OUR PUBLIC SERVICE OUR FUTURE

A TRUSTED APS, UNITED IN SERVING ALL AUSTRALIANS

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OUR ASPIRATION

Contents

Foreword

The Australian Public Service is a foundational institution of Australia's democracy. It performs a critical role within the executive arm of Government. Its proper functioning is essential to the future prosperity and security of all Australians and successive governments require the APS to perform efficiently and effectively in order to fulfil their responsibilities.

This is one of the most substantive reviews of the APS conducted since the Coombs Royal Commission of 1976, which helped us navigate the last 40 years so successfully as a nation. Our review in 2019 looks at the key actions that must be taken to ensure that the APS is fit for purpose to serve all Australians now and in the decades ahead. This is essential to create a more prosperous Australia for all its citizens.

The modern Westminster principles of government remain essential: an apolitical, merit-based, and open public service, underpinned by integrity, serving the Government, Parliament and the people of Australia. These principles must be reinforced and supported.

While the APS is not broken, it must make substantive changes to address current issues and prepare for the future opportunities and challenges that our nation will face. To become a high-performing institution, deep cultural change is required. It is now time for bolder action.

This review concludes that the APS needs to:

- work more effectively together, guided by a strong purpose and clear values and principles
- partner with the community and others to solve problems
- make better use of digital technologies and data to deliver outstanding services
- strengthen its expertise and professional skills to become a high-performing institution
- use dynamic and flexible means to deliver priorities responsively, and
- improve leadership and governance arrangements.

Critically, the report takes a practical view of the challenge of changing the APS and strongly recommends a new and concerted approach to implementing the review. This needs to commence with strong leadership and direction by the Government and Secretaries Board. Building APS capability is not to be a distraction from delivering government priorities — it is the means to achieve them.

This report calls for outcome-driven targets to measure the progress of the APS against its delivery of government priorities, satisfaction with services, ease of doing business, efficiency, citizen trust and employee engagement. Metrics that ensure the APS has a positive impact on the lives of all Australians and is accountable to the public. Action can begin immediately.

The panel echoes the call by the Prime Minister, the Hon Scott Morrison MP, for a quiet revolution of the APS. The recommended reforms are predicated on reinforcing the strength and institutional capability of the APS to best serve, in the enduring Westminster tradition, the Government, the Parliament and the people of Australia. For the government of the day this means an APS that is delivering against its priorities, providing the highest quality advice, and implementing decisions effectively and efficiently.

This review is about our public service and how it can unite to serve all Australians: *Our APS, Our Future.*

We extend our thanks to the individuals and organisations who invested time and energy to this review. You have shaped the themes, tested ideas and refined our thinking, contributing to a once-in-a-generation opportunity to create the future of our APS.
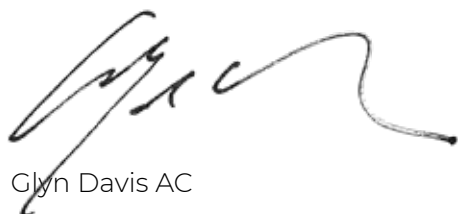
Independent panel of the APS review
20 September 2019

David Thodey AO, Chair

Maile Carnegie

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About the report

The first part of this report:

- contains the **terms of reference** of the review, **definitions** and a **glossary**
- provides an **executive summary** of the review's key findings, and
- provides an index of recommendations.

Chapter 1 Deliver better outcomes outlines the fundamental role of the APS for Australia, and the case for change.

Chapters 2–8 set out the evidence and rationale for the recommendations under seven priority areas – emphasising the critical importance of implementation, the first recommendations seek to ensure successful transformation, accountability and a high-performance culture:

- **Chapter 2 Transform for the future** identifies the essential characteristics of successful transformation for the APS, including committed leadership, targets to measure success, investment and deep cultural change.
- **Chapter 3 Unite to succeed** highlights the importance of the APS working together through shared principles, values, purpose and vision, with an unwavering commitment to integrity.
- **Chapter 4 Partner for greater impact** outlines the transition required for a more outward-facing APS to help solve complex challenges.
- **Chapter 5 Embrace data and digital** describes the digital transformation and data capability required for the APS to deliver outstanding services and advice.
- **Chapter 6 Invest in people to strengthen capability** outlines the major capability rebuild required, guided by a whole-of-service workforce strategy and initiatives to attract and develop great people.
- **Chapter 7 Develop a dynamic and responsive organisation** sets out how an aligned and empowered APS can respond to challenges and deliver value for money.
- **Chapter 8 Empower leaders to make a difference** highlights the need for strengthened leadership through increased clarity, transparency and joint accountabilities.

Appendix A details implementation considerations (sequencing and funding).
Appendix B provides more information on the independent panel and the review's research and engagement process.

Consistent with the terms of reference, the review focused on all departments of state and all entities that employ staff under the *Public Service Act 1999*. Parliamentary departments were not within scope of the review.

Definitions

In this report the following terms are used as defined by the *Public Service Act 1999:*

Agency	means (a) a Department; (b) an Executive Agency; or (c) a Statutory Agency.
Agency Head	means (a) the Secretary of a Department; or (b) the Head of an Executive Agency; or (c) the Head of a Statutory Agency.
APS	includes all agency heads and APS employees.

Glossary

ANAO	Australian National Audit Office
ANZSOG	Australia and New Zealand School of Government
APS	Australian Public Service
APSC	Australian Public Service Commission
COAG	Council of Australian Governments
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DFAT	Department of Foreign Affairs and Trade
Finance	Department of Finance
FOI	Freedom of Information
DTA	Digital Transformation Agency
EL	Executive Level
HR	Human resources
ICT	Information and communication technologies
MoG	Machinery of Government
NSW	New South Wales
OECD	Organisation for Economic Co-operation and Development
PM&C	Department of the Prime Minister and Cabinet
SES	Senior Executive Service
UK	United Kingdom

Terms of reference

The Government commissioned this review of the APS on 4 May 2018.
The terms of reference for the review follow.

The Australian public and successive Australian governments have been well served by a highly professional Australian Public Service (APS). The APS has consistently engaged with the key policy, program, service delivery and regulatory challenges of the day, and sought to understand current management, governance and technological developments.

However, new technology and global developments are transforming the Australian economy and society. This will continue and accelerate over the decades ahead, posing new opportunities and challenges for citizens, business and the broader community.

The Government is determined to ensure Australia capitalises on the opportunities this provides to drive innovation, increase productivity, create jobs, improve citizens' experience of government, and deliver better services. The APS has a critical role in assisting government manage and respond to new and emerging challenges — both in policy and implementation. But it must be best placed to harness the opportunities, with the necessary in-house capability to both develop and implement solutions.

The APS must retain the key competencies and capabilities to discharge its responsibilities.

The recent Innovation and Science Australia report, Australia 2030: prosperity through innovation, concluded the APS has to transform to meet the challenges of a digitally-enabled economy. This means improving the capacity of the APS to innovate, collaborate, and to use data and technology more effectively.

The structure, approach and operations of the APS reflect a framework for public administration shaped largely by the 1974-1976 Royal Commission on Australian Government Administration, and refined by subsequent inquiries and reforms. It is therefore timely to ask whether the APS's capability, culture and operating model are suited to harness the opportunities of a transformed Australian economy and society, in an increasingly complex global context.

Objective

The Government is establishing an independent review to ensure the APS is fit-for-purpose for the coming decades. The APS needs to be apolitical and professional, agile, innovative and efficient — driving both policy and implementation through coherent, collaborative, whole-of-government approaches. It must have the capability to meet core responsibilities and deliver functions, and to understand and deploy technology and data to drive improvement.

This will enable the APS to best serve the Australian government and people: providing security, driving productivity and jobs in the economy, improving citizens' experience of government, and delivering fair and equitable support where it is most needed. A modern APS will be an employer of choice, providing enriching work for its employees, nurturing talent and being an exemplar of innovation and adaptability.

The review will identify an ambitious program of transformational reforms to ensure the APS is fit-for-purpose for the coming decades, and to guide and accelerate future reform activities.

Scope of review

This review will examine the capability, culture and operating model of the APS. It will make practical recommendations to ensure the APS is ready, over the coming decades, to best serve Australia in:

- driving innovation and productivity in the economy
- delivering high quality policy advice, regulatory oversight, programs and services
- tackling complex, multi-sectoral challenges in collaboration with the community, business and citizens
- ensuring our domestic, foreign, trade and security interests are coordinated and well managed
- improving citizens' experience of government and delivering fair outcomes for them
- acquiring and maintaining the necessary skills and expertise to fulfil its responsibilities.

In examining these issues, the review will consider the suitability of the APS's architecture and governing legislation. It will also consider how the APS monitors and measures performance, and how it ensures the transparent and most effective use of taxpayers' money in delivering outcomes.

The review will focus on all Departments of State and any entity which engages staff under the *Public Service Act 1999* (Cth). Parliamentary departments are not within the scope of the review.

Recommendations will include implementation and change management strategies.

Leadership and governance

The review will be led by an independent panel of six individuals with public and private sector experience, both in Australia and internationally.

The panel will be supported by a secretariat in the Department of the Prime Minister and Cabinet. The panel will report to the Prime Minister through the Secretary of the Department of the Prime Minister and Cabinet, who will be supported by the Australian Public Service Commissioner.

The review will examine leading domestic and international public and private sector practice. It will have close regard to reform activities already underway across government, particularly the work of the APS Secretaries Board. It will also examine and draw upon previous reviews to improve the APS, including implementation experiences and lessons learned.

The panel will consult widely, both within and outside the APS, including with an advisory group of current Commonwealth Ministers and a reference group of eminent individuals with a diverse range of domestic and international, public and private sector expertise.

Executive summary

A call to action

The Australian Government commissioned this review in May 2018 to ensure the APS is fit for purpose for the coming decades. The review has engaged with more than 11,000 individuals and organisations, conducted over 400 consultations, commissioned eight reports and five surveys, and reviewed relevant reports, literature and other sources. The panel published its working hypothesis — its priorities for change — in March 2019, to test its ideas, and has maintained an open and engaged conversation with parliamentarians, APS employees and the public throughout the review.

The panel's findings are unequivocal: the APS needs a service-wide transformation to achieve better outcomes. It needs short-term change and long-term reform to serve the Government, Parliament and the Australian public more effectively and efficiently — now and in the years ahead.

Why is this transformation needed? Not because the APS is broken; there are many examples of excellence across the service. But the APS is not performing at its best today and it is not ready for the big changes and challenges that Australia will face between now and 2030.

The service's ill-preparedness reflects historical challenges in addressing known issues — including in its people, its enabling systems and its culture. There have been at least 18 significant reviews of different aspects of APS operations over the past ten years. Although these have resulted in some change, this review diagnoses similar problems to those identified in previous assessments. That some recommendations echo those made before underscores the critical importance of effective implementation. Unlike past reviews, this report recommends a very different approach to implementation: a dedicated and sustained approach to transformation will be necessary for success.

If these challenges are not addressed and the service does not change to better serve people in a changing future, it will face risks which strike at the heart of the vital role the APS plays for Australia — right across its delivery, regulatory and policy functions. The transformation must find ways to deliver more and better within constrained budgets. And it must channel investment to key priorities. That investment will deliver returns many times over — both financial and non-financial.

A trusted APS, united in serving all Australians

The journey needs a clear destination. To deliver its mandate in coming years, the panel believes that the APS of 2030 must be a trusted APS, united in serving all Australians.

This aspiration reflects the imperative for the APS to seize the enormous and powerful opportunities to deliver great services, programs and projects, to provide outstanding independent policy advice to government, and to ensure that its regulation meets the expectations of Australians.

To achieve this aspiration, the APS will need to undergo a significant transformation, guided by the recommendations in this review — uniting through a clear purpose, building its professionalism and expertise, embracing data and digital, looking out and working with partners to solve problems, getting rid of the excessive silos and hierarchy, and strengthening service-wide leadership and governance.

Put into practice by the APS, meeting this aspiration will mean:

DELIVERING OUTSTANDING SERVICES to the Government, Parliament and the Australian public, harnessing the full potential of digital and data analytics in all it does.

