by private procurement.</p> <p>NSW Treasury is developing hybrid PPP models appropriate to the post-GFC climate, taking into account the unique features of each project.</p>

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	<p>possible for customers.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	
120	<p>The Commission recommends that before IT projects commence the technical providers are made fully aware of both what the business needs (and does not need) and the available budget. The project should be business led not technically led.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government supports this recommendation and will apply it to all agencies.</p> <p>The <i>NSW Government ICT Strategy 2012</i> expands the role of the ICT Board to take a whole of government view of ICT investment to enable it to promote collaboration, reduce duplication, share investments and reduce costs across government. The Board will set ICT investment principles, and review current ICT investment and gateway processes. Key initiatives of the ICT Strategy include early industry engagement opportunities that will see agencies focus on business objectives and outcomes, rather than technical specifications.</p>
121	<p>The Commission recommends that IT projects be carefully scoped and that no budget be set until a firm costing can be made after the design phase.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government supports this recommendation and will apply it to all agencies.</p> <p>One of the initial tasks for the ICT Board, in support of this recommendation, is to review ICT investment and gateway processes to improve efficiencies and ensure consistency with the ICT Strategy.</p>
Public sector insurance and Workers Compensation		
122	<p>The Commission recommends that NSW Government agencies and entities with insurance arrangements outside of the NSW Treasury Managed Fund (TMF) should work with SiCorp to transition their insurance across to the TMF scheme as their current insurance arrangements expire.</p>	<p>Supported.</p> <p>The Government will make greater use of the benefit of the Treasury managed fund and will mandate new requirements for agencies.</p> <p>The new requirements will require all agencies to consult with NSW Self Insurance Corporation with a view to obtaining entry to the TMF for the</p>

No.	Recommendation	Response
	Implementation Timeframe: Short term (6 -12 months)	2013/14 fund year for all their insurance requirements.
123	<p>The Commission recommends that WorkCover and SICorp should jointly prepare instructions to all agencies, to be issued either as a Treasurers Direction or Premiers Memorandum, clarifying the following:</p> <ul style="list-style-type: none"> <li>• the injury case management function that is to be performed within agencies and how this complements and differs from the function performed by the TMF Claims Agents;</li> <li>• the appropriate qualifications that agency injury case managers are required to hold; and</li> <li>• the optimal number of case managers that should be employed by agencies by applying relevant benchmarks.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>To ensure the efficiencies of SICorp's operating model it is critical that the role of claims providers and agencies is clear and there is no duplication of effort, responsibilities and costs. Clarification is required with both incoming and existing TMF agencies.</p> <ul style="list-style-type: none"> <li>• Terminology clarification – Claims providers have injury case managers and agency staff are more accurately described as Return to Work Coordinators.</li> <li>• There is currently a project underway by SICorp's strategic risk services provider to evaluate the number and qualifications required by agency staff.</li> </ul> <p>SICorp has a relationship with the Personal Injury Education Foundation that provides opportunities to build agency capability in case management where required.</p>
<b>Concessions</b>		
124	<p>The Commission recommends that Central agencies, working closely with clusters and agencies, should establish a policy framework to assist government to prioritise, set and evaluate commitments on concessions and tax expenditures.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>The Government will consider the most appropriate use of concessions and tax expenditures.</p>
125	<p>The Commission recommends that Government should periodically review all concessional arrangements across government, starting with major concessions.</p> <p>Implementation Timeframe: Medium Term (12 -24 months)</p>	<p>Supported.</p> <p>NSW Treasury and the Department of Premier and Cabinet will conduct periodic reviews of concessional arrangements.</p>

