Parks & Visitor Services Workshop – Wollaston Conference Centre
Reforms to Corporate Services & Procurement
28 September 2004

Thank you for the opportunity to be here this afternoon.

Wayne has asked me to bring you up to date on the changing face of WA's Public Service and the Government's Shared Corporate Services Project and Procurement Reforms… which I'm happy to do.

And, of course, I'm here to answer any of your questions on this or anything to do with Corporate Services in CALM.

I don't know about you, but I've been thinking a little about my own mortality recently.

I've just spent the last two weeks camping, and bush walking, and doing a little canoeing in the Northern Territory … refreshing my soul, I guess.

Life's pretty short when you think about it in years, but have you ever thought about it in terms of hours?

Did you know that even a long human life adds up to only about 650,000 hours?

Take away the time you spend sleeping, driving to and from the office, time at work, the time doing the necessary but unrewarding tasks of daily life, etc. … you do the maths, and you see that what's left is not that much.

Now, most of you will be spending about 56 of your precious hours at this workshop … so make them count.

As for me, over the next half hour or so, I'd like to cover…..

…. Firstly, the nature of the change that is taking place concerning shared corporate services, what's happening now and what will progressively take place over the coming months ...

… I'd like to look at the very real impacts these changes will have in CALM, not only in my Division but throughout your operations as well, including possible new responsibilities for line managers and staff in Regions and in other Divisions…

… I'll raise some options for a new business model concerning how corporate services may be dealt with in CALM in the future…

… and finally, I'll talk about procurement reform and budget cuts …. Or as Treasury wants us to think of them … not as cuts but as the harvesting of savings … whether its cuts or savings, and it's a little of both, but they have affected all budget centres in this current financial year and they will continue to grow over the coming three years.

Now, if any of you would rather spend this half hour or so telling your partner or your children … or your dog, for that matter … of your love for them, I won't be offended.

For those of you staying, I'll try to make this informative.

I think that it's important to recognise that the current State Government is a reform government, especially where the Public Sector is concerned.

Very soon after coming to power in February 2001, the State Government set up the Machinery of Government Taskforce. Within several months, the number of departments was reduced from 46 to 23.

By the end of that year, this number was reduced to 21 with a further two departments merged with others.

All of this was in the name of "an attack on waste, duplication and inefficiency", to quote the Premier's words at the time.

The changes would, again in the Premier's words, "assist Government to provide better, more cost-effective services to the people of this State."

Stage two of this reform process was the formation of a second Taskforce to undertake a review into the "*effective delivery of Government priorities*".

The review, which got underway in 2002, examined each agency's programs, functions, activities and services in detail in order to determine their efficiency and effectiveness.

One result of this review was that CALM was given added responsibilities for fire, feral animal and weed management on Unallocated Crown Land … not a small job as the UCL in WA covers an area as big as the entire State of New South Wales … and we also got a few bits and pieces transferred over from the Department of Environment.

Two critical areas of whole-of-government expenditure, which were identified for reform, were government purchasing or procurement, and the delivery of corporate services within agencies.

There is a trend, or a fashion, take your pick, in the public sector in Australia and it's called shared servicing. It's already well entrenched in Victoria, New South Wales and Queensland and it's now in the detailed planning stage of the implementation phase here in WA.

The theory of it is simple and quite compelling.

It goes like this … you bring together the supporting processes and non-strategic activities of a group of agencies into a separate organization (the Shared Service Centre), which in turn treats those processes and activities as the core of its own business.

The idea is that the Shared Service Centre is a specialised business delivering a suite of corporate services to its clients, and the clients should expect a higher standard of service at an equivalent or lower cost.

The Government's rationale for shared corporate services is simply that they will reduce costs, increase efficiencies and improve whole-of-government reporting and decision making.

Those who worked on the Government's Functional Review Taskforce pointed to the fact that in the largest 49 agencies alone, there were 21 different Finance Systems, 12 different Human Resource Systems and 19 different Information Management Systems and this was highly inefficient and costly.

Government is looking to reduce this to one or two or possibly three of each type of system, so one of the changes CALM could be facing in the near future is using something different to Oracle for financials and CONCEPT for HR.