A DYNAMIC, ADAPTIVE AND RESILIENT APS to deliver government priorities in a changing world.

AN EMPLOYER OF CHOICE with people who are motivated by purpose, are professional, highly skilled, experienced and engaged, and have the capabilities to deliver.

WORKING IN PARTNERSHIP with communities, business, and other governments and stakeholders to solve complex problems.

OPERATING EFFICIENTLY AS ONE APS and encouraging the contestability of ideas across the service while using its resources and insights to tackle cross-cutting economic, social, security, international and environmental challenges.

LIVING APS VALUES with integrity, every day.

The APS needs ambitious service-wide performance outcomes and targets to provide a focal point for transformation and hold the APS to account. They could include:

Priority	Target
Government priorities implemented on time and to a high standard	*>90% delivered*
Seamless government services delivered to the public	*>80% satisfaction*
Starting and running a business made easier	*Top 5 globally*
The APS operating with optimal efficiency	*Cap APS operating expenditure as a % of government spend*
The APS trusted to serve the public effectively	*Double trust scores*
APS employees committed to delivering better outcomes for the Australian people	*>80% staff engagement*

It will not be easy to transform the APS and deliver these outcomes. The previous experience of APS reform shows that success will require deep commitment by the APS and its leaders as well as strong endorsement by the Government. We suggest the Government considers and adopts appropriate Cabinet and ministerial oversight arrangements to ensure APS accountability for building a high-performing service.

The good news is that there is strong support for change: from ministers to the public, and from agency heads to frontline staff across Australia, there is a resounding call to act. Throughout this review there has been a unanimous call for change. And Secretaries Board, particularly through the work of its APS Reform Committee, is already tackling these challenges by initiating a range of reforms to modernise the service.

A clear case for change

The APS has a proud history of service. But the world is changing rapidly, presenting new challenges and opportunities for Australia. Today, people have access to information previously held only by the most powerful institutions. Far more data is being generated, stored and shared than ever before. As a result of digital disruption, citizens expect more and can more easily demand change. Automation and artificial intelligence are transforming industries, while Australia's geopolitical environment is becoming less stable. Current trade tensions reflect deeper shifts of world power. Public trust in the benefits of globalisation, openness and traditional institutions, including the APS, is at concerning, low levels.

In this environment, Australia faces an uncertain and increasingly volatile future. The world of 2030 may be dominated by the promise and disruption of new technologies, within the APS and across society and the economy. Technology may fundamentally shape how policy is made and how people interact with government. Local solutions could become even more important as trust in large institutions wanes. Or global instability may drive increased protectionism as nations turn inwards, instead of looking out.

Such scenarios may not reflect the future — or the future may look like a combination of these and other possibilities — but the reality is the APS needs to be ready to adapt for what could be a radically different future over the coming decades.

The APS can be proud to be counted among the leading public services in the world. It has invested and innovated in many areas — from real-time health claims processing to digitising tax returns — and can be proud of its service breakthroughs. Yet the APS as a whole is falling short of its own high expectations, and those of ministers and the Australian people. The APS will need to be open, citizen-centric and technology-enabled. Without transformative change, today's weaknesses are likely to turn into critical failures in the future.

From the evidence it has gathered, the review concludes that the APS is ill-prepared to grasp the opportunities of the future for several reasons. It lacks a clear unified purpose, and is too internally focused. There has been long-running underinvestment in the APS's people, capital and digital capability, while siloed approaches, rigid hierarchies and bureaucratic rules create barriers to effective delivery. APS leaders do not always act as a unified team. Most of all, the APS is not changing fast enough to meet government expectations and deliver for Australians in a changing world.

From the APS of today	... to the APS of the future
lacks a clear unified purpose **170+ purpose statements that reinforce agency not whole-of-government priorities**	*United*
is too internally focused **Only 3 in 10 Australians trust government services**	*Citizen-centric*
is underinvested in digital services **78% of digital spend 'runs' old systems rather than build and transform — 12% more than the private sector**	*Technology enabled*
fails to strategically manage and invest in its most valuable asset — its people **28% of senior external recruits leave within 2 years** **~40% of APS employee time is automatable**	*Data driven*
	Dynamic
typically operates in silos, rigid hierarchies and traditional ways of working **70% of APS staff report that the APS is too hierarchical**	*Adaptive*
	Open
lacks a united leadership team, and **runs more like a group of agencies, not an integrated organisation**	*Trusted*
is not changing fast enough to deliver for Australians in a changing world **18 reviews in 10 years, with little performance improvement**	*Collaborative*

Government support is critical for effective APS transformation. The review makes 40 recommendations that, when implemented, will trigger and sustain far-reaching change. While the review suggests the Government provide in-principle agreement to the main recommendations of the review, the APS can implement many without delay. The recommendations indicate if explicit government decision will be required.

Some recommendations will require Government consideration through Cabinet. A small number of recommendations propose legislation to support lasting change, and the Government could consider a consolidated package of targeted legislative reforms to help achieve important outcomes.

Secretaries Board needs to lead the transformation and change must be supported by APS leaders at all levels. Agency heads will lead change in their own agencies.

Transformation will take a number of years but neither ministers nor the public should have to wait that long to see results. Implementation needs to be sequenced carefully by those responsible for it, to deliver quick wins and to ensure alignment with Government priorities.

New vision and purpose

The review reaffirms the Westminster tradition as foundational for the APS and its role. But it recommends far-reaching changes in how that role is fulfilled. There is a need to revise, renew and embed the principles, values, purpose and vision of the APS. These need to be underpinned by an unwavering commitment to integrity in advice and action — which in turn will foster greater trust in the APS by Australians. Combined, these elements have the power to bring new dynamism and unity to the APS.

Broad principles that govern the APS's actions — apolitical, stewardship, openness, integrity and adherence to merit — are currently scattered throughout the *Public Service Act 1999*. These principles complement the existing APS Values: **impartial, committed to service, accountable, respectful, and ethical.** They underpin the basic role of the APS, which this review strongly affirms, of providing robust and evidence-based advice to ministers, frankly and freely. The principles and the APS Values need to be deeply embedded across the service using induction, training, performance management and other key employee interactions to guide daily behaviour and underpin decision-making. To deliver this change, clearly define and legislate the APS principles in the *Public Service Act 1999*.

The APS needs to work together as one organisation: Australia's future needs demand a shared lens on complex problems and a truly integrated approach to policy, regulation and service delivery. The robust contestability of ideas and perspectives across the service, and the distinctiveness of the constituent parts of the APS, must be integral to the APS being more effective as a united organisation — one that is greater than the sum of its parts.

The first step to achieving a united APS is to create a common purpose and vision. The purpose is a call to action — succinct and simple. It identifies why the APS exists, what it seeks to achieve, and for whom. The vision sets the tone for the future. It describes the desired culture of the APS. Starting with purpose and vision will help guide the APS's transformation.

Underpinning it all the APS must live and breathe integrity. The APS is operating, and must be ready to continue operating, in an environment with low public trust in traditional institutions. While parts of the public sector are trusted by the Australian people — for example the defence force, police and universities — trust in the APS is lower. To rebuild trust, the APS needs to foster a culture in which people do not merely comply with rules and promote shared values, but ensure their combined actions result in a public service which is trustworthy. Greater trust, in turn, will generate openness, civic participation, cohesion, and genuine partnerships with communities.

Greater impact through genuine partnerships

One major trend before the APS is the rising expectations of citizens for more transparency and accountability and for better services and solutions, increasingly tailored to the needs of people and places. The APS needs to work meaningfully and effectively with people, communities, organisations and other governments, with an emphasis on co-design and collaboration, to achieve greater impact and more durable solutions. This will enable the APS to help successive governments and the community better grasp future opportunities and tackle complex challenges. The APS needs to strengthen its external focus and its capacity to shape and nurture partnerships that are open, respectful and mutually beneficial. Such partnerships will foster collaboration and innovation by drawing on differing perspectives, lived experiences and insights.

To establish genuine partnerships that contribute to better outcomes, the APS will need to reconceptualise how it interacts with others. This includes rethinking who the service interacts with — going beyond traditional participants (and beyond Canberra) in consultation processes to provide ministers with a range of perspectives and the on-the-ground experiences of all Australians. The review proposes a Charter of Partnerships, developed with APS partners, to help achieve this.

Local solutions will be increasingly important to tackle issues that matter most to Australians. A whole-of-government framework for place-based investment that promotes joint decision-making on services will cater for communities' specific needs and opportunities better. The APS will need to act with humility, respecting the role and expertise of the states and territories and other partners — working together to leverage each other's capabilities and insights.

Australia is a federation. The Australian, state and territory governments need to work together to tackle the pressing economic, social and security issues the country will face in coming years. This means the APS and its state and territory counterparts need to work as partners, including in collaboratively delivering national priorities agreed by COAG.

Crucially, to be effective the APS needs, in the Westminster tradition, a strong partnership with ministers and the Government. Practical initiatives are required to strengthen these critical relationships. These include educating APS employees on how to support ministers effectively, providing induction and further training for parliamentarians, establishing regular mechanisms for ministers to give feedback to the APS, and providing better technology to give ministers quick and easy access APS information and advice.

Ministerial advisers now have an enduring and important role in Australia's system of government. It is time to reflect this in better induction of and support for advisers and a legislated code of conduct to guide advisers in undertaking their important functions. This complements other measures in this review to ensure a clear understanding of the respective roles of ministers, their advisers, and the APS as a basis for strengthening the partnership between the APS and ministers.

Genuine partnership requires openness. Administrative barriers to openness need to be assessed, with privacy, FOI and record-keeping arrangements reviewed to support better access to data, administration and decision-making. To support the APS's central role in advising the Government freely and robustly, materials prepared by the APS to inform deliberative processes of government should be exempted from release under FOI laws.

Better services through data and digital

58%

… of APS Agencies report they are under-skilled in digital delivery

Australians are among the fastest adaptors of new technology. But the APS is behind the curve: 58 per cent of APS agencies say they are under-skilled in the digital aspects of delivering for the Australian people. Australians expect the same level of personalised, integrated and easy-to-use service from the Government as they receive every day from private-sector businesses. Those expectations are not being met. Only 56 per cent of Australians are satisfied with the services they receive from the Australian Government, well below levels for leading governments and private-sector businesses.

56%

… customer satisfaction with government services in Australia

The Government recognises this imperative, as reflected in its decision to establish Services Australia. Now the APS has to deliver. It needs to take full advantage of current and future technologies to deliver the enhanced services which the Government has committed to and Australians expect. This will require consolidation of functions and planning for, and investing in, a digitally enabled APS. It will need to start with a comprehensive audit of all ICT budgets, expenditure, assets and systems, followed by a whole-of-government ICT blueprint. It will require a significant capability-build in data and digital expertise right across the service. In addition, many agencies will need to invest heavily to replace systems approaching their end of life.

The APS will also need to leverage the benefits of data and analytics to generate deeper insights, provide better advice to inform government decisions, and enable more effective service delivery and regulation to improve social and economic outcomes.

Strengthened capability, investment in people

45%

... of APS staff believe their SES manager invest time in developing talent

40%

... of APS of employee time spent on highly automatable tasks

Forty five per cent of APS staff believe their senior managers invest time in identifying and developing talented people. There is a sense that APS capability has declined in critical areas — including strategic policy skills. The APS also has no way to measure its capability, nor the amount it invests in leadership and skills development. The review found that there is significant work required to nurture the APS's people and unlock their true value. Strengthening APS capability to address the needs of today and prepare for the future will require a coordinated service-wide workforce strategy.

The impact of strengthening APS capability will be profound. By 2030, the APS can be a place where the most talented, motivated people aspire to work. People will be united by a calling to serve the Government and the public — and ultimately to improve social, economic and security outcomes for all Australians. Through investing in its people, the APS can become an employer of choice. This does not just benefit public servants — it is the only way to ensure that government expectations are met, priorities are delivered, and results achieved.

To meet this vision, the APS will need to invest in the professionalism and expertise of its people and leaders, who are at the heart of its organisational capability. This includes adopting a strategic approach to workforce management to improve how the APS attracts, recruits, develops, and deploys its people. The APS needs to plan better for the opportunities that technology will bring: about 40 per cent of APS employee time is currently spent on highly automatable tasks such as data collection and processing. This time could be devoted to higher value roles — including direct customer service.

