

**Submission
No 5**

**FOLLOW UP OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDITS APRIL 2012 – AUGUST
2012**

Organisation: Roads and Maritime Services
Name: Mr Peter Duncan
Position: Chief Executive
Date Received: 14/11/2013



CE13/1530

The Honourable John O'Dea MP
Chair, Public Accounts Committee
Legislative Assembly
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000

Dear Mr O'Dea

Thank you for your letter regarding the Auditor-General's report on *Managing Overtime: RailCorp and Roads and Maritime Services*.

I am pleased to advise that Roads and Maritime Services (RMS) has reviewed the overtime recommendations outlined by the Auditor-General's report and has provided the information in Appendix A as requested by the Public Accounts Committee.

Over the past two years, RMS has undertaken substantial organisational restructure and reform including the Road Maintenance Contestability program and the transition of RMS Customer Services operations to Service NSW. When fully implemented in 2014-15, these reforms will generate a substantial reduction in RMS' annual overtime payments in the vicinity of 45 per cent.

Given these reforms, RMS has delayed addressing some of the recommendations contained in the report until this process is largely implemented in the first half of 2014.

Over 2011-12 and 2012-13, RMS has continued to pursue a strong focus on overtime management and this has yielded real annual overtime savings of 10 per cent or \$5 million per annum. This represents a 14 per cent real reduction in overtime expressed as a percentage of base salary and wages.

I hope this has been of assistance. If you have any further questions Mr Michael Askie, General Manager, Group Financial Controller at RMS on [REDACTED] would be pleased to take your call.

Yours sincerely

[REDACTED]

11.11.2013

Peter Duncan
Chief Executive

Encl

cc: Minister for Roads and Ports

Roads and Maritime Services

Appendix A

Performance Audit – Managing Overtime : Roads and Maritime Implementation of Recommendations

Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status (completed, on track, delayed) and comment	Responsibility (Section of agency responsible for implementation)
Overtime targets and acceptable levels of overtime					
1. Determine acceptable levels of overtime for operational purposes. (#1)	Accept	RMS will determine what an appropriate and acceptable level of overtime should be across the different major business branches operating independently within the organisation, using similar industry-based benchmark targets. These targets would also take into account annual changes in the size of the organisational workload and budgetary limits. Once the appropriate targets are determined, RMS commits to publicly disclosing, as a minimum, annual performance against these targets	31 December 2014 (revised from 31 December 2012)	Delayed – over the past two years since inception, RMS has undertaken substantial organisational restructure and reform including road maintenance contestability program, a strategic review of the Engineering Technology Services business and the transition of RMS Customer Services operations to Service NSW. This macro focus has delayed the detailed micro review and setting of overtime targets across RMS as initially planned following the release of the AG's Performance Audit in mid 2012.	All Divisions to determine acceptable levels and coordinated by Corporate Division, Financial Management Branch.
3. Revise its overall overtime target of ten per cent to reflect its commitment to reducing overtime and disclosure performance in future annual reports (#3)	Accept				Target setting coordinated by Corporate Division, Financial Management Branch and inclusion in Annual Report managed by Strategy & Engagement Division.
4. Ensure that individual overtime targets are set for all major branches, consistent with achieving the overall agency target. (#4)	Accept				All Divisions & major Branches to determine overtime targets and coordinated by Corporate Division, Financial Management Branch.
				The recently announced outsourced Sydney road maintenance delivery arrangements will be fully operable in April 2014 and the transition of customer services operations to Service NSW will continue through to financial year 2014-15. Upon completion of these structural reforms, it is expected that the level of overtime payments in RMS will have reduced by a further 45 per cent or in the vicinity of \$18 million. The expected residual overtime payment amount of \$23 million per annum will represent approximately 0.4 per cent of RMS' total annual budgeted	

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				<p>expenditure over the forward estimates.</p> <p>RMS will commence a review of its overtime targets in early to mid 2014 based on the substantially revised RMS organisational structure when fully implemented.</p>	All Divisions