Government is looking to save $50 million a year through the use of shared services and, in March this year, created five Shared Service Centres across government to deliver a range of services in Finance and HR.

These Centres are in the detailed design phase of being established.

Keiran is on the eight-member governing board of the Shared Service Centre CALM will eventually belong to, and I'm a member of the Heads of Corporate Services committee that supports that Board.

As you know, John Byrne was named as interim General Manager of one of the Shared Service Centres and that's why I'm in my current role as Director Corporate Services.

CALM will be in Shared Service Centre 3 with 21 other agencies, including the Department of Agriculture, Police, Fire and Emergency Services, Department of Environment, Perth Zoo, Forest Products Commission and others.

When CALM rolls-in to it's SSC, as early as October 2005 but more probably in mid-2006, we'll have an immediate budget reduction to cover the work the centre will do for CALM and to cover the savings to Government.

The budget cut and reduction in FTEs will all come – at least initially - from Corporate Services Division.

Across Government, there will be 25% less jobs in these particular finance and HR Corporate Service areas than there are at present, which translates to 800 less jobs when these Shared Service Centres are up and running.

CALM finance and HR staff, whose jobs transfer to the Shared Service Centre, which will be located in Cannington, can apply to move from CALM to the Shared Service Centre.

Staff whose jobs transfer to the Shared Service Centre, but who are unable to win jobs there – as there will be fewer of them - or staff who don't want to do – they will remain with CALM, even though the budget for their salaries and other costs will have be taken from CALM. Funding for these staff will have to come from elsewhere in CALM's budget.

A program to successfully manage these staff is an important part of dealing with these changes. One of our strategies may be to quarantine suitable vacancies for these people – and I'm still working on that proposal now.

And I'm currently implementing a change management program for the Department, especially in the areas in Corporate Services Division most affected by the changes.

As the HR and Finance work done by the Shared Service Centres will likely follow different business rules and processes than those that currently exist within CALM, there will be a need to redesign administration and finance work practices and jobs in all budget centres throughout the Department.

I currently have about 20 staff in Financial Services Branch and in People Services Branch working – several hours or a number of days a month – on agency working groups involved in the development of process designs, policies and supporting business rules, and the like in their functional areas (such as accounts payable, recruitment, etc).

These staff are directly involved with the design of the shared services processes and systems for two reasons … so that the new systems and processes work, and also so CALM can influence them according to our needs.

One message I'm getting back strongly from staff involved in this work is that the Shared Service Centres are being put together with the belief that most business processes can be simplified to "one size fits all", and if some wrinkle or complexity is pointed out to Functional Review staff, a favourite response is that "Line managers and their staff can do that". It's important to recognise that things will be different for <u>all</u> of us when the new Centres are operational.

Besides the loss of HR and finance staff to the Shared Service Centres, this is one of the reasons there will be a need to redesign administration and finance work practices and jobs in all budget centres throughout CALM as part of this reform process.

Services to be provided from the Centres will be as on-line as possible with, for example, all leave and personnel transactions being done via computers rather than using paper forms or speaking to someone face to face or on the phone.

Our Corporate Services staff are also getting involved in other types to work related to the shared services reforms.

For example, staff in People Services have begun a fairly massive audit of data in the CONCEPT HR system to ensure it is correct and totally up-to-date before it is transferred to the Shared Service Centre.

Anyone who has ever transferred data from one system to another understands the possibilities of glitches … and with HR data, that could affect people's pay, leave entitlements, employment history and more.

So, we've got to do it right.

Will the impact of Shared Services on CALM be significant?

In a word … yes.

In May, we were advised that when CALM rolled into the Shared Service Centre, we would have a Corporate Services budget cut of about $2.6 million, involving a transfer or a reduction of about 37 or 38 FTEs.

These figures are based on a certain set of assumptions and circumstances that may vary over the time it takes to get the SSC up and running.

But these figures are close enough to give us a picture of what is ahead.