The review recommends recruiting more employees from outside the service to broaden experience and perspectives within the APS. It recommends strengthening inclusion to unlock the value of different ideas and people with different backgrounds. And more needs to be done on induction and ongoing development: 28 per cent of senior external recruits leave the service within two years of joining. The APS needs to identify and nurture people with leadership potential and provide all employees with the necessary support and learning and development opportunities to succeed in their roles and forge rewarding careers.

Establishing an APS professions model will deepen capability in various disciplines, strengthen the links between disciplines, and provide viable career paths for employees. The APS will benefit from standardising performance management to drive a high-achievement culture.

A dynamic and responsive organisation

40%

... of APS staff agree their work is guided by whole-of-APS priorities

70%

... of APS employees believe APS is too hierarchical

Today, only 40 per cent of APS staff agree that daily work at their agency is guided by outcomes that advance whole-of-APS priorities. Only 28 per cent agree that 'decision-making processes at my agency are timely and efficient'. And over 70 per cent believe the public service is too hierarchical. The review's broader consultation reinforced these concerns.

The APS will need to change fundamentally its ways of working, to become a much more dynamic and responsive organisation. It must remove roadblocks to achieve outcomes effectively. This is essential to make it easy for the public and business to deal with the Government and access its services. It is also essential for the APS to better support successive governments and help tackle complex, cross-portfolio issues.

The review recommends more flexible structures across the APS so that it can align and respond swiftly to government priorities, including through portfolio clusters. Other recommendations seek to leverage the full capacity of the workforce by reducing hierarchy, deploying agile teams and moving toward common core conditions and pay scales. These changes will remove complexity, improve efficiency and mobility, and support employees better across a united service.

Additionally, the APS requires sustainable funding for public capital and a strategic approach to procurement, commissioning and contracting. It needs to use its resources more efficiently and align budgeting and capital investment with core priorities. To be fit for the future, the APS needs to ensure that resources can be strategically realigned as priorities change.

Empowered leaders who make a difference

APS governance arrangements have served the country well in recent decades. Portfolio-specific initiatives have been delivered, relationships between secretaries and their ministers have generally been strong, and there has been accountability for agency outcomes. But this era has also delivered an agency-first mindset and reinforced an inward-facing disposition. Governments and citizens care less about which agency is delivering services, projects or grants than how well they are being delivered. Single agencies working largely independently miss opportunities to deliver robust, innovative policy advice or high-quality services in complex areas that cut across portfolio boundaries. The public policy and delivery challenges requiring collaboration across agencies are likely to become more frequent. This requires the APS to be run as an integrated organisation.

The review makes specific recommendations for how the APS can achieve organisation-wide transformation. But only good governance and empowered leaders can convert strategy to outcomes. The APS needs leaders who are willing to embed purpose and drive change — and who are both empowered and required to do so.

Clear roles and responsibilities are critical to better governance and leadership. A key step will be strengthening the role and accountability of Secretaries Board as the principal decision-making forum for the effective and efficient operation of the APS. Formal recognition of the PM&C Secretary as Head of Service and the APS Commissioner as Head of People is required — as is strengthened performance management, and robust processes for the appointment and termination of secretaries. Taken together, these measures will build both the Government's and the public's trust and confidence in the APS.

Successful transformation

Making change happen will be neither easy nor straightforward. The APS is a large, geographically-distributed organisation with diverse functions, which comprises multiple agencies. Transformation on this scale will be complex. Globally, 80 per cent of public-sector transformations fail to meet their objectives and the record of implementation of past APS reviews is poor.

Global transformation research and analysis undertaken by this review point to four factors that will enable the APS to undertake a successful program of change (Exhibit 1).

First, **effective leadership and coordination**. Transformation needs to be effectively coordinated and planned in order to align leaders and change initiatives and ensure that the transformation effort remains on track. The review recommends that a senior transformation leader leads and drives reform. The leader requires the trust of the Government, the authority and influence to inspire change, and the ability to remove roadblocks to delivery. Secretaries Board is to be accountable for overall delivery and should agree an implementation plan and targets to measure success with the Government

Second, **building capability, and measuring progress**. High-performing organisations build capability at the same time as delivering results. Rewards, targets and incentive systems need to reflect the imperative to deliver better results and the need to build long-term capability. It will require disciplined and regular measurement of indicators of the organisation's capability and performance. This is the first APS review to recommend the adoption of ambitious, service-wide targets to guide reforms and provide transparent accountability mechanisms.

Exhibit 1

The four factors for succesful transformation in the APS

1. Effective leadership and coordination

2. Build capability, measure progress

3. Sufficient and sustained Investment

4. Cultural change
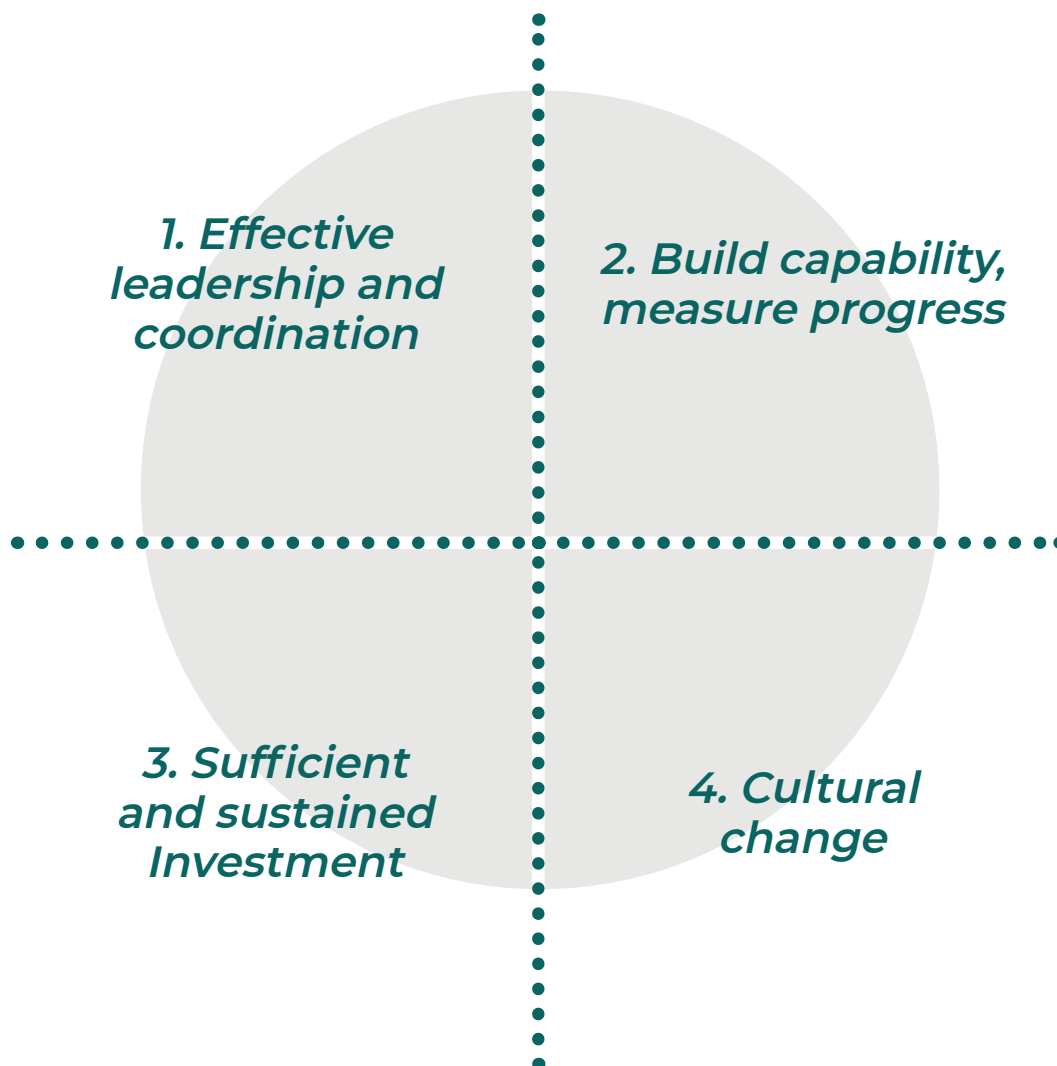
Third, **sufficient and sustained investment**. Without sufficient funding, any attempt at meaningful transformation will fail. The review understands that all governments face fiscal constraints and need to balance different priorities. Many proposed initiatives can be funded by short or long-term savings or reallocation across the system, although public capital (including technology) has long been under-funded in the APS. As set out below, prioritised investment is needed to ensure that the APS can effectively deliver results and build its capability for sustained performance.

Fourth, **cultural change**. To achieve and sustain transformation, it will be essential to build a high-performing culture — a culture of openness, innovation, collaboration and partnership. It needs to draw on and respect the strengths of the culture across the service today while building greater purpose and alignment across the whole APS. The review's recommendations are designed to act as levers for ambitious cultural change across the service.

Strong leadership, clear accountabilities, investment and service-wide cultural change is required for real transformation of the service. The change needs to be led from the top but must involve all members of the APS in a genuine, open and collaborative way. Leaders at all levels will need to help make transformation real in their own teams and daily work. Much of this change program is under the direct control and management of the APS, but it will require the support of successive governments and Cabinet oversight.

The need for a dedicated and sustained approach to APS transformation is so fundamental that this report examines it in chapter two, before detailing the specific priorities for reform. Implementation is at the forefront of this review, not an after-thought.

Investing in the future

Transforming the APS to deliver both high-quality advice to the Government and outstanding services to the people of Australia, now and into the future, will require sustained investment in the service. This investment takes several forms: more efficient and prioritised investment of existing funding; investment of additional funding where the business case is clear and the outcomes are persuasive; and, importantly, investment of attention and effort by public servants, with endorsement and licence from ministers.

Investment in the APS's physical and digital capital needs to be prioritised: agency capital budgets are under-funded and there is strong evidence of a technology deficit across the APS, with some major legacy systems at or near end of life. Funding needs to be allocated to service-wide capability investments to generate the best outcomes for Australians. Finally, funding is required to ensure delivery of the transformation effort so that reform is achieved, unlike the result of so many previous reviews.

The review estimates that at least $100 million a year in dedicated funding is required to kick-start the transformation and deliver uplifts in service-wide capability. Using private sector transformation as a guide, investment of at least $1 billion a year will be required to support better services and outcomes through digital transformation and to sustainably fund other public capital. This does not necessarily require new funding. Funding may be able to be reallocated from other areas or provided by other savings. The panel commends the approach underpinning the current Public Service Modernisation Fund, by which a part of efficiency dividend savings has been invested in service-wide modernisation projects. The review recommends a part of the efficiency dividend, or other whole-of-government savings be reinvested in the transformation, capability, digital transformation and public capital. Experience from other organisations suggests that these investments will provide long-term returns to support further investment.

The APS is at a watershed. It is not broken but it faces a set of current issues and future challenges that make transformation essential. This report provides a strong, evidence-driven set of recommendations to guide short-term change and long-term reform. And, through extensive consultation and engagement, the review has been part of an important conversation across and outside the service about ensuring that an enduring institution of Australia's democracy is fit for purpose. There is a mandate for change.

Transformation of the APS is a once-in-a-generation opportunity. In the new era of the APS, the service works together as a united team with a strong sense of shared purpose. It is a professional, deeply capable and well-supported workforce. Above all, it delivers real, measurable outcomes for Australia.

