

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

FUNDING FOR NON-GOVERNMENT ORGANISATIONS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 23 APRIL 2012**

SESSION TWO

Members

**Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich**

Hearing commenced at 2.07 pm**MARNEY, MR TIMOTHY****Under Treasurer, sworn and examined:**

The CHAIR: On behalf of the committee, I would like to welcome you to the hearing this afternoon. Before we commence, I am required to ask you to take either an oath or an affirmation.

[Witness took the affirmation.]

The CHAIR: Thank you. You will have signed a document entitled “Information for Witnesses”. Have you read and understood this document?

Mr Marney: I have.

The CHAIR: The proceedings this afternoon are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, could you please quote the full title of any document that you might refer to during the course of the hearing. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during this afternoon’s proceedings, you should request that the committee take the evidence in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. This prohibition does not, however, prevent you from discussing your public evidence in general once you leave the hearing. Mr Marney, would you like to make an opening comment or would you like to move straight to questions?

Mr Marney: No; good to go.

The CHAIR: Good to go! Excellent! Do members have any questions?

Hon KEN TRAVERS: I am keen to get an update as to where Treasury is up to, in terms of the rolling out of the community partnership program, with respect to its section of that work.

Mr Marney: As you probably will be aware or will become aware from today’s proceedings, there are three departments involved centrally in driving the roll out. To a large extent, Treasury’s work is done on component 1, which is the initial 15 per cent, or thereabouts, increase in funds. Our role is really to monitor the roll-out of those funds to ensure that they are getting to where they are supposed to get to; that is, that they are going to the service providers that they are intended to go to and those funds are not being skimmed or stored or diverted by agencies on the way for other purposes. So really it is about tracking the dollar to make sure it gets through to the NGOs and making sure the policy intent is delivered.

That is with respect to component 1. We are now turning to component 2, and that is more of a contract renewal, if you like—a modernising of contractual arrangements on a rolling basis as contracts come up for renegotiation or renewal, or as contracts end. Our role there is, jointly with the Department of the Premier and Cabinet and the Department of Finance, to ensure that the intent of the reforms again is maintained, and that, if you like, workable, pragmatic, commercial-like contracts are put in place that do not have overbearing and onerous input controls placed on them by line agencies in terms of where the service providers must spend their money, and how, and the reporting requirements that go to that. So really it is an oversight role to ensure that those broad intentions of the policy are achieved.

After that, we need to go through, obviously, a process of evaluation—fairly rigorous evaluation—because there is a fair bit of public money involved here, and there is also a fair bit of significance

in terms of on-the-ground service delivery. So we are also working on an evaluation framework to compare what we thought would be achieved by these policy settings of government with what is actually being achieved. That is a little bit down the track, but we are in the process of putting that framework together.

[2.12 pm]

Hon KEN TRAVERS: As I understand it, the actual specifics of the contract are under the Department of Finance.

Mr Marney: Correct.

Hon KEN TRAVERS: So yours is just more that sort of high-level —

Mr Marney: Oversight, and making sure the policy direction that government is trying to achieve actually translates to those, if you like, contractual specifics, and that the agencies play ball—as in public sector line agencies.

Hon KEN TRAVERS: We have just heard from DPC that their approach in terms of the money going to, in the main, the to the not-for-profit organisations that are providing the services—or the NGOs as we call them today—is that they give it to the organisations and then they let them work out how they use the money. You were just saying that you have a fairly strong monitoring role over the actual departments.

Mr Marney: The money actually technically flows from Treasury to the departments. The departments then flow it to their NGO service providers. We are just making sure that every cent that flows to a department for an NGO actually ends up with the NGO.

Hon KEN TRAVERS: And I guess the thing I find interesting is that you have that monitoring role to make sure that the departments are spending the money for the purpose for which it is given, but no-one then is having a monitoring role to ensure that the NGOs are spending it for the purpose for which it is given.

Mr Marney: That is really the department's role in terms of ensuring that the service delivery commitments of the NGO are actually met as a result of their contractual relationship with the department. But herein lies the reform need: those contractual arrangements are highly variable and some of them, you would say, are not particularly robust and some of them are just overly onerous. So component 2 is actually about getting some pragmatics into that contractual relationship so that it is very clear what the money is going to the NGOs for in terms of service delivery outcomes and outputs, as opposed to prescriptive input requirements being placed on NGOs by departments, if you like, over-controlling the business of the NGO.