In human resources, the cluster will deal with recruitment, personnel, payroll, career planning, some occupational health & safety and some training, and it looks as though we'll retain about 6 to 11 positions in the branch (down from 26) plus four Organizational Development positions in Dwellingup.

We have identified a number of concerns about Risk Management and Industrial Relations being handled by the Shared Service Centre and that should result in us retaining a total of 11 positions in the Branch rather than 6 as originally proposed.

While CALM's Risk Management Section is responsible for generic occupational health and safety, in which the cluster will have a role, a large majority of the Section's role is in agency specific work, such as hazard identification and workplace inspections in national parks and remote worksites, or core business, such as fitness testing for fire fighters.

The Shared Service Centre proposal, so far as it relates to occupational health and safety, poses a major and unacceptable corporate risk to CALM and we are working hard to modify it. We need to retain staff and resources in this area.

Likewise for Industrial Relations, where the loss of dedicated IR staff within CALM would adversely affect the proper interpretation and application of awards and certified agreements that are Department-specific and would reduce CALM's effectiveness in negotiating such agreements in the future.

In finance, the changes will also be dramatic.

In the pure finance positions in Financial Services Branch, if you don't consider fleet and supply and other functions not to be covered by the SSC, it looks as though we will retain about 8 or 9 positions (down from 24) when the cluster takes over responsibility for accounts payable, accounts receivable, fixed assets, general ledger, budgeting and forecasting and the ICT work that underpins finance.

The staff that remain would focus on value-adding policy, strategy development and analysis of data, which would largely continue to be input by regional and divisional staff but be stored in systems provided by the cluster.

In finance, there would still be a budget and reporting section, and perhaps a slightly larger procurement section.

The design and the scope of the work to be undertaken by the Shared Service Centre means that the finance and HR portions of the corporate service function that remains in CALM will have to be significantly redefined and jobs and tasks reallocated within the Division. By the time the SSC is up and running, we will have a new structure and a new look.

Just what that will look like is still too early to tell as how the Shared Service Centres will actually function is still being planned.

However, we can't wait for that and I'm working on a four phase strategy for these changes.

The first phase is an impact analysis, which is largely complete … what's the impact of the proposed changes on FTEs and budgets … how will this affect the current operations of CALM (including current processes, operating philosophy, culture and management style)? …

… how will it affect staff? … what change principles and communication strategy need to be put in place.

Getting up to speed on the impact of the coming Shared Service Centres has been a focus for me over the past several months.

The second phase, which I'm currently undertaking, is defining the future business model and philosophy for corporate services or business support services in CALM.

The critical questions for us include:

What is the role of the manager in CALM?

What will be the new role of the remnant corporate services staff in finance and HR?

What structure will best support CALM's future operation?

And how will we manage the transition to that?

To get some of the answers here involves discussions with the rest of Corporate Executive and managers throughout CALM, as well as some desk research and the use of such tools as responsibility matrices to evaluate the various options.

There are various business model options to be considered, including –

…using retained corporate service staff in a strategic and consulting role with line managers and staff who will deal directly with the Shared Service Centre …

… using retained staff in a central operational corporate services role and outsourcing the strategic role …

… deploying retained corporate service staff into each Division and abolishing centralised financial and HR services…

… or having retained staff playing a strategic and consulting role for line managers and providing an operational link with the Shared Service Centre by managing the Service Level Agreement between CALM and the Centre …

There are other various business models and each needs to be evaluated on the basis of impact on existing structure, the cultural change that would be needed, the suitability of existing business rules and policies, the difficulty to achieve change and the cost of that change, and the potential benefits to CALM.

And all have an impact on whether we should encourage our best corporate services operational staff to transfer to the Shared Service Centre or whether we try to keep them in Corporate Services Division or deploy them to line positions throughout CALM.

The third and fourth phases of our change strategy involve determining our readiness to roll in to the SSC and then fully implementing the change strategy and action plan.

But this is a little further down the path, so I won't go into it further today.

My attention to date has largely been on those CALM staff … those in People Services Branch and Financial Services Branch … that will be directly affected by the changes.

What we've been doing is communicating … communicating … and then communicating some more … on what we know about the Shared Service Centres … even though, there are still not definite answers for a lot of the important questions staff are asking and that need answering.