An aspiration for the APS

A trusted APS, united in serving all Australians

| Outstanding services | Dynamic, adaptive and resilient | Employer of choice |

Pathway to transformation

DELIVER BETTER OUTCOMES (1)

Provide Government and Parliament with excellent policy advice on complex issues and provide seamless, integrated services to Australians

TRANSFORM FOR THE FUTURE (2)

Embark on an ambitious transformation program that is owned by APS leaders, backed by Government and sufficiently funded, with measurable targets to track progress

EMBRACE DATA AND DIGITAL (5)

Harness the power of technology to provide outstanding digital services to the public, improved advice and support to Government and to enhance efficiency

INVEST IN PEOPLE (6)

Undertake a major capability rebuild to strengthen in-house expertise, guided by a whole-of-service workforce strategy

Outcomes and targets

Government priorities implemented on time and to a high standard

> 90%
delivered

Seamless government services for the public

> 80%
satisfaction

Starting and operating a business made easier

Top 5 globally

| | Works in partnership | Operates efficiently as one APS | Lives its values, with integrity, every day |

UNITE TO SUCCEED   (3)

Create 'One APS', working together to serve Government and all Australians, through shared principles, values, purpose, vision and underpinned by an unwavering commitment to integrity.

PARTNER FOR GREATER IMPACT   (4)

Build genuine partnerships that are open, respectful and of mutual benefit to enable the APS to design and deliver innovative and sustainable solutions to complex challenges

BUILD A DYNAMIC AND RESPONSIVE ORGANISATION   (7)

Create a dynamic and responsive APS, aligned around priorities, empowered by new ways of working, able to respond flexibly to challenges and deliver value for money

EMPOWER LEADERS TO MAKE A DIFFERENCE   (8)

Run the APS as a unified organisation with clear leadership roles and accountabilities, and robust appointment and performance processes

APS operating with optimal efficiency

Cap APS operating expenditure as % of government spend

APS trusted to serve the public effectively

Double trust scores

APS employees committed to better outcomes

> 80% staff engaged

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DELIVER BETTER OUTCOMES

Australian Outback, Northern Territory

Chapter in brief

- *A strong foundation.* The APS performs a critical role for the Australian Government, Parliament and the Australian people, within the Westminster tradition. Just as the historical context of the APS has influenced its current culture, people and operations, actions taken today will influence the APS's performance in the future.

- *A different world.* Global trends including emerging technologies, rising public expectations and geopolitical shifts are fundamentally changing the operating environment of the APS.

- *The APS today.* The APS performs adequately. But it is falling short of expectations today and is unprepared to grasp future opportunities and meet the challenges of a complex, changing and connected world.

- *A new era.* To be fit for purpose in the coming years, the APS needs to be a trusted institution, united in serving all Australians — this will require service-wide transformation.

- *The APS of 2030*. A transformed APS will deliver better outcomes to Australians, and provide better support for the Government to realise its priorities.

- *Measurable outcomes.* Ambitious outcomes and targets will drive change, and hold the APS to account.

A strong foundation

To believe … that a responsible and successful government can be sustained … without the support of a dynamic and dedicated bureaucracy — defies logic and history.

The Hon John Howard OM AC, 25th Prime Minister of Australia[1]

The Australian Public Service serves the Government, Parliament and the people of Australia. It does so in the Westminster tradition — impartial, enduring, and merit-based. It provides services and delivers projects and programs to improve Australian lives. It provides continuous regulatory and policy advice.

Today, the APS performs these functions through 18 departments and nearly 100 agencies and authorities.[2] Nearly 150,000 APS employees work across hundreds of locations for the greater good of the nation. Of these, more than 62 per cent of employees are located outside Canberra. Sixty-seven per cent work in a department and the rest work in statutory or executive agencies.[3]

In 2017-18, APS employees administered $460 billion in expenses, processed about 700 million digital, online and telephone self-service transactions, provided more than 419 million Medicare services and advised 6.1 million business users.[4] For the Government, they lodged 590 cabinet documents. In the first eight months of 2018-19, they awarded around 21,000 grants worth $14.9 billion.[5] In the past ten years they have supported the passage of more than 1,700 bills through Parliament.[6] The APS is taking an increasingly active role in delivering projects, including building the NBN, investing in major infrastructure like the Western Sydney Airport and Inland Rail, and providing disability services through the National Disability Insurance Scheme.[7]

The APS is essential to Australia's prosperity, security and liberal democracy. *What* the public service does is largely uncontested. *How* the public service does its work, however, must be critically examined to ensure that the APS is fit for purpose for the coming decades.

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1   J. Howard, *Address to the Centenary Conference of the Institute of Public Administration Australia*, 2001.

2   APSC, *APS agency listing – agencies covered by the Public Service Act 1999 [website]*, 2019, <https://www.apsc.gov.au/aps-agency-listing-agencies-covered-public-service-act-1999>, accessed 1 August 2019.

3   The reported size of the APS workforce (147,163) is a count of all people employed at 31 December 2018. This figure does not adjust for hours worked and it includes any employees who are on extended leave (for 3 months or more), including those on maternity leave and leave without pay. APSC, *Australian Public Service Employment Database, 31 December 2018 release*, 2019.

4   APSC, *State of the Service Report 2017–18*, 2018, p. 3.

5   Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4, 2019*, p. 10.

6   Internal data obtained from PM&C; data obtained from sources on the Parliament of Australia website – www.aph.gov.au.

7   Department of Infrastructure, *Regional Development and Cities, submission to the Independent Review of the APS, 2018*.

... adaptability and readiness to embrace change is absolutely imperative in our public institutions ...

The Hon Bob Hawke AC GCL, 23rd Prime Minister of Australia[8]

The APS's historical context sheds light on its current culture, people and operations. Since the 1950s, there have been two distinct APS eras. The first, to the 1970s, was one of public service pre-eminence — a powerful, centralised and hierarchical organisation with privileged access to ministers — and, according to the new generation of elected leaders, 'occasionally obstructionist to the priorities of democratically elected governments'.[9]

The *Royal Commission on Australian Government Administration 1974–76*, led by Dr Herbert Cole Coombs, heralded the beginning of the second era. The *Royal Commission*'s confronting assessment in 1976 was that the APS was 'excessively centralised, excessively hierarchical, excessively rigid and inflexible, and excessively resistant to organisational change'.[10]

This second era was characterised by a new public management philosophy: significant decentralisation; devolution of budgets; increased power to separate departments, agencies and authorities; and greater responsiveness to ministers.[11] It saw the increase of ministerial adviser numbers from 207 in 1983 to 449 in 2019; a sustained focus on efficiency in delivering programs and services through outsourcing and privatisation; an emphasis on performance management; and rigour in program and policy evaluation.[12] Many of the *Royal Commission*'s proposals were addressed incrementally over a 30-year period.[13]

This period brought with it high-quality policy advice and a strong bureaucratic-political alignment. The outcomes — significant economic, tax and foreign policy reforms of the Hawke, Keating and Howard governments — set Australia up for unprecedented economic growth and placed it as a leading OECD nation.[14]

The reforms of this era allowed the public service to deliver on its promises to Australians for many years. Forty years on, however, the public service is dealing with shortcomings that surface with any established paradigm as the world changes. A narrow focus on immediate delivery and short-term responsiveness compromises deep expertise and the ability to meet long-term challenges strategically. A focus on efficiency can miss other factors that are necessary to listen to Australians, work with communities and deliver effective outcomes. And, as the public service has recognised since at least the early 2000s,

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8   R. Hawke, *Challenges in Public Administration,* Address to the National Conference of the Royal Australian Institute of Public Administration, 1998.

9   A. Tiernan et al., *Being a trusted and respected partner: the APS' relationship with Ministers and their offices,* ANZSOG, 2019, p. 9.

10   H. C. Coombs et al., *Royal Commission on Australian Government* Administration, Watson Ferguson & Co., 1976, p. 18.

11   J. Johnston, *The New Public Management in Australia,* Administrative Theory & Praxis, 2000.

12   A. Henderson, *Review of Government Staffing,* 2009; Y-F. Ng, *Between Law and Convention: Ministerial Advisers in the Australian System of Responsible Government,* 2017, p. 115; Information provided by Finance.

13   M. Evans, *Australian Public Service Reform: Learning from the past and building for the future,* submission to the Independent Review of the APS, Institute of Public Administration Australia, 2018, p. 11.

14   See comparative rankings of Australia against other countries in the OECD Better Life Index on a range of comparisons. OECD, *OECD Better Life Index* [website], 2017 <http://www.oecdbetterlifeindex.org/countries/australia/>.

too much devolution results in poorly integrated advice and support to the Government on complex government priorities.[15]

We must now decide what the next APS era looks like. What is the right balance between devolution and centralisation, between savings and investment, between short-term responsiveness and long-term vision? In essence, how should the APS function to deliver public value — to deliver government priorities and services, to deliver for all Australians? The external and internal context in which the APS operates will be explored to answer these questions.

A different world

We stand on the cusp of a rare transformative period in the interaction between technology and society. We live in a highly connected world where technology has been democratized, disrupted and is being distributed in unprecedented ways. The opportunities for individuals and society are huge, as are the risks.

Professor Elanor Huntington, Dean of Engineering and Computer Science, Australian National University[16]

Today, people have access to unprecedented amounts of information. They can use this to demand change — as seen in the *Royal Commission into Institutional Responses to Child Sexual Abuse* and the *Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry*. Sometimes, however, misinformation can complicate public discussion and debate about critical policy issues — as seen by the rise of the anti-vaccination movement.

Public expectations are being reshaped by new digital platforms provided by Amazon, Google and Apple. These companies continue to anticipate customer needs and provide seamless, interconnected products and services. The ubiquity of nimble digital giants has led to a marked shift in customer expectations for both private and public service delivery. This was confirmed in scenario planning commissioned for this review.[17]

Services can be personalised to a degree unimaginable ten years ago. The exponential rise of smart-phones and personal devices allows access to ideas, institutions and other people — anywhere, anytime, anyone. It allows people to bank while at the hairdressers, shop from their bedrooms and lodge their tax returns on the train. Technology is 'allowing many people with disability to reach their potential at home, in their community and in the workplace', according to the National Disability Insurance Scheme.[18]

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15   Management Advisory Committee, *Connecting Government: Whole of Government Responses to Australia's Priority Challenges*, 2004.

16   E. Huntington, *Integrating technology and society – the new wave of engineering*, Engineers Australia, 2017.

17   Boston Consulting Group, *Scenarios for 2030*, 2018.

18   National Disability Insurance Scheme, *Assistive Technology Strategy*, 2015, p. 3.

Automation and artificial intelligence are already transforming industries by freeing up resources. These technologies are already changing people's jobs and the skills they need, both within the APS and across the economy. Advances in technology open new opportunities, and new vulnerabilities. For example, the increasing incidence and risks of cyber and privacy breaches require new, integrated policy strategies to sustain security and prosperity.

Digitisation and subsequent escalation in data, and the exponential rise in connectivity and advancements in processing power, are set to accelerate (Exhibit 1.1).

Exhibit 1.1

The information age: acceleration to 2030[19]

> 90% of the world's cumulative store of data produced in the two years to 2018

34 billion connected devices expected globally in 2025, cf. **18 billion** in 2018

49% of data will reside in the public cloud by 2025

175 zettabytes of data volume expected in 2025 cf. **33 zettabytes** in 2018

25% - 46% of current work activities could be automated by 2030

$315 billion in gross economic value can be created in Australia through digital innovation

19   K. L. Lueth, *State of the IoT 2018: Number of IoT devices now at 7B – Market accelerating, IOT Analytics,* 2018; B. Marr, *How Much Data Do We Create Every Day? The Mind-Blowing Stats Everyone Should Read, Forbes,* 2018; T. Coughlin, 175 Zettabytes By 2025, Forbes, 2018; Australian Bureau of Statistics, *8153.0 – Internet Activity,* Australia, June 2018, Australian Bureau of Statistics, 2018; Taylor, C. et al., *Australia's automation opportunity: Reigniting productivity and inclusive economic growth,* McKinsey & Company, 2019, p. 6; Alphabeta, *Digital Innovation: Australia's $315B Opportunity*, 2018, p. 16.

At the same time, expected demographic shifts will shape the expectations that Australia has of the Government (Exhibit 1.2). Australia's population is growing strongly compared to other advanced countries. Around 2.5 million extra people are expected to live in both Sydney and Melbourne over the next 30 years requiring, for example, the APS to support effective infrastructure, service-delivery, housing, and population outcomes.[20] Australians are living longer. They want active lives and to live in their own homes.[21] Younger Australians call for greater support for mental health and wellbeing services.[22] Projected changes in climate will also affect the APS's responsibilities. The Department of Agriculture and Water Resources (now Department of Agriculture) highlighted in a submission to the review that 'climate projections for Australia predict large changes in future rainfall including lower rainfall in southern Australia and more severe droughts and floods.'[23] These demographic and climate change factors illustrate the likely continued shifts in expectations of the APS.

Australia's international context is changing rapidly. Propelled by advanced information technology and better telecommunications, globalisation is becoming more individual, more sudden, less predictable and less controllable.[24] Technology will continue to shape the nature of globalisation, with profound and sometimes radically different effects on people, local communities, businesses and governments around the world.

Multilateralism is being contested as nationalism and populism rise. Globalisation benefits some more than others.[25] The belief that markets serve the interests of ordinary people has been challenged in the wake of the global financial crisis and corporate scandals. And the view that international economic openness and engagement is in the national interest is under fire — Brexit being a striking example.

Only one in five people in the developed world think the system is working for them.[26] The United States is retreating from the international order it helped create. At the same time, China and Russia are asserting their power and differing views on liberal democracy. Combined with staggering demographic changes and projected slowdowns for advanced economies, the global contest of power is set to intensify (Exhibit 1.3).

Australia and its economy are intricately linked to other countries. Whether it be through global supply chains, flows of people and technology or numerous trade agreements, much of Australia's prosperity has been based on global openness, frameworks and institutions, and it will remain so.

With greater geopolitical uncertainty, the foundations of national prosperity and security are shifting. The APS needs to provide integrated, long-term policy advice that understands the range of forces at play and identifies ways to mitigate risk. This advice needs to strike the right balance between economic, security and social elements of the national interest and address challenges like the economic and environmental implications of climate change.

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20   Department of Infrastructure, *Regional Development and Cities, submission to the Independent Review of the APS*, 2018.

21   For example, evidence indicates that many aged care consumers prefer to remain living in their own home: D. Tune, *Legislated Review of Aged Care 2017*, 2017 p. 8.

22   For example, four in ten (43%) young people identified mental health as the top issue facing Australia today – up from 33% in 2017 and more than doubling since 2016: Mission Australia, *2018 Youth* Survey, 2018.

23   Department of Agriculture and Water Resource, submission to the Independent Review of the APS, 2018, p. 4.

24   R. Baldwin, *The Great Convergence: Information Technology and the new Globalization*, Belknap Press, 2016, pp. 168–175.

25   Department of Infrastructure, *Regional Development and Cities, submission to the Independent Review of the APS*, 2018.

26   Edelman, *2019 Edelman Trust Barometer – Global Report*, 2019, slide 15.

Exhibit 1.2

Australia to 2030[27]

- 20% of Australians will be over 65 years old
- Population of 30 million people between 2029 and 2033
- 2⁄3 of employment growth to come from four industries: 1) health care and social assistance, 2) construction, 3) education and training, 4) professional, scientific and technical services over five years to 2030
- 1.35 million Australians living overseas — 1⁄3 in Asia
- 75% growth in land freight
- 140% increase in overseas visitors from 15.1 million (2014–15) to 36.6 million (2030–31)
- Melbourne's population projected to overtake Sydney
- 70% (~20m) Australians to live in capital cities in 2027, cf. 16m in 2017

Exhibit 1.3

The World to 2030[28]

- Population of 8.5 billion people
- 60% of the world's over 65s will live in Asia
- 1.4 billion people over 60 years of age from 901 million in 2015.
- Asia will produce >50% of the world's economic output
- 43 megacities, >10 million inhabitants, most in developing regions
- Asia will consume >50% of the world's food and 40% of its energy
- Globally, economic growth is projected to slow to 3.3% in 2019 and rise to 3.7% in 2024, supported by growth in emerging-market and developing economies (from 4.4% in 2019 to 4.9% in 2024). However, growth in advanced economies is expected to drag on world economic growth (slowing from 1.8% in 2019 to 1.6% in 2024).

27   Australian Bureau of Statistics, *Australia's population to reach 30 million in 11 to 15 years*, 2018; PwC, *Out of sight, out of mind?: Australia's diaspora as a pathway to innovation*, 2018, p. 3; *Commonwealth Bank of Australia,* Evolving Aussie lifestyles to transform the property landscape for buyers and sellers, 2016; Department of Jobs and Small Business, 2018 *Employment Projections – for the five years to May 2023*, 2018; Department of Infrastructure and Regional Development, *Trends – Transport and Australia's Development to 2040 and Beyond*, 2016, p. 25; Australian Bureau of Statistics, *3222.0 – Population Projections*, Australia, 2017 (base) – 2066, 2018; Invest Victoria, Statistics – *Greater Melbourne demographics* [website], 2018, <http://www.invest.vic.gov.au/resources/statistics/greater-melbourne-demographics>.

28   United Nations, *UN projects world population to reach 8.5 billion by 2030, driven by growth in developing countries,* 2015; United Nations, *Population 2030 – Demographic challenges and opportunities for sustainable development planning,* 2015, p. 31; Australian Government, *2017 Foreign Policy White Paper*, 2017; Deloitte, *Asia to be home to 60% of the world's over 65s by 2030*, 2017; United Nations, *60% of the world population projected to live in urban areas by 2050*, says UN, 2018; *International Monetary Fund, World Economic Outlook – Growth Slowdown*, Precarious Recovery, 2019, p. 156.

The Australian political context has, in turn, undergone significant disruption in line with global shifts. This disruption has been ruthless — six changes in prime minister over the past 12 years, amid periods of minority government. In contrast, the previous period was one of stability, with three prime ministers in office from March 1983 to November 2007.[29]

At the heart of many challenges lies a crisis of trust. A reasonable level of trust is indispensable for an effective economy, society and polity.

If the people cannot trust their government to do the job for which it exists — to protect them and to promote their common welfare — all else is lost.

Barack Obama, 44th President of the United States of America[30]

Eighty per cent of the world's democracies are distrusted by most of their citizens.[31] Fewer than 41 per cent of Australian citizens were satisfied with the way democracy works in Australia in 2018 — down from 86 per cent in 2007.[32]

Without trust, the ability of the public service to deliver personalised, quality services is weakened — more than 2.5 million Australians opted out of the My Health Record amid trust issues in data security.[33] Low trust undermines the APS's ability to tackle complex policy issues. For example, until Aboriginal and Torres Strait Islander peoples can trust the competency and motivation of the Government and the public service it will be hard to sustain deep change in their communities. Lower levels of trust in government and its institutions compromise their ability to serve people and shape the national agenda.

Agencies are already grappling with the challenges posed by a changing world. Departmental submissions to the review, among others, highlight how some agencies are already responding and make clear the broader need for the APS to adapt.[34]

We cannot predict with certainty how these technological, demographic, geopolitical and social trends will shape communities, Australia, and the globe in coming decades. Research commissioned for this review highlights that different trends can lead to very different scenarios in which the APS will operate by 2030.[35]

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29   National Archives of Australia, *Australia's Prime Ministers* [website], 2019, <http://primeministers.naa.gov.au/primeministers/>, accessed 22 July 2019.

30   B. Obama, *An honest government — a hopeful future*, speech delivered at the University of Nairobi, 28 August 2006.

31   Edelman, *2018 Edelman Trust Barometer — Global Report*, 2018.

32   G. Stoker et. al., *Trust and Democracy in Australia – Democratic decline and renewal – Report No. 1,* 2018, p. 9.

33   Commonwealth of Australia, *Official Committee Hansard – Senate – Community Affairs Legislation Committee – Estimates – Wednesday, 20 February 2019*, Canberra, p. 97.

34   See submissions from the Department of Infrastructure, *Regional Development and Cities,* 2018; the Department of Human Services, 2018; and the Department of Agriculture and Water Resources, 2018.
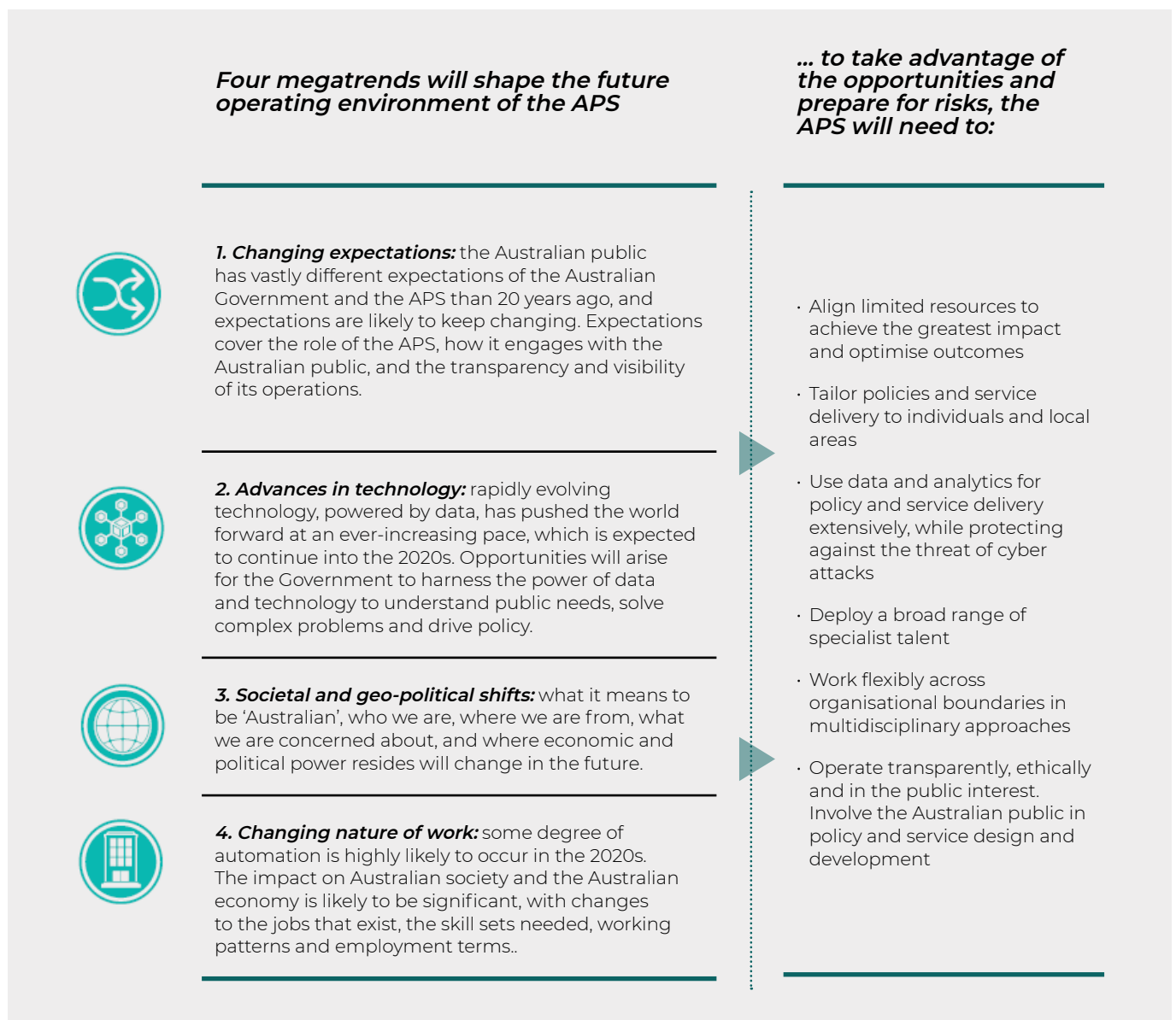
35   Boston Consulting Group, *Scenarios for 2030*, 2018.

In one scenario, the world may be dominated by the promise and disruption of new technologies. In another scenario, the Australian Government may increasingly devolve policy and service provision to state and territory governments and local providers. Digital technologies may fundamentally shape how policy is made and how people interact with government. Or, global instability may drive increased protectionism as nations turn inwards, not out.

The scenarios may not reflect the future — or the future may look like a combination of these and other possibilities — but they highlight the necessity for the APS to transform for what could be a radically different future over the coming decades. This requires an ability to adapt to different operating environments (Exhibit 1.4).