Hon KEN TRAVERS: You say you are moving into that. How far into that are you? I mean, is there any idea of how that will operate in terms of the specifics yet?

Mr Marney: That process really starts from the second half of this calendar year. As contracts expire, the renewal of contracts will be based on a new set of, if you like, procurement standards, as opposed to the ad hoc arrangements at the moment.

Hon KEN TRAVERS: In terms of the evaluation framework, is that still a couple of years away, or have you started to do the work on that?

Mr Marney: No. We are starting on the actual framework at the moment, but it probably will not be applied until maybe the second half of next calendar year. So, as we start to roll through component 2, it is not until you get into the service delivery stage of component 2 that you can start to evaluate.

Hon KEN TRAVERS: And what sorts of things will be in that evaluation component? Are we able to get an idea of what they are? Have you got anything that you have developed so far that we could see?

Mr Marney: Probably nothing tangible that you could see at this point. But in broad terms: what are we trying to evaluate or what has it actually achieved in terms of service delivery outcomes? That is purely the end game, because the individual at the end of the service delivery needs to be better off out of this. That is what it is all about.

Hon KEN TRAVERS: That is, the individual receiving the service from government?

Mr Marney: Yes, and that happens in a number of ways. I mean, having prices set for the service that are fair and reasonable and sustainable is a big part of that, and that price setting covers all sorts of cost parameters, including wages, accommodation, materials, equipment and so on. If we set through normal tendering contracting processes sustainable prices, then you would hope that that would achieve an improvement in service delivery as well.

Hon KEN TRAVERS: I guess one of the issues that we were covering earlier with DPC is the issue that clearly at the time the Premier made it clear in his public statements that one of the things he was keen for this money to do was to see an increase in the amount that was able to be paid to some of the employees working in the sector.

Mr Marney: Yes.

Hon KEN TRAVERS: And to be able to give them greater skills and to employ people at a higher skill level or to pay people in other areas slightly higher than currently. There was even a bit about bringing them up to parity with some of these equivalent positions internally within the public sector. Will part of your evaluation process be to see whether that has been achieved?

Mr Marney: I think we would want to know what has happened in that space, because that was a big driver of the whole initiative. Essentially, in contractual terms, rather than prescribing how much NGOs should pay their service delivery people, what the contractual or the sort of guidelines templates for procurement articulate is that—as you would with a commercial contract—the service provider has to comply with all relevant laws, regulations and awards. So that is really the mechanism to ensure that this money flows into the remuneration side consistent with relevant awards and industrial conditions.

Hon KEN TRAVERS: One would assume that was an obligation under their existing contracts and so they would have been paying the awards. When this additional money was being given to them, I would have assumed that therefore part of this money was intended to be able to raise, through EBAs, the salaries and wages that employees were receiving so that it was above just the basic award; because there was an acceptance that the award has fallen behind where it probably should be relative to other industries and other sectors.

[2.20 pm]

Mr Marney: I am actually not as confident that the previous arrangements required adherence to awards and so on. I cannot say whether or not they did. How did we end up in this situation where they are so far behind? The process is really designed to dovetail with the Fair Work Australia outcomes as well. Essentially, to bring those things together, what are we saying? We are saying that you need to comply with those outcomes.

Hon KEN TRAVERS: At the end of this process, how will Treasury monitor that you have actually achieved that lift in salaries and conditions for employees?

Mr Marney: That will be through the evaluation framework we put in place, but that will be just one element of what is being evaluated. At the end of the day, in strict contractual terms, I am not particularly concerned whether it is a contract with a for-profit or not-for-profit organisation. I am not particularly fussed about what they pay their people so long as it complies with relevant legislation and the law. That is standard. If you start to get prescriptive, that is when we start to skew and then we get pressures being put on agencies that are unreasonable.