Overtime management, monitoring and reporting

<p>9. Regularly monitor performance, including overtime levels, against established industry benchmarks. (#9)</p>	<p>Accept</p>	<p>RMS will further review and refine reporting and undertake more detailed analysis to enable better management and monitoring of overtime performance.</p>	<p>Ongoing</p>	<p>On track - RMS continues to provide overtime performance reports that are reviewed each month by the RMS Executive and HR & Finance also provide monthly reporting and analysis at a more detailed level with local Divisional management & operational Managers.</p> <p>Improved monitoring and management processes introduced by RMS (including Road & Fleet Service business) in 2011 have realised an overall \$5 million per</p>	<p>All Divisions</p>
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<p>6. Make better use of its systems to analyse overtime trends as suggested in recent internal reviews. This will support its understanding of the required levels of overtime and assist monitoring of performance against targets. (#6)</p>	<p>Accept</p>		<p>Ongoing</p>	<p>annum or 10 per cent real reduction in absolute overtime dollars over the past two years. This represents a 14 per cent real reduction in overtime expressed as a percentage of base salary and wages.</p>	<p>All Divisions</p>
<p>5. Maintain a continuing focus on high earners of overtime as part of its strategy to reduce overtime (ongoing). (#5)</p>	<p>Accept</p>	<p>At a branch level, RMS work is ongoing to reduce the number of high earners of overtime relative to their base pay.</p>	<p>Ongoing</p>	<p>On track - RMS continues to provide overtime performance reports that are reviewed each month by the RMS Executive and HR & Finance also provide monthly reporting and analysis at a more detailed level with local Divisional management & operational Managers. Since 2010-2011, the number of high earners of overtime greater than 60 per cent of their base pay has continued to decrease over the past two years both in absolute numbers and as a percentage of total overtime earners.</p>	<p>All Divisions</p>
<p>2. Further investigate the extent of overtime caused by sick leave and develop strategies to address problem areas (#2)</p>	<p>Accept</p>	<p>RMS has already introduced separate improved sick leave management processes and initiatives across the business that has resulted in reduced levels of sick leave. RMS will further investigate the extent of overtime caused by sick leave and determine if existing sick leave management processes need to be further refined.</p>	<p>31 December 2014 (revised from 31 December 2012)</p>	<p>Delayed - RMS will review further investigate the extent of overtime caused by sick leave and determine if existing sick leave management processes need to be further refined in mid 2014 once the substantial organisational structural reforms within RMS are largely completed.</p>	<p>Corporate Division, Human Resources Branch</p>

10/04/14

Recommendation	Accepted or Rejected	Actions to be taken	Due Date	Status (completed, on track, delayed) and comment	Responsibility (Section of agency responsible for implementation)
Work practices and Industrial Award reforms					
7. Identify opportunities for savings in overtime resulting from changes to work practices suggested in recent internal management reviews of RFS and timetable their implementation. (#7)	Accept	Currently, RMS is undertaking a detailed analysis and contestability review of its road maintenance delivery arrangements on behalf of NSW Treasury and central Government. One of the possible outcomes is the delivery of road maintenance services across the network that will involve more competitive tendering. As part of the business case evaluation process, RMS will assess the net benefits of any initiative proposed to ensure overall efficiency gains, including potential overtime savings, are positive.	4 November 2013 (revised from 31 December 2012)	Completed – in early November 2013, RMS recently announced the awarding of two contracts to external providers for the delivery of road maintenance in the Sydney area. This followed a rigorous tender and business case evaluation process sanctioned by RMS and NSW Treasury that will deliver overall positive net benefits and efficiency gains.	Asset Maintenance Division and Corporate Division, Human Resources Branch
8. Before implementing initiatives, such as the increased use of sub-contractors in place of overtime, assess the overall net benefits leading to improved efficiency. (#8)	Accept	RMS is investigating the opportunity of a single industrial award for all salaries staff (effective from 1 July 2013) that will cover a significant number of ex. RTA and ex. NSW Maritime staff. As part of this negotiation process, RMS will investigate and review potential changes to rostering and work practices, shift patterns, allowance arrangements and other work place reforms in consultation with respective employee Union representatives, that may be beneficial in achieving overall labour productivity gains in the cost of delivering works and services, including potential overtime savings.	30 June 2014 (revised from 31 December 2012)	Delayed – given the substantial organisational structural reform in progress during 2013, RMS elected to defer the industrial award consolidation process and rolled over the existing awards to 2014 including any potential changes to rostering and work practices, shift patterns, allowance arrangements and other work place reforms. RMS will review its industrial relations strategy in early to mid 2014 once the substantial organisational structural reforms within RMS are fully implemented.	Asset Maintenance Division and Corporate Division, Human Resources Branch
10. Include allowances paid for work outside normal hours when reviewing work practices and reforms in future. (#10)	Accept				All Divisions and coordinated by Corporate Division, Human Resources Branch