Exhibit 1.4

The APS will need to operate differently to succeed in the future[36]

Four megatrends will shape the future operating environment of the APS

... to take advantage of the opportunities and prepare for risks, the APS will need to:

1. Changing expectations: the Australian public has vastly different expectations of the Australian Government and the APS than 20 years ago, and expectations are likely to keep changing. Expectations cover the role of the APS, how it engages with the Australian public, and the transparency and visibility of its operations.

2. Advances in technology: rapidly evolving technology, powered by data, has pushed the world forward at an ever-increasing pace, which is expected to continue into the 2020s. Opportunities will arise for the Government to harness the power of data and technology to understand public needs, solve complex problems and drive policy.

3. Societal and geo-political shifts: what it means to be 'Australian', who we are, where we are from, what we are concerned about, and where economic and political power resides will change in the future.

4. Changing nature of work: some degree of automation is highly likely to occur in the 2020s. The impact on Australian society and the Australian economy is likely to be significant, with changes to the jobs that exist, the skill sets needed, working patterns and employment terms..

- Align limited resources to achieve the greatest impact and optimise outcomes

- Tailor policies and service delivery to individuals and local areas

- Use data and analytics for policy and service delivery extensively, while protecting against the threat of cyber attacks

- Deploy a broad range of specialist talent

- Work flexibly across organisational boundaries in multidisciplinary approaches

- Operate transparently, ethically and in the public interest. Involve the Australian public in policy and service design and development

36   ibid.

Dealing with change is not in itself unique. The Coombs *Royal Commission* described the pace of change in the 1970s as 'both more rapid and complex than ever before'.[37] And former APS Commissioner Helen Williams AC reminded public servants in 2019 that 'in discussing the need to cope with rapid changes in technology, it's important to remember the substantial changes that the service has already faced in this area.'[38]

From the rapid expansion of its work during and after World War II to delivering major social reforms in the 1970s and economic reforms from the mid-1980s, the APS has adapted to the different demands of government and to changing international, economic and social factors.

While change is not new, it is clear the current period of change now presents both significant opportunities and challenges for Australia, and extraordinary responsibilities for the APS. Regardless of politics, Australians want to feel that the Government is on their side — that it works for them and that it does so competently. The APS has a critical role in supporting this. Like many other public services around the world, and other large and traditional institutions, the APS needs to adapt to a rapidly changing world.

The APS today

Being trusted is essential if the APS is to fulfil its purpose.

APS employee[39]

The APS continues to be counted among leading public services in the world. It has been ranked fifth on overall performance with high scores in regulation, crisis and risk management, and policy-making. And although this ranking has fallen from third in 2017, the APS remains a leading performer globally.[40]

Strong performance in global rankings is matched by high levels of customer satisfaction with Australian Government services nationally. Medicare and Centrelink make up approximately 80 per cent of Australian Government interactions with Australians, and have customer satisfaction rates at 84 per cent and 75 per cent respectively.[41]

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37   Specifically, the report states that 'it seems that changing social attitudes in our time and the increasing tempo of technological change are widening the range and intensifying the complexity of the functions performed by governments and presenting them with a different pattern of characteristic problems.' H. C. Coombs et al., op. cit., p. 11.

38   D. Dingwall, *Newly-honoured APS trailblazer Helen Williams defied stereotypes,* The Sydney Morning Herald, 2019.

39   Inside Policy, *An Independent Review of the Australian Public Service: A detailed consultation report*, 2018, p. 6.

40   The International Civil Service Effectiveness (InCiSE) Index, *Results Report 2019*, 2019, p. 30.

41   Transactional survey results 2017–18, Department of Human Services, *Annual Report 2017–18,* 2018, p. 159.

These rates are comparable with the NSW Government's Customer Satisfaction Index and those of leading private sector companies.[42] The APS has innovated and improved services in many areas (Box 1.1).

Box 1.1

Improvements in APS services[43]

REAL-TIME HEALTH CLAIM PROCESSING

- ~ 98% of Medicare claims are now processed online
- That's 1.1 million transactions a day
- Money arrives back in your bank account as quickly as your bank can process it.

REDUCING JETLAG

- It takes as little as 15 seconds to pass through a SmartGate at an Australian International airport
- SmartGates use artificial intelligence facial recognition technology and processed more than 25 million passengers in 2017–18
- You can recover from long-hauls sooner!

LESS PAIN AT TAX TIME

- ~96% of MyTax lodgements take less than 30 minutes
- 97% of individual income tax returns are lodged electronically,
- ~95% of returns are processed without human intervention.
- Tax time may still be painful … but at least it's easy.

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42   NSW Government, *Improving Government Services* [website], 2018, <https://www.nsw.gov.au/improving-nsw/premiers-priorities-2015-2019/improving-government-services/>, accessed 12 July 2019.

43   Department of Human Services, *2017–18 Annual Report*, 2018; Department of Home Affairs, *Annual Report 2017–18*, 2018; Australian Taxation Office, Commissioner of Taxation Annual Report 2017–18, 2018; DTA, *Vision 2025: We will deliver world-leading digital services for the benefit of all Australians*, 2018.

Yet other evidence points to signs of under-performance. Early research findings from PM&C's new Citizen Experience Survey suggest that only 31 per cent of people trust public services provided by the APS — dropping to 26 per cent in outer regional areas. Only one-third of people who provided feedback were satisfied with the way their complaint or suggestion was handled. And only 25 per cent of people trust the APS to make changes to services necessary to meet the needs of all Australians.[44]

While it is positive that the APS has instituted this survey, it is also illustrative that the APS has not previously tracked citizen trust, experience or satisfaction and does not use these metrics as objective service-wide performance indicators. Accordingly, there are no reliable, longitudinal data of public satisfaction with APS services as a whole.

Likewise, the APS does not seek or keep consistent quantitative feedback from ministers on APS performance. The panel obtained qualitative and anecdotal feedback on the performance of the APS from current and former ministers and parliamentarians. Their feedback is varied — there is some satisfaction with public service quality and advice, mixed with real concerns over the public service's capability to innovate, drive through complexity and resistance, and deliver outcomes. There are also concerns about its loss of capability, unnecessary delays and roadblocks in the system.[45] These concerns were echoed in submissions to the review from the APS's external partners and in assessments of APS performance and capability by the ANAO, the Commonwealth Ombudsman and various royal commissions and inquiries.

This review took an objective, open-minded assessment of the evidence (Appendix B). Its overarching assessment is that the expectations of its two primary stakeholders — the Australian public and elected representatives — are not being met today. This reflects weakened APS capability. Given the rising expectations of both governments and the Australian people, and the rapidly changing external environment, the APS is unprepared to meet, let alone exceed, their expectations in the future for the following reasons:

One. The APS ***lacks a clear unified purpose.*** Fragmentation and siloed behaviours have negative impacts — including narrow-sighted responses to complex policy issues, uncoordinated investment in and management of digital and other capabilities, and poor service and project delivery.

Two. The APS is ***too internally focused.*** It fails to harness the insights and experiences of the Australian people and communities to address national and local challenges. It tends to command rather than learn from others. It is slow to adapt to the needs of ministers.

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44   PM&C, *The Citizen Experience Survey: Early insights from APS research conducted over 2018–19* [unpublished, full results expected to be published mid-2020].

45   Based on panel interviews with current and former parliamentarians undertaken by the Independent Review of the APS.

Three. There has been poor planning and **underinvestment in digital services** for the Australian people as well as in other items of public capital and internal enabling systems like finance, HR and legal. This leaves the APS supporting ageing and expensive legacy systems that are expensive to run and without the tools it needs to support exceptional services or enable data-led policy-making.

Four. There has been **service-wide failure to manage and invest strategically in the APS's most valuable asset — its people.** This has resulted in poor planning of future workforce needs, while poor recruitment and development of APS people has undermined the leadership and professional capabilities the APS needs to do its job.

Five. **Siloed approaches, rigid hierarchies, and traditional ways of working** have created barriers to providing joined-up services and integrated policy advice, and to sharing data, information and resources to best delivering government priorities across agencies.

Six. **Lack of empowered leaders acting as a united team.** Strong governance is needed to provide leaders with the confidence to deliver on their accountabilities and to work together to deliver across agency boundaries. The Westminster principles need to be reinforced in a period of low public trust and increased political pressure.

Seven. **The APS is not changing fast enough to deliver for Australians in a changing world.** The APS lacks the mechanisms needed to drive service-wide transformation — and reforms are incremental or not rolled out across the service. Too many recommendations from previous reviews over the past decade have not been implemented effectively.

These seven challenges may seem manageable. After all, the APS continues to perform well by many measures. But Australia will be poorly served if the APS does not transform to serve the people of Australia better in a rapidly changing world, if expectations of ministers and Australians continue to be left unmet, and if trust in an institution fundamental to Australia's democracy is not rebuilt.

A trusted APS, united in serving all Australians

To be fit for purpose for coming decades, the APS needs to instinctively put the needs and interests of Australians first in everything it does. It requires upfront investment in digital transformation, public capital and its people. And the APS needs to be run as a united institution, not a loose collection of disparate departments and agencies. To achieve the panel's aspiration for the service — a trusted APS, united in serving all Australians — and ensure the APS is fit for purpose for coming decades, this review sets out seven major changes:

- *Align the APS around shared purpose, vision and values* — create one APS, working together to serve Government and all Australians through shared principles, values, purpose and vision, underpinned by an unwavering commitment to integrity.

- *Work in genuine partnership* with ministers and all parts of Australian society — partnerships that are open, respectful and of mutual benefit to enable the APS to design and deliver innovative and sustainable solutions to complex challenges.

- *Invest in and develop the APS's digital and data technology* to harness the power of technology to provide outstanding digital services to the public, improved advice and support to Government, and increased efficiency.

- *Invest in APS capability* through a major capability rebuild to strengthen in-house expertise, guided by a service-wide workforce strategy — using new initiatives to attract and develop talented and motivated people.

- *Implement simple, flexible and effective* ways to make decisions, allocate resources and work together, creating a dynamic and responsive APS, aligned around priorities.

- *Empower leaders* to run the APS as a unified organisation with clear leadership roles and accountabilities, and robust appointment and performance processes.

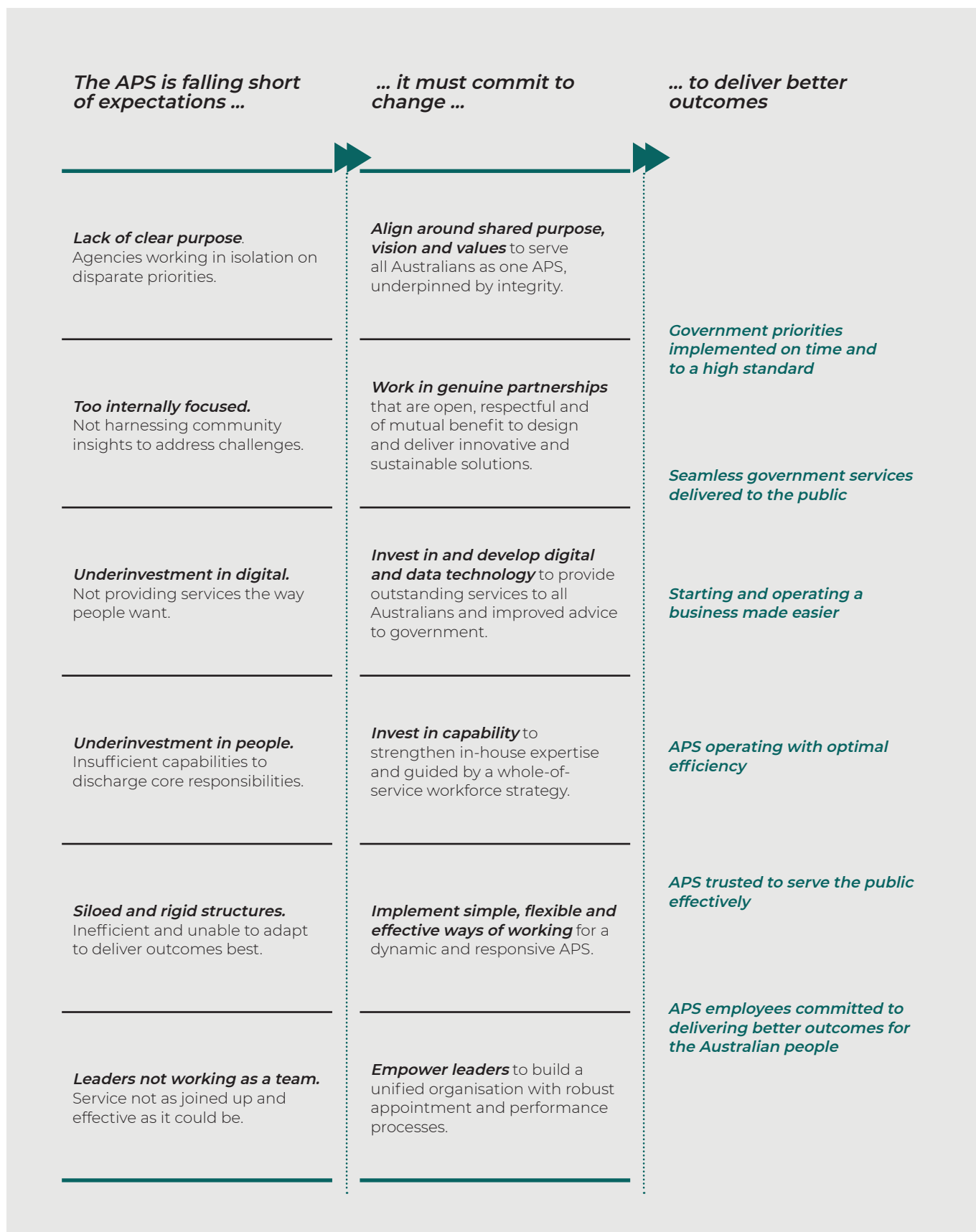And most importantly, to …

- *Transform*.

Transformation of any organisation is difficult. Major institutions around the world are undergoing significant change — many re-inventing themselves in the face of new technology and competition — and the APS must continue to adapt and reinvent itself. The challenge now is not developing the strategy, but delivering real organisational change (Exhibit 1.5).

Exhibit 1.5

The APS must transform to deliver better outcomes for government and the Australian people

The APS is falling short of expectations ...	... it must commit to change ...	... to deliver better outcomes
Lack of clear purpose. Agencies working in isolation on disparate priorities.	**Align around shared purpose, vision and values** to serve all Australians as one APS, underpinned by integrity.	*Government priorities implemented on time and to a high standard*
Too internally focused. Not harnessing community insights to address challenges.	**Work in genuine partnerships** that are open, respectful and of mutual benefit to design and deliver innovative and sustainable solutions.	*Seamless government services delivered to the public*
Underinvestment in digital. Not providing services the way people want.	**Invest in and develop digital and data technology** to provide outstanding services to all Australians and improved advice to government.	*Starting and operating a business made easier*
Underinvestment in people. Insufficient capabilities to discharge core responsibilities.	**Invest in capability** to strengthen in-house expertise and guided by a whole-of-service workforce strategy.	*APS operating with optimal efficiency*
Siloed and rigid structures. Inefficient and unable to adapt to deliver outcomes best.	**Implement simple, flexible and effective ways of working** for a dynamic and responsive APS.	*APS trusted to serve the public effectively*
Leaders not working as a team. Service not as joined up and effective as it could be.	**Empower leaders** to build a unified organisation with robust appointment and performance processes.	*APS employees committed to delivering better outcomes for the Australian people*

Reforms and investment as set out in this review will help deliver a very different public service. A transformed APS will serve Australians better. People will be able to access services that are designed around their needs rather than on arbitrary bureaucratic lines. Services will be easy to use, and some so effortless that people will not know they have received a service. People will trust the APS to deliver the essential services they need in a personalised way — they will not be lost in a universe of government forms and processes. They will know the APS is looking after them.

A transformed APS will help the Government deliver on its priorities and provide better advice to inform those priorities. Advice that is robust, responsive, informed by a thorough understanding of the Australian people, businesses and the community and the best available insights and evidence. The APS will be accountable for delivering government priorities and projects. And it will deliver value for money.

A transformed APS will work better — and feel different for those who work in or interact with it. Secretaries Board will be a guiding coalition, enabling a dynamic, connected and confident APS. The Board members will manage the APS as an integrated organisation with a shared vision and purpose, and be accountable for delivering against clear targets and building APS capability. Secretaries Board will work together in portfolio clusters to deliver government priorities, deploy resources flexibly, and utilise deep research and innovation strength.

Agencies will retain autonomy, but be aligned by priorities and a clear sense of the APS's purpose, values and principles. Employees will be supported by better enabling services and have cutting-edge digital capability and tools. Agencies will limit hierarchy and empower inclusive and people-focused teams and leaders. The APS will develop future leaders and the professional expertise of APS people through a serious workforce strategy.

The APS will look out, not in. It will understand the needs of the Australian people better and will partner with others to achieve outcomes. It will be confident and open in what it brings to the table but humble in learning from others; it will not assume it has all the answers. The APS will be publicly accountable for what it does.

The APS will be an employer of choice. It will provide an unparalleled opportunity to serve Australians; it will provide support and flexibility, empowerment and the tools to get the job done; and it will help people develop their full potential. Some roles will be new, many will be different. There will be clear expectations of purpose, behaviours and values, and a relentless focus on meeting the needs of Australians, not on activity and output. Public servants will be proud to serve.

Measurable outcomes

Realising this aspiration will take sustained effort across the APS. A focal point will be needed to guide this work, specifically a set of ambitious outcomes and targets to strive for. Progress towards these outcomes will demonstrate a measurable improvement in the way the APS operates. The review developed potential measurable outcomes as follows:

- government priorities implemented on time and to a high standard
- seamless government services for the public
- starting and operating a business made easier
- APS operating with optimal efficiency
- APS trusted to serve effectively, and
- APS employees committed to delivering better outcomes for the Australian people.

These outcomes support the Government of the day and ensure the APS meets its enduring responsibilities. Together they will measure the APS's ability to serve the Government, Parliament and the Australian public more effectively and efficiently over the coming decades.

* * *

The APS has a strong foundation on which to build. Now it is time to adapt an exemplary institution in the Westminster tradition — impartial, enduring and merit-based — for a changing era.

TRANSFORM FOR THE FUTURE

Kati Thanda-Lake Eyre, South Australia

Chapter in brief

- **Learning from success.** Public sector transformations more often fail than succeed. To ensure lasting change the review identifies four essential factors for effective implementation: leadership and coordination, measurement and capability building, funding, and cultural change.

- **Leaders who transform, support that works.** Service-wide change requires committed and aligned leadership by a transformation leader, Secretaries Board and the APS 200. Leaders are accountable to the Government and the public for a coordinated and measurable transformation program.

  Recommendation 1

- **Building capability, measuring progress.** To ensure agencies can deliver government priorities and outcomes for Australians, use focused capability reviews. A citizen survey, external advice and improved performance reporting and transparency will build organisational health and a high-performing APS.

  Recommendation 2a–b

- **Prioritising investment in change.** The review sets out three broad funding needs to address under-investment in physical and digital capital, enable a service-wide capability build, and support APS transformation efforts.

  Recommendation 3

- **A culture for 2030.** For transformation, a culture of openness, innovation, collaboration and partnership is required. Four factors will determine successful cultural change: clear communication, role-modelling, incentives and rewards, and the skills to act. These are embedded in the recommendations of the review, and together act as levers for ambitious cultural change across the service.

  Recommendation 4

Learning from success

To deliver lasting change for the people of Australia, the public service must reinvigorate the culture of the service, reshape its processes and systems, and build its capability. This will put the Australian people at the heart of what the APS does. It will require each and every person of the APS to work differently, to be more open, more collaborative and more willing to take risks.

Transformation must be owned by Secretaries Board, backed by the Prime Minister and the Government, and championed by leaders at all levels. It needs to be part of how every agency in the APS delivers results and builds capability. It needs careful and prioritised investment. Change must be adaptive and allow for innovation and experimentation. And change needs to be focused on delivering measurable results for Australia and Australians.

From ministers to the public, from agency heads to frontline staff, from Mt Isa to Canberra, there is a resounding call to act. Throughout this review, with more than 11,000 participants over 13 months, there has been a groundswell for change — no one has said no change is required.[46]

> *This is a once-in-a-lifetime opportunity to change and if we're serious about the purpose of the service and why we're here then we'll grab it and run with it.*
>
> Dr Martin Parkinson AC PSM, former Secretary PM&C[47]

Making the change happen will be neither easy nor straightforward. Transformation on this scale is complex. The APS is a large, geographically-distributed institution. No other institution in Australia performs such diverse work. Its functions — and constitutional and statutory responsibilities and accountabilities — are distributed across more than 100 agencies.[48]

There have been at least 18 significant reviews of different aspects of APS operations in the past ten years (Exhibit 2.1). There have been numerous agency-specific reviews. All have called for reform. Improvements have been realised in response to these reviews — yet this review diagnoses similar problems to those identified in previous reviews, and some of its recommendations echo recommendations made before. The Productivity Commission came to a similar conclusion in 2017. The Commission found that 'governments and public service heads have largely accepted the proposals of the review reports we have scrutinised but, at least at the Commonwealth level, it is difficult to discern significant change.'[49] This review endorses this finding.

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46   See Appendix B; Inside Policy, *An Independent Review of the Australian Public Service: A detailed consultation report*, 2018, p. 23.

47   Independent Review of the APS, *APS 200 April 2019: In conversation with the APS Review* [website], 2019, <https://www.apsreview.gov.au/sites/default/files/files/senior-leaders-implementing-change.pdf>.

48   APSC, *State of the Service Report 2017–18*, 2018, p. vii.

49   Productivity Commission, *Shifting the Dial: 5 year productivity review*, 2017, p. 200.

Exhibit 2.1

Eighteen reviews in ten years … we now need to implement

	Report	Year
1	Independent Review into the operation of the *Public Governance, Performance and Accountability Act 2013* and Rule	2018
2	Contestability Review into the Provision of Policy Advice to Government [unpublished]	2018
3	Australia 2030: Prosperity through innovation	2017
4	Shifting the Dial: 5 Year Productivity Review	2017
5	ICT Procurement Taskforce	2017
6	Data Availability and Use, Inquiry Report	2017
7	Digital disruption: what do governments need to do?	2016
8	Independent Review of Whole-of-Government Internal Regulation	2015
9	Learning from Failure: why large government policy initiatives have gone so badly wrong in the past and how the chances of success in the future can be improved	2015
10	Unlocking potential: Australian Public Service Workforce Management Contestability Review	2015
11	Towards Responsible Government: The Report of the National Commission of Audit	2014
12	Is Less More? Towards Better Commonwealth Performance	2012
13	Sharpening the Focus: A Framework for Improving Commonwealth Performance	2012
14	Report of the Review of the Measures of Agency Efficiency	2011
15	Review of the Senior Executive Service: Report to the Special Minister of State for the Public Service and Integrity	2011
16	Ahead of the Game: Blueprint for the Reform of Australian Government Administration	2010
17	Engage: Getting on with Government 2.0	2009
18	Review of the Australian Government's Use of Information and Communication Technology	2008

Past reviews have in the main hit on the right issues. Most public servants will be able to tell you what the key problems are. The key challenge is how do you implement large-scale change in an APS world of distributed power?

Ann Sherry AO, business-woman and former public servant[50]

This experience is not unique to the APS. Globally, 80 per cent of public sector transformations fail to meet their objectives.[51] Transformation research and local lessons provide clarity on how to achieve success. The research, analysis and engagement undertaken by this review identify four factors that will enable necessary changes within the APS to ensure it continues to support the Government and provide outstanding service to Australians.[52]

One: **Effective leadership and coordination.** Leadership is the most important element in successful and sustained government transformations.[53] The highest-performing organisations have highly effective, aligned leaders.[54] And APS leaders, at all levels, have a responsibility to guide their people through change. Transformation needs to be coordinated and planned well to ensure that the transformation effort remains on track. For significant and complex transformations in a distributed organisation like the APS, success is most often achieved when supported by a centrally sponsored transformation team, working in partnership with the Government and the APS.[55]

Two: **Building and measuring capability. Delivering transformation.** High-performing organisations focus on building their capability and lifting their performance.[56] Doing both — neglecting neither short-term results nor long-term capability — is particularly important for organisations like the APS that are already under strain and face a rapidly changing operating environment.[57] This reinforces the need for a culture of continuous improvement. Rewards, targets and incentives need to reflect the dual imperatives to deliver results and build APS capability, with disciplined and regular measurement of indicators of both imperatives.