Besides communication, all staff in Financial Services and People Services are attending workshops designed to give them a greater sense of direction and control during times of change and uncertainty.

This program also includes training for managers and team leaders to lead and support staff affected by change.

And, as I mentioned earlier, many staff in Corporate Services are part of task forces, government committees and reference groups on the structure and nature of services to be delivered by the Shared Service Centres.

Not only do they add a great deal of value to these committees and review groups, it gives CALM staff a first hand look at what's proposed and what's going on.

That's about where things are up to at the moment.

I'm conscious of the fact that these changes will impact on staff throughout CALM, and that we'll have to start paying attention to that soon.

Now briefly … procurement.

The State Government has embarked on a phased four-year program of procurement reform to save $120 million through better buying of goods and services, and then "harvesting" a portion of those savings for use in priority areas.

The savings are to come from several areas, including:

… greater use and, for metropolitan-based agencies, mandatory use of existing and new common use contracts … so, a greater aggregation of CALM's spending through whole-of-government contract frameworks

… savings are also supposed to come from improvements to contract design and improved training for staff involved in procurement …

… and from changes to buyer behaviour.

In the middle of June, I provided all budget centre managers with an explanation of the procurement savings that were "harvested" from CALM's budget by Treasury and how these savings or cuts had been allocated across the Department.

It is worthwhile to note that some of the increase in CALM's budget this year is because we were able to benefit from savings "harvested" from other agencies.

Harvesting of $1,087,000 in savings was factored into CALM's 2004/05 budget across 22 categories of goods and services. This reduction in CALM's budget comprises the first round of procurement savings that will be made through to 2007/08.

Treasury and Finance is responsible for driving procurement reform in goods and services, while Housing and Works is responsible for building works.

I guess the 64 thousand dollar question is whether these savings will really occur.

I think the answer is a qualified yes.

In some areas, such as fuel where we will get an automatic discount on the pump price of 4.05 cents per litre in the metropolitan area, up from 1.85 cents per litre on the old common use contract, savings will occur.

We're paying more for petrol because the price has risen dramatically over the last year, but we're paying less than we would have been without the common use contract.

Savings will also occur under new contract arrangements for purchasing computers, other IT equipment and a range of other goods and services.

And while CALM is supportive of the Procurement Reform objectives, there are areas of concern.

I won't go into the details, but some of the Department of Treasury and Finance's methodology that underpinned the calculation of the savings and resultant "harvest" for the current financial year was not well founded.

We have to live with it this year, but we don't want the adverse impacts of the 2004/05 harvest to be amplified in future years.

So we're working with Treasury to see that that doesn't happen.

But there are <u>real</u> savings to be made by CALM, and what we do have control over is buyer behaviour within CALM.

For example, Treasury recently released some information on agency performance on purchasing of stationary supplies, travel and petrol. CALM is <u>not</u> performing well in these areas

On stationary purchases, CALM performed poorly … we ranked 24th out of 27 agencies on purchasing low cost items from the common use contract that's in place. There are very real savings to be made in this area.

On travel, we were 10th out of 35 in purchasing fares on the internet where the fees are lower, but only 16th out of 35 in purchasing discounted domestic fares rather than fully flexible tickets, which are on average 32% more expensive.

And in metropolitan fuel purchases, we ranked 32nd out of 41 and CALM purchased about 20% of its petrol at the top of the fuel pricing cycle. In fact, Treasury data shows that CALM's fuel purchases weren't showing a price sensitive reaction to changes in the fuel price cycle, and actually increased slightly when fuel prices went up.

So there's a need for significant behavioural change in cost centre purchasing if we're to prevent procurement savings becoming real budget cuts across the Department that affect operations and our ability to deliver services to the community.

In summary then …

… the Government is committed to improving the way it does business and its got a big reform agenda in this area

… the changes that are already underway will take a few years to fully roll out

… and CALM is committed to doing everything we can to position ourselves so these changes benefit how we deliver conservation and land management services to the community.

I'll leave it at that … happy to take your questions.