



**Gladys Berejiklian MP**  
Premier of New South Wales

Ref: A2256803

Mr Bruce Notley-Smith MP  
Chair  
NSW Legislative Assembly Public Accounts Committee  
Parliament House  
SYDNEY NSW 2000

Dear Mr Notley-Smith,

I refer to correspondence of 12 September 2017 from the Clerk of the Legislative Assembly, regarding the Report No. 5/56 of the Public Accounts Committee – *Examination of the Auditor-General's Performance Audit Reports July 2015 – January 2016*.

Please find enclosed the NSW Government response to the recommendations made in the Committee's Report.

Yours faithfully,

**Gladys Berejiklian MP**  
Premier

NSW GOVERNMENT RESPONSE TO REPORT NO. 5/56 OF THE PUBLIC ACCOUNTS COMMITTEE – EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE  
AUDIT REPORTS JULY 2015 – JANUARY 2016

Recommendation	Agency responsible	Response
<p><b>Recommendation 1</b></p> <p>The Committee recommends that, by December 2018, all agencies set precise productivity and efficiency objectives, and determine appropriate methods for measuring performance against objectives.</p>	NSW Treasury	<p><b>Noted</b></p> <p>The NSW Government acknowledges the Committee's recommendation and notes that there are already sector-wide programs and policies underway to measure performance against set objectives.</p> <p>NSW Treasury, from a whole-of-government perspective, has helped set the policy framework for several significant measures, such as the NSW Wages Policy and the Financial Management Transformation (FMT) program:</p> <ul style="list-style-type: none"> <li>- The Committee's report notes that the cost of labour is a key factor in determining productivity in the public sector. The continued application of the NSW Wages Policy, which limits the growth of the cost of labour across the sector, provides a measure for agency performance in the context of productivity and efficiency of labour. The Wages Policy Taskforce is convened by NSW Treasury with representatives from NSW Treasury and the Public Service Commission. Agencies must report to the Taskforce on progress towards the achievement of employee related cost savings and implementation of reform measures.</li> <li>- The FMT program will deliver key performance indicators for program output, effectiveness, efficiency and equity, and appropriate performance measurements against agreed outcomes for each cluster across the NSW public sector.</li> </ul>
<p><b>Recommendation 2</b></p> <p>The Committee recommends that the Department of Justice formalise its processes for measuring productivity in the NSW Local Court. This includes determining data collection needs for developing a methodology to</p>	NSW Department of Justice	<p><b>Supported</b></p> <p>The NSW Department of Justice has a new courts operating model underway that will include detailed modelling of trends in efficiency and productivity of the court system, including Local Courts. This work will allow measurement and reporting of productivity and value for money, and help inform future reform priorities.</p> <p>The Department of Justice also reports on the productivity and efficiency of police, court, corrective and emergency management services activities in the Productivity Commission's</p>

<p>analyse productivity and efficiency trends.</p>		<p>annual Report on Government Services (RoGS). Many of the RoGS measurements are reported against agreed standards and provide a comparator across States and Territories.</p> <p>As part of the FMT reforms, the Department of Justice is also working with NSW Treasury on developing key performance indicators for program output, effectiveness, efficiency and equity, and appropriate performance measurements against agreed outcomes.</p>
<p><b>Recommendation 3</b></p> <p>The Committee recommends that NSW Treasury formalise its leadership and advisory role, and clarifies the expectations regarding how agencies should be measuring productivity and setting reporting targets.</p>	<p>NSW Treasury</p>	<p><b>Supported</b></p> <p>NSW Treasury is leading and advising the sector by working with agencies on productivity-enhancing reforms and setting the parameters for measuring performance against targets.</p> <p>On 19 February 2018, the NSW Treasurer announced that the Government is establishing a NSW Productivity Commission within NSW Treasury to drive the whole-of-government productivity agenda and to lead micro-economic reform. This forms part of the Government’s response to the Greiner Review of the NSW regulatory policy framework, which recommended the appointment of a Commissioner to oversee regulatory quality in NSW.</p> <p>Treasury is also working closely with all clusters on the whole-of-government FMT reforms, of which productivity is an important element. These include outcomes reporting and a sector-wide reform of financial management, which clarifies expectations around performance management and value for money.</p> <p>As discussed in the Government’s response to Recommendation 1, NSW Treasury advises and assists clusters in applying the NSW Wages Policy to help deliver sector-wide productivity enhancements.</p>
<p><b>Recommendation 4</b></p> <p>The Committee recommends that the NSW Government gives further consideration to implementing the National Policy and Guidelines for Alliance Contracting, as recommended in the January 2012 NSW Commission of Audit Interim Report Public Sector Management.</p>	<p>NSW Treasury</p>	<p><b>Supported</b></p> <p>The Government supports giving further consideration to implementing the National Policy and Guidelines for Alliance Contracting (the National Policy).</p> <p>NSW was involved in the original Inter-Jurisdictional Steering Committee for Alliance and Traditional Contracting (whose role concluded in 2014) which developed the National Policy. It should be noted that any decision to implement the National Policy in NSW would need to be supported by a process to demonstrate value for money and management of the risks associated with alliance contracting. In practice, where appropriate, NSW agencies already apply the National Policy and Guidelines. For example, Transport for NSW (TfNSW)</p>

		often uses existing alliances in competitive procurement strategies for projects already underway, and also applies the lessons learned from alliance contracting to new projects delivered by alliances, as well as other collaborative contracting models.
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