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50   A. Sherry as quoted in M. Evans, op. cit., p. 20.

51   T. Allas et al., *Delivering for Citizens: How to triple the success rate of government transformations*, McKinsey Center for Government, 2018, p. 10.

52   The review's conclusions on elements for successful APS transformation reflect themes from consultations conducted by the review (Appendix B), as well as from a range of sources including: T. Allas et al., *Delivering for Citizens: How to triple the success rate of government transformations*, McKinsey Center for Government, 2018; J. Kotter, *Leading Change: Why Transformation Efforts Fail*, Harvard Business Review, 1995; M. Barber, *Instruction to Deliver*, Methuen Publishing Ltd, 2008; M. Barber et al., *Deliverology 101*, Corwin, 2010; M. Maceda et al., *Choreographing a Full Potential Transformation*, Bain & Company, 2014; A. Audier et al*., Mastering Transformation in the Public Sector*, Boston Consulting Group, 2018.

53   J.V. Junior, *The role of Delivery units in the implementation of public policies and services*, The George Washington University, 2015, p. 31.

54   C. Feser et al., *Leadership at Scale*, McKinsey & Company, Nicholas Brealey Publishing, 2018, pp. 2–5.

55   M. Maceda et al., op. cit.; The World Bank, *Driving Performance through Center of Government Delivery Units*, 2010, p. 5.

56   C. Feser et al., op. cit., p. 5.

57   C. Gagnon et al., *Organizational health: A fast track to performance improvement,* McKinsey & Company, 2017.

*Three: **Sufficient and sustained funding.*** Without sufficient funding a significant transformation will fail. Over 80 per cent of public sector transformation leaders surveyed globally indicated that, with hindsight, more resourcing upfront would have significantly improved overall success.[58] All governments face fiscal constraints and need to balance different priorities. Some transformation initiatives generate efficiencies to help fund the initiative; others can be funded by savings or a reallocation of investment across the system. Governments need to make decisions about necessary investments to ensure that the APS can effectively deliver results and build its capability for sustained high performance.

*Four: **Cultural change.*** Culture is critical to sustained performance, but is often overlooked.[59] To change culture, organisations need clear and persuasive communication about the change and behaviours required — supported by a clear purpose and vision of the future.[60] Leaders need to role-model changes in what they say and do. The organisation needs to build its capabilities for people to deliver results, and incentives are needed to support expected behaviours. Building new cultural strengths will be fundamental to effective transformation and this review's collective recommendations are designed to support this change.

This chapter explores each of these four factors and recommends: transformation leadership and support (recommendation 1), improved measurement and transparency of organisational health and performance (recommendations 2a and 2b), investment in digital transformation, public capital and capability (recommendation 3). Transformation needs to be reinforced and be underpinned by a concerted cultural change effort (recommendation 4).

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58   McKinsey Center for Government Transformation Survey, December 2017, in T. Allas et al., *Delivering for Citizens: How to triple the success rate of government transformations*, McKinsey Center for Government, 2018. The sample of this survey was 2,900 public sector leaders.

59   A. Colgan, et. al., *A primer on implementing whole of government approaches*, Dublin: Centre for Effective Services, 2014, p. 25.

60   E. Lawson & C. Price, *The psychology of change management*, McKinsey Quarterly, 2003.

Leaders who transform, support that works

Committed and capable leaders, aligned around common objectives and targets, are critical to successful organisational transformation. This is supported by transformation research and reinforced by consultations for this review.[61] Support, drive and trust from senior APS leaders were the top elements identified for effective transformation by a cross-section of public servants convened to help design the implementation of the review.[62] The failure of APS leaders to support and commit to change was the most frequently cited barrier in past APS reform efforts by a panel of 18 eminent former public servants interviewed in a submission for the review.[63] Visible, committed and aligned leadership at all levels of the APS will be vital to enable its transformation to succeed.

The most senior leadership body of the APS is Secretaries Board. Consistent with its statutory obligation to take responsibility for the stewardship of the APS, as an integrated institution, the Board needs to own, lead and be accountable for APS transformation.[64] This builds on the Board's current work in driving APS reform through the APS Reform Committee.[65] The Board has been closely engaged during this review and its members' thinking is reflected in many recommendations.

Secretaries Board should prioritise and coordinate reform initiatives through an adaptive APS transformation program. The program must be strongly linked to:

- delivering outcomes to Australians — better services and ease of doing business
- serving the Government — ministerial satisfaction, APS capacity to deliver results, and
- building a high-performing APS — highly trusted, with an engaged and capable workforce.

The program should define outcomes for APS transformation, including a limited number of ambitious APS-wide transformation targets and outcomes for the delivery of initiatives (Exhibit 2.2).

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61   J. Kotter, *Leading Change: Why Transformation Efforts Fail*, Harvard Business Review, 1995.

62   Independent Review of the APS, *APS design workshop April 2019: Let's talk about change* [website], 2019, <https://www.apsreview.gov.au/sites/default/files/files/apsreview200-design-workshop-april2019.pdf>.

63   M. Evans, op. cit.

64   *Public Service Act 1999*, s. 64(1).

65   Current APS reform work in set out in Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4, 2019*, pp. 3–20.

Exhibit 2.2

Indicative whole-of-service outcomes and targets

Outcomes and headline targets (by ~end-2024)

Government priorities implemented on time and to a high standard

> 90%
Government priorities delivered

BASELINE
n/a - 10 key priorities for the Government

BENCHMARK
To be drawn from delivery agencies globally

Seamless government services for the public

> 80%
Public satisfaction with APS services

BASELINE
52% satisfied
(PM&C Citizen Experience Survey 2019)

BENCHMARK
79% NSW Government customer satisfaction index
(NSW Customer Service Commission, 2017)

Starting and operating a business made easier

top-5 globally
Ease of Doing Business

BASELINE
Australia ranked number 18 in the World Bank index
(Doing Business 2019)

BENCHMARK
Top 10: New Zealand, Singapore, Denmark, Hong Kong, Korea, Georgia, Norway, United States, United Kingdom, Macedonia.

APS operating with optimal efficiency

Cap APS operating expenditure as a % of government spend

BASELINE
After accounting for necessary investments in digital, public capital and APS transformation, measured as the ratio of departmental expenses (excluding Defence and the National Disability Insurance Agency) to total government expenses.

BENCHMARK
n/a

APS trusted to serve the public effectively

Double
public trust in the APS

BASELINE
31% trust in Australian public services
(PM&C Citizen Experience Survey 2019)

BENCHMARK
70% trust in federal government for Sweden and Netherlands
(Democracy 2025, 2018)

APS employees committed to deliver outcomes

> 80%
Staff engagement

BASELINE
70% engagement
(APS Census 2017-18)

BENCHMARK
Ranges from 68% for APS 3-4 to 88% for SES 2-3

Baseline and benchmark information supports the panel's indicative transformation targets. These are based on the best available baseline data within the APS, and best-in-class comparators outside the service. Noting there is currently no robust measure of efficiency in the APS, the service should, in parallel, develop an alternative meaningful and robust measure of its productivity for the Government's consideration.

Members of Secretaries Board should lead major work streams and be accountable for progress through work stream measures (Exhibit 2.3).

Exhibit 2.3

Indicative work streams and measures for a high-performing APS

Outcomes of a high performing APS

Government priorities implemented on time and to a high standard	Seamless government services for the public	Starting and operating a business made easier
APS operating with optimal efficiency	APS trusted to serve the public effectively	APS employees committed to deliver outcomes

Work streams and measures

Transform for the future	Unite to succeed	Partner for greater impact	Invest in people to strengthen capability	Develop a dynamic and responsive organisation	Embrace data and digital	Empower leaders to make a difference
· Milestones · Performance measures	· APS Census results on shared ownership · Corruption indices	· Partner satisfaction · Engagements that adhere to Charter of Partnership · Ministerial satisfaction	· Partner perception of APS capability · Employer of choice · Recruitment and retention of diverse cohorts	· Census results on collaboration and responsiveness · Alignment of spend to priorities	· Services that can be accessed digitally/ seamlessly · No. of internal systems	· Staff perception of leaders · Secretaries perception of ability to provide frank and fearless advice

The APS 200, which includes all agency heads and deputy secretaries, is the next most senior leadership group of the APS. The group was established following a recommendation of the *Ahead of the Game* report.[66] Transformation needs to be driven across all agencies of the APS — to support this, Secretaries Board should actively support the APS 200 to operate as a focused and united senior leadership cohort. While it has met regularly, it is important that APS 200 engagement go beyond the current mode of networking and information events to genuinely enable and empower this group to lead transformation across the APS. For example, comparable private sector organisations of similar size to the APS often convene all senior leaders for extended offsite workshops to build cohesion and discuss how the group can best lead change, lift results and build capability. Members of the APS 200 may lead initiatives under each work stream and all need to role-model desired behaviours in their agencies, portfolios and other work.

Change-leadership skills are important. Successful transformations are three times more likely to train program leaders in change-leadership skills than those which fail.[67] They are also twice as likely to offer broader capability-building programs.[68] To succeed, change-leadership capability needs to be an element of SES performance development (recommendations 22 and 23).

For simple change efforts, change can be driven through the normal chain of command. But complex, organisation-wide transformation efforts need to be driven by a central coordination team.[69] This team is the nervous system of transformation, supporting an integrated and effective organisation-wide approach to change.[70] Evidence from over 80 transformations in 50 countries shows that existence of such a coordination point doubles the likelihood of success in public sector transformations.[71]

The transformation recommended by this review is broad, ambitious and complex. Reform needs to be driven and coordinated across multiple portfolios and in many locations, across unique agencies. The panel recommends that a secretary-level transformation leader be appointed to help make the change happen — and that they be supported by a small but high-impact, transformation office. Critically, the leader needs the confidence of the Government and the authority and ability to drive change in a challenging environment.[72]

The transformation leader must be a strong and visible advocate for change, providing support and help to those responsible for change — from agency heads,

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66   Advisory Group on Reform of Australian Government Administration, *Ahead of the Game: Blueprint for the reform of Australian Government Administration*, 2010, recommendation 8.1.

67   T. Allas et al., *Delivering for Citizens: How to triple the success rate of government transformations*, McKinsey Center for Government, 2018.

68   ibid.

69   M. Maceda et al., op. cit.

70   P. Keenan et al., *Changing Change Management: A Blueprint That Takes Hold*, Boston Consulting Group, 2012.

71   McKinsey Center for Government, *Transformation Survey*, December 2017, in T. Allas et al., *Delivering for Citizens: How to triple the success rate of government transformations*, McKinsey Center for Government, 2018.

72   J. Kotter, *Leading Change: Why Transformation Efforts Fail*, Harvard Business Review, 1995.

driving transformation in their own agencies, to APS leaders driving particular initiatives. The leader will support Secretaries Board by removing barriers and holding leaders to account for delivery, and report on progress against transformation targets regularly to the Prime Minister, Cabinet and the public (Exhibit 2.4).

The transformation leader and office should lead development of the transformation program, beginning with a three-month planning phase to design implementation in detail. Some of the recommendations made by this review have clear delivery paths. Other recommendations will take time and experimentation to ensure success and this should be accepted in designing and rolling out the change.[73] The panel has set out an indicative sequencing plan and identified those responsible for delivery (Appendix A). The sequence reflects the panel's view on reforms that need to be prioritised and those that are better phased over time. It seeks to reflect the need for transformation to bolster, and not distract from, delivering results. However, it is for Secretaries Board to finalise the sequencing and responsibilities of APS transformation.