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126	<p>The Commission recommends that following the review of concessional arrangements across government a central access point or portal should be set up in Plain English for customers.</p> <p>Implementation Timeframe: Long Term (&gt;24 months)</p>	<p>Supported.</p> <p>Service NSW, within the Department of Premier and Cabinet, and the Department of Finance and Services will liaise to implement this recommendation.</p>
<b>Program and expenditure evaluations</b>		
127	<p>The Commission recommends that the breadth and quality of government program information should be improved through the following measures:</p> <ul style="list-style-type: none"> <li>• central agencies, working together with agencies, should define what is meant by a program and the type of program information to be collated by agencies;</li> <li>• CEOs should ensure that their financial and data systems are able to capture and report program information; and</li> <li>• CEOs should ensure appropriate information management exists within agencies to ensure program knowledge and history is maintained.</li> </ul> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government strongly supports a financial management framework that incorporates program information to drive accountability and to better manage performance.</p> <p>NSW Treasury's Financial Management Framework supports recommendations also made within the Commission of Audit Interim Report for reforms to the budget framework, systems and accountabilities process.</p> <p>As part of the Financial Management Framework project:</p> <ul style="list-style-type: none"> <li>• NSW Treasury will clarify the definition of what is meant by a program, in consultation with line and other central agencies;</li> <li>• minimum requirements for agency financial information systems, to report data at program level, will be set; and</li> <li>• NSW Treasury will work with other central agencies to ensure alignment on other program-level reporting needs, such as workforce and performance data.</li> </ul> <p>Central and line agencies will work together to ensure consistency of data and systems at agency and central reporting levels.</p>
128	<p>The Commission recommends that robust business cases should accompany proposed programs, pilots and initiatives to establish</p>	<p>Supported.</p>

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	<p>their cost, benefits and linkage to government priorities. Business cases should also specify appropriate baselines across financial and non-financial performance as well as relevant Key Performance Indicators to facilitate objective evaluation.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>The Government is committed to the assessment of a robust business case as part of considering any significant new proposed initiative. As part of the Financial Management Framework NSW Treasury is already assisting agencies in improving the quality of business cases they develop.</p> <p>Business case guidelines are under development and are expected to include definitions of costs and benefits, the establishment of baselines, Key Performance Indicators to support evaluations, and monitoring of financial and non-financial performance.</p>
129	<p>The Commission recommends that approvals of all new programs and initiatives should be explicit about when they will terminate and specify requirements for program evaluations (and ongoing data collection requirements to support this) and reporting back to government, where required. Funding should also be set aside for the evaluations.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government agrees that in approving all new programs and initiatives a review or termination date should be established.</p> <p>Central Agency heads are currently considering how to improve the review and the evaluation functions in the context of the Strategic Centre Project.</p> <p>Also refer to Recommendation 127.</p>
130	<p>The Commission recommends that NSW Treasury and the Department of Premier and Cabinet should implement a systematic way to monitor time-limited programs/initiatives to ensure they are discontinued as intended or not carried forward without proper assessment.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>In consultation with the Department of Premier and Cabinet, the Financial Management Framework project will establish trigger points within the financial management system which alert NSW Treasury Analysts and agencies of program terminations.</p> <p>NSW Treasury or DPC will then write to the agency CEO advising them of this and seeking their intention to either terminate the program or bring forward a further business case to support the continuation of the program.</p>
131	<p>The Commission recommends that agencies, in collaboration with central agencies, should conduct periodic evaluations of their smaller programs and pilots (both existing and new).</p>	<p>Supported.</p> <p>A collaborative review will help identify programs that perform well and foster innovation in the approach to changing, removing or creating</p>

No.	Recommendation	Response
	Implementation Timeframe: Short term (6 -12 months)	<p>programs to meet the priorities of the government.</p> <p>Central Agency heads are considering the evaluation function in the context of the Strategic Centre Project.</p>
132	<p>The Commission recommends that evaluation of large or significant programs (both existing and new) should be scheduled on a rolling basis and led by NSW Treasury. The responsibility for leading these evaluations in a collaborative manner should also rest with NSW Treasury who must have strong engagement from the agencies and other relevant stakeholders.</p> <p>Implementation Timeframe: Short term (6 -12 months)</p>	<p>Supported.</p> <p>The Government agrees that systematic evaluation of large or significant programs is important to ensure that they continue to meet their objectives and provide value for money.</p>