Hon KEN TRAVERS: I saw last week new contracts were announced for orange school bus operators. You will understand the point of this question in a second. They were referred to as evergreen contracts. My impression is that it was a simplified contract that basically provides for the contract to be continued indefinitely so long as the organisation is meeting its KPIs. Is that something we are looking at in terms of these contracts for the NGOs in this sector?

Mr Marney: That would be a question for the relevant agencies. It is certainly not something I have visibility of.

Hon KEN TRAVERS: That would not come into your contracting reform and simplification role as one of the models you would consider?

Mr Marney: That would not be something I would pursue, I guess, as part of this suite of reforms but, ultimately, it comes down to Department of Finance —

Hon KEN TRAVERS: It is more a question for DOF to talk to?

Mr Marney: They are the procurement experts. But that is an unusual contracting model that is probably not applicable in human service delivery space.

Hon PHILIP GARDINER: Tim, you mentioned awards in relation to questions from Hon Ken Travers. The evidence I just heard anyway is that there was strong confidence that people were being paid award levels, not below awards, yet you are less confident about that.

Mr Marney: On a point of clarification, I am less confident that the existing contracts required explicitly that people be paid in accordance with the relevant awards.

Hon PHILIP GARDINER: But, in reality, if not-for-profit organisations did not pay awards, that would be unusual anyway, would it not?

Mr Marney: You would think so.

Hon PHILIP GARDINER: For the \$604 million—I know some parts were broken up for different aspects—it was really about lifting the wage level of those doing the work above awards because the awards were not paying enough to get the quality of people. Am I correct on that assumption?

Mr Marney: Its original intent was to pay a fair and reasonable price for the service. That fair and reasonable price would then enable an NGO to determine how it spends its revenues. As part of that address, any issues with competitive pay rates relative to the public sector in whatever field, bearing in mind the parallel process of the Fair Work Australia case.

Hon PHILIP GARDINER: Okay. I do not know the details of that. Maybe that covers part of it. The bulk of the \$600-odd million would be substituting for an absence of the award levels being raised, or whatever the negotiated levels that applied to this industry, being raised?

Mr Marney: Yes.

Hon PHILIP GARDINER: When you talked about the roll-out of funds and making sure it gets to the service providers as distinct from the agency skimming, if the agency was skimming, is an internal punishment applicable for that, because that would be a deliberate —

Hon KEN TRAVERS: Not that he is going to admit to publicly!

Mr Marney: Punishment can be delivered in many, many ways, some of them more mysterious than others! Essentially, the feedback we were getting from the NGOs in terms of things like annual indexation for services, which was based on a policy for all NGO services, we were getting feedback from NGOs directly that the indexation given to the agency was not making it through to them. The agency was diverting it to other cost pressures as opposed to letting it flow through to the NGO, as the policy intended, which is how you end up in a situation in which NGOs—what do they do?—may have to cut their costs in that circumstance. Wages are a big part of their cost. That is kind of one of the dynamics that leads to things being out of whack over time. We want to make

sure that every dollar given to an agency under this policy actually gets to the end point, so we are following every dollar.

Hon PHILIP GARDINER: It is extremely explicit on this occasion?

Mr Marney: Yes, as no doubt will be the punishment!

Hon PHILIP GARDINER: On this industry, roughly, how big is the not-for-profit sector compared to the government-owned sector?

Mr Marney: In human services space?

Hon PHILIP GARDINER: I am thinking of dollars—to give me some measure of the proportion?

Mr Marney: Off the top of my head, I think we are dealing with a base expenditure of about \$2.5 billion per annum going through to not-for-profits.

Hon PHILIP GARDINER: To not-for-profits only?

Mr Marney: Yes. That compares to: the total of health is \$5 billion, education is about the same. Total expense across the whole of government is about \$22 billion or \$23 billion.

Hon PHILIP GARDINER: That is our total budget though, is it not?

Mr Marney: Yes.

Hon PHILIP GARDINER: That is not all to do with this sector?

Mr Marney: No. This sector is about \$2.5 billion.

Hon PHILIP GARDINER: For that amount of money, in delivering community services in partnership policy, how rigorously and closely are we measuring whether we are making any improvement? As a result of this—it has a table that suggests that we will make some changes—how much attention are we trying to give now to measuring the impact or change? If so, are we assessing a baseline now so we can see whether we have a change occurring?

Mr Marney: We did collect a baseline at the start of the roll-out of component 1. We certainly got a more rigorous snapshot of all the contractual and other relationships in place with NGOs, so there is that starting point. There is a starting point in terms of expenditure and there is a starting point, albeit variable, in terms of the services being provided and the outcomes being achieved. But part of the problem is the previous contractual arrangements and relationships were such that it was not focused on outputs or outcomes in all cases and, therefore, you cannot establish that baseline. It makes that difficult, so the focus in terms of evaluation is once component 2 is rolled out, really looking at what the landscape of service delivery by NGOs looks like; how does it compare to the qualitative assessment of 12 or 18 months ago? Along the way, the partnership forum, which comprises a mixture of representatives from government agencies, NGOs and WACOSS, it is monitoring progress on a quarterly or thereabouts basis on the roll-out and what is being achieved and fallout and unintended consequences.

[2.30 pm]

Hon PHILIP GARDINER: In terms of that shift, if you like, to outcomes, I just want to get a feel about how committed we all are in government to that shift, or are you just saying there are outcomes we want to achieve and we might measure unemployment in the community and a few other things? As we all know, community services is a complex area with lots of intertwining elements which, in today's environment, because it is mostly input oriented, often are not reinforcing. You have one thing going here and another thing going on there. Are we really committed to turn that around is the question I am asking.

Mr Marney: Government has explicitly asked Treasury to develop a robust evaluation framework to understand what we are actually achieving. I think that is the first time I have ever been asked to

do that. So I think there is genuine commitment to improved outcomes in this space. That is not easy to do.

Hon PHILIP GARDINER: No; I agree.

Mr Marney: But that is an accountability that explicitly has been put on me.

Hon PHILIP GARDINER: So in terms of trying to work through the governance of that, if it is all coming through, in a sense, you as Under Treasurer, is that frankly possible?

Mr Marney: Me reporting to the Economic and Expenditure Reform Committee, so it will go through to cabinet.

Hon PHILIP GARDINER: That is still further up. What about what we are doing at the other end?

Mr Marney: First, we have to understand what it is that we are trying to measure and then collect that information. That is possible, just as we collect information from agencies on their own service delivery and performance.

Hon PHILIP GARDINER: You mentioned agencies, but there is one we have not mentioned and that is local governments. They are the closest of all to the communities about which we are talking.

Mr Marney: Yes, and they are outside of scope.

Hon PHILIP GARDINER: Outside the scope?

Mr Marney: Yes.

Hon PHILIP GARDINER: I find that disappointing to hear, but I understand the reality of it. I suspect we are missing an enormous resource. Although it will have to improve its capacity, you have got a governance structure in place; it is just that it is not accountable for what we are talking about at this current stage.

Mr Marney: It is not accountable for delivery of human services; the state government is. Local government provides a range of community support services, but, strictly speaking, it is not the target of this policy initiative.

Hon PHILIP GARDINER: You could imagine, could you not, that a local government would not have to own the services? It could contract each individual service but be responsible for how it is delivered into their communities because they will have the best understanding of their communities and know what to hire.

Mr Marney: Yes and no. Not all local governments are outstandingly impressive performers, I would have to say.

Hon PHILIP GARDINER: But everyone can change.

Mr Marney: Yes, and change takes a lot of drive and energy. Sometimes you have to start where you have got most chance of achieving change, and that is through our own agencies, which are accountable to central government, and their relationship with NGOs. It may be that local government is the third-round suite of reforms in this space in terms of their own service delivery role, but I think that is a ways off.

Hon LJILJANNA RAVLICH: Under Treasurer, I have to say I am particularly concerned about the fact that we have had these reforms going on now for the best part of two years, if not longer, and only now you have been asked to put in place a robust evaluation framework. Can you explain to the committee why it has taken so long to give some attention to the evaluation framework?

Mr Marney: The evaluation framework is to evaluate the outcomes at the end of component 2. Component 2 will continue to run over the next 18 months, so you cannot evaluate it before you have done it.

Hon LJILJANNA RAVLICH: Did you evaluate component 1?

Mr Marney: Yes.

Hon LJILJANNA RAVLICH: Good.

Mr Marney: In fact, we constantly monitor the flow of funds under component 1. Remember, component 1 was merely an up-front payment—an uplift in funding.

Hon LJILJANNA RAVLICH: So under component 1, you are evaluating only the funding; you are not evaluating the actual outcomes delivered by the not-for-profit organisations in terms of service delivery. Is that correct?

Mr Marney: Correct, because we know that the heaviest lifting in that space is ahead of us.

Hon LJILJANNA RAVLICH: So, in other words, not-for-profit organisations have been funded for the best part of two years under this program and none of the service outcomes has been evaluated.

Mr Marney: I think the funding flowed to the not-for-profits in July last year, so it is nine months.

Hon LJILJANNA RAVLICH: Nine months; okay.

Mr Marney: In terms of outcomes, again, that uplift in funds is flowing to an existing set of arrangements between line agencies and the NGOs. It is up to those line agencies to manage those contracts and those arrangements, so I would expect that they would be having some oversight into performance of the NGOs.

Hon LJILJANNA RAVLICH: But who manages the agencies? It seems to me that we have now got in place a policy, if you like, whereby no-one is accountable for anything. It seems to me that, at the end of the day, you are saying that the agencies do their own monitoring. I am sure that if we got the agencies in here, they would be saying they have an excuse as to why they are not doing the monitoring. I have to say, sitting here, it is very, very concerning that there is this lack of accountability in terms of what the taxpayers are getting for their money when it comes to this set of reforms.

Mr Marney: I think the accountability, as always, is with government. Government has established the policy and taken the decisions, and agencies are then asked to implement the policy. What we are monitoring is whether or not the money is going to the NGOs as part of component 1. The objective of component 1 is to give a 15 per cent increase in base funding to NGOs. We are monitoring that. That is being achieved. I think that is delivery of accountability.

Hon LJILJANNA RAVLICH: What did they have to achieve for that 15 per cent?

Mr Marney: Component 1 was not about achieving improved service delivery or achieving increased service delivery; it was about bringing them to a sustainable funding setting.

Hon LJILJANNA RAVLICH: Can you just explain what that means? You gave that money out so that they were put on to a sustainable funding setting. What does that mean?

Mr Marney: So that they could cover their costs, whether they be accommodation costs, wage costs or equipment costs, in a manner that was financially sustainable, because in government's view, many of them had become financially unsustainable, which is evidenced probably most dramatically by a divergence in wage rates.

Hon LJILJANNA RAVLICH: So where is the end user in all of this; in other words, the consumer of the services? If all the model really is predicated on is economic sustainability or financial sustainability, where is the individual consumer in this model?

Mr Marney: That is what component 2 is about—focusing on what is the contractual arrangement to ensure that the actual recipient of the service is better off out of these reforms. But you cannot start component 2 without bringing everyone to a base level that is sustainable first.

Hon KEN TRAVERS: I think I just heard you say that the most identifiable divergence is differences in wage rates.

Mr Marney: Yes. That was the argument, yes.

Hon KEN TRAVERS: Again, I am still unsure how, in terms of your macro-evaluation of the program, you will work out whether or not that divergence in wage rates has now narrowed.

Mr Marney: We will compare the wage rates that we end up with in the NGOs with the wage rates in the government service providers.

Hon KEN TRAVERS: And will that be individual organisations or an average?

Mr Marney: It would probably have to be a sample, because you are not going to be able to go through all cases. But that was one of the drivers behind certainly the component 1 reforms. We would want to know where we end up. One of the mechanisms by which that gap is being closed is through Fair Work Australia outcomes.

[2.40 pm]

Hon KEN TRAVERS: Right.

Mr Marney: That is driving it. The worst-case scenario would be to have line agencies directing through their contractual arrangements that an NGO must pay its workers X, Y, Z at each level. Let the industrial system and the industrial settings drive those appropriate wages. We just have to make sure that the price we pay is not undermining those industrial settings.

Hon KEN TRAVERS: Which is fine, if you assume that through Fair Work Australia the wage levels under an award will be raised up to remove that divergence, but if the Fair Work Australia only goes up half the way—my recollection is that in these areas a vast majority of the employees would not be on awards; they would be on EBAs because the award has been—I realise part of the role of Fair Work Australia is to bring the award up.

Mr Marney: It is just a base.

Hon KEN TRAVERS: Is the government going to be satisfied that so long as everyone is being paid the Fair Work Australia final determination, then they have achieved what they wanted to in component 1? Or is there another component about monitoring to ensure that if there are EBAs across the sector, everybody is on a comparatively—again, the whole point of EBAs is to deliver responses to the individual work services, but that there is generally a fairly similar nature of level of pays through EBAs. That often is the hard part; how do you contract for an EBA?

Mr Marney: The key element is in component 2, which is very different to the past, the price is set through, if you like, a tendering process by the NGOs. It is not determined by the agencies. So that gives the NGOs complete discretion over the price that it sees it has to charge for a given service and, therefore, complete discretion over whether or not it sticks at Fair Work Australia or goes 20 per cent above that. It is as would be the case if you were a for-profit organisation tendering for a service.

Hon KEN TRAVERS: Except then your challenge is going to be to monitor the service delivery to the individuals is being delivered at the standard you want and that people do not cut wages to get the jobs.

Mr Marney: Which is exactly the challenge in any contracting framework. The biggest difference in component 2 relative to the previous arrangements is that under the previous arrangements we actually had agencies setting the volume of service to be provided and the price. Now, you can only set one of those two things. You cannot set both. That is why we ended up in an unsustainable situation.

Hon PHILIP GARDINER: That is helpful to hear.

Hon KEN TRAVERS: Just to be sure, in terms of your evaluation of component 1, there will be a role in terms of trying to look at whether or not that divergence in wage rates, not just across the sector, but within elements of the sector, have been brought up to a standard base?

Mr Marney: We would not want to know what has happened in terms of that gap that led to —

Hon KEN TRAVERS: You would want to know?

Mr Marney: Yes.

Hon LJILJANNA RAVLICH: Do you not already know because is there not a variation letter that has been prepared for not-for-profit organisations, which is ensuring government agencies have a legal obligation to ensure that indexation is passed on in full and thus to ensure a consistency across the sector?

Mr Marney: That is only for component 1, which may or may not solve the whole problem. We will not know until we roll through component 2, which is when the price setting actually occurs.

Hon LJILJANNA RAVLICH: Clearly it must have been an issue from the feedback you got in terms of your evaluation of component 1, that the indexation was not being passed on, because now you are taking this action that it is —

Mr Marney: No, it was feedback pre-component 1 that the indexation was not being passed on and that is why we put a much more vigorous process around component 1 rollout to make sure every dollar went to where it was supposed to go.

Hon LJILJANNA RAVLICH: Madam Chair, can I just ask about the community services procurement review committee? Under Treasurer, how often does that committee meet?

Mr Marney: That is a question for the Department of Finance. Sorry, I do not do the procurement anymore.

Hon LJILJANNA RAVLICH: That is fine. It is a bit hard to work out what fits where.

Hon KEN TRAVERS: That evaluation 1, when do you expect to have it completed by?

Mr Marney: It should be done by the end of this financial year because we need to close out. Because it actually started to roll out this financial year, it will be a post-financial year confirmation that the money went to where it was supposed to go.

Hon KEN TRAVERS: Early in the next financial year you should be in a position to give us an update?

Mr Marney: Yes, and that evaluation would be commissioned, if you like, by the partnership forum to ensure that it is independent and adequately considering the position of the NGOs and WACOSS. I would have to say the evaluation, if you like, is ongoing because of the partnership forum. Every time we meet, there is considerable discussion around areas where things are being rolled out as expected and areas where they are not. We finetune, we tweak, we intervene and away we go.

The CHAIR: That evaluation is for the first part of the rollout. In terms of the development of the evaluation framework for the second part, when do you expect to have that framework?

Mr Marney: I am hoping by the end of this calendar year to have the framework so that we can start to set in place the right data collection to then implement it probably 12 months thereafter.

The CHAIR: The end of this calendar year?

Mr Marney: I am hopeful.

The CHAIR: It is years we are talking about with that?

Mr Marney: That is right.

Hon LJILJANNA RAVLICH: Obviously these reforms came out of the work of the Economic Audit Committee's "Putting the Community First"? Correct? When the then Treasurer made the announcement and launched the economic audit report, he made the point that there was going to be some quite significant savings as a result of moving these services out into the community sector. Now, have you looked at what those savings might be and what sort of preliminary work have you done in that area?

Mr Marney: I think from memory, the references to savings were not around the NGO reforms. There were other aspects of the report that related to savings.

Hon LJILJANNA RAVLICH: There is absolutely no savings from the implementation of that part of the report?

Mr Marney: There may be some, but my understanding is that the primary objective here was improving service delivery; it was not about achieving savings.

Hon LJILJANNA RAVLICH: You have paid no attention to whether there are savings, as the Under Treasurer?

Mr Marney: It was not intent of this policy to save.

Hon LJILJANNA RAVLICH: Even if it was not the intent, was it an unintended consequence of some of the work that you might have done that might have eluded you to the fact that there possibly are some savings in this area?

Mr Marney: We would pick that up in the evaluation process post-component 2.

Hon LJILJANNA RAVLICH: So you have not done anything along those lines yet?

Mr Marney: We are only 20 per cent of the way through the reforms, so it is hard to evaluate the 100 per cent completion if you are only 20 per cent there.

Hon LJILJANNA RAVLICH: I must admit, it would be a mighty big oversight if you get to be 100 per cent down the path of reform and then you start the evaluation and you realise that you have got a big problem on your hands. I do not know that that is going to be the case, but I would think that ongoing evaluations may be very helpful.

Mr Marney: Ongoing assessment of where we are at in terms of implementation and the consequences of that implementation is something we do every day. So, if there were big problems emerging, I am pretty sure we would pick those up. There is certainly a great deal more discussion of these issues between line agencies, Department of Finance, Department of the Premier and Cabinet and Treasury than ever has been the case historically, so much so that I am pretty sure we would know if we are wasting money, whereas previously we would have no idea.

Hon LJILJANNA RAVLICH: All this was channelled through the partnership reform committee?

Mr Marney: Not all of it. It is part of my job and the core role of my people to analyse the implementation of policy in the agencies that they deal with and make sure that what is being achieved is in the public interest. That is not formal evaluation; that is just our ongoing day-to-day role. So, if something was going off the rails, as you are fearful of, I am confident we would pick that up early enough to do something about it.

[2.50 pm]

Hon PHILIP GARDINER: Tim, I do not know when this delivering community services in partnership policy document—I know the review was done at least 12 months ago; I am pretty sure that is when we had Peter Conran coming in. Between the time of the announcement of the \$604 million-odd, and making sure that the group 1 objectives have been tied down, in the course of the last nine or 10 months, how far have you got along the pathway with some of those things which could have been done in parallel with the group 2 elements?

Mr Marney: Again, that is probably a question for the Department of Finance, because they are the ones that are actually sitting side-by-side the agencies and redoing those contractual arrangements. But I think with both the agencies and the NGOs, and knowing the direction that component 2 is headed in, there has already been a lot of preparatory work for that.

Hon PHILIP GARDINER: Okay; we can ask them when they come in. That would include the tendering documents and so on?

Mr Marney: Yes, and certainly when Finance was part of the Department of Treasury and Finance, that work in terms of guidelines and standard templates for contracting was progressed six months, so that started in early 2011.

Hon PHILIP GARDINER: Okay. Hon Ljiljanna Ravlich was talking about savings. Do you envisage that, in thinking about the structure and how this is going to integrate in achieving better outcomes—I presume that the assessment of savings comes under your responsibility? Yes? I just want to get a better picture about whether you envisage savings actually occurring, if it is that there is an integrated set of social infrastructure measures happening, as opposed to what might be happening now, with some going in different ways and wrong ways, or conflicting ways?

Mr Marney: It may be the case that savings emerge but, again, that is not the primary focus of this initiative; it is about better service delivery and more responsive service delivery to individuals on the ground.

Hon PHILIP GARDINER: And by achieving better outcomes with that, then maybe that will lead to savings in the future, so that comes to the time frame.

Mr Marney: Certainly I would hope, over time, the relationship between the NGOs and the government would be such that the NGOs actually bring government service delivery together, and that is where you would pick up the real benefits in terms of both efficiency and effectiveness. That, obviously, is a very difficult thing to measure, but I would hope that the NGOs, by operating from the individual's perspective, would be able to draw from various agencies the mix of service that that individual most needs.

Hon PHILIP GARDINER: And that would have to include embracing the commonwealth's programs, too.

Mr Marney: Yes.

Hon PHILIP GARDINER: And is that something we can get through, despite all the rhetoric, just carrying on and working with the commonwealth on this?

Mr Marney: It is quite difficult to get them to come on board, because I would have to say they are far worse than us in terms of wanting to control what inputs are used to what extent, when, where and how, and layering on top of that incredibly onerous reporting requirements as well. So that is a substantial challenge, just to get the commonwealth money that flows to things, for example, like homelessness—there is a big contribution from the commonwealth in that space—getting that money to flow in a way that complements rather than constricts this initiative is quite a challenge.

Hon PHILIP GARDINER: They would not be worried about any skimming! Sorry.

What time frame have you got in thinking about these changes?

Mr Marney: A component to, I guess, my own horizon is the next 18 months —

Hon PHILIP GARDINER: No, I mean for the effect to come through. If we are going to assess how we are going to go, to get an assessment within three years will just be too short; it has got to go far beyond political cycles.

Mr Marney: Yes, but you would want to know well within that three years what is being achieved, and whether or not it is consistent with what was anticipated and intended. If you waited longer than that, basically you could waste a lot of money going down the wrong way.

Hon PHILIP GARDINER: Well, if you think you can get some measures in three years I would be very interested to see which ones you are considering.

Mr Marney: They may not be endpoint outcome measures, but they need to be measures of progress.

Hon PHILIP GARDINER: No, just progressive measures, sure; I would be very interested in seeing them. Are they being developed now?

Mr Marney: As part of the evaluation framework, yes.

Hon PHILIP GARDINER: Which will then be available to us after you have got it all sorted out?

Mr Marney: Yes.

Hon PHILIP GARDINER: So that will be done within the next 18 months, did you say?

Mr Marney: Yes.

Hon LJILJANNA RAVLICH: Finally, Under Treasurer, I understand that you provide quarterly updates to the partnership forum on the status of the rollout for each of the government agencies and, as part of that, also updates to inform the forum of many related issues that government agencies and not-for-profit organisations may be experiencing and outline some of the actions also taken. I wonder whether you can provide those quarterly reports to the committee.

Mr Marney: I would have to check on their status; I am not sure if they roll through to cabinet or not, because I am just a member of that forum, I am not the chair or the owner, but I am happy to take that on notice.

[Supplementary Information No B1.]

Hon LJILJANNA RAVLICH: Well, they are updates from you to the partnership forum.

Mr Marney: Yes, but I do not know whether that then forms the basis of attachment to cabinet documents. I just have to check.

Hon LJILJANNA RAVLICH: Well, how many of these have you done?

Mr Marney: Updates? Three, I think.

Hon LJILJANNA RAVLICH: Well, surely you would know if you had to send them off to cabinet.

Mr Marney: No, I am only a member of the partnership forum; what it then does with it—because that then sits under DPC—I do not know if they put all of that to cabinet, so I will check. From my perspective, I am perfectly happy to provide them, but I just have to check that I will not be breaking rules that will get me fired, because I know you would hate for that to happen!

The CHAIR: Indeed.

Hon KEN TRAVERS: For what it is worth, I would!

The CHAIR: Thank you, on behalf of the committee. Just to let you know, if we do have any additional questions, we will forward them to you via the minister in writing within the next couple of days, together with the transcript of the evidence, which includes the question that was taken on notice. So if members have additional questions, please submit them to the Clerk by the end of this hearing. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date, and the advice is to include specific reasons as to why the due date cannot be met. Finally, on behalf of the committee, thank you very much for your attendance this afternoon.

Mr Marney: Thank you very much; always a pleasure, and thank you for your interest in this very important reform.

Hearing concluded at 2.58 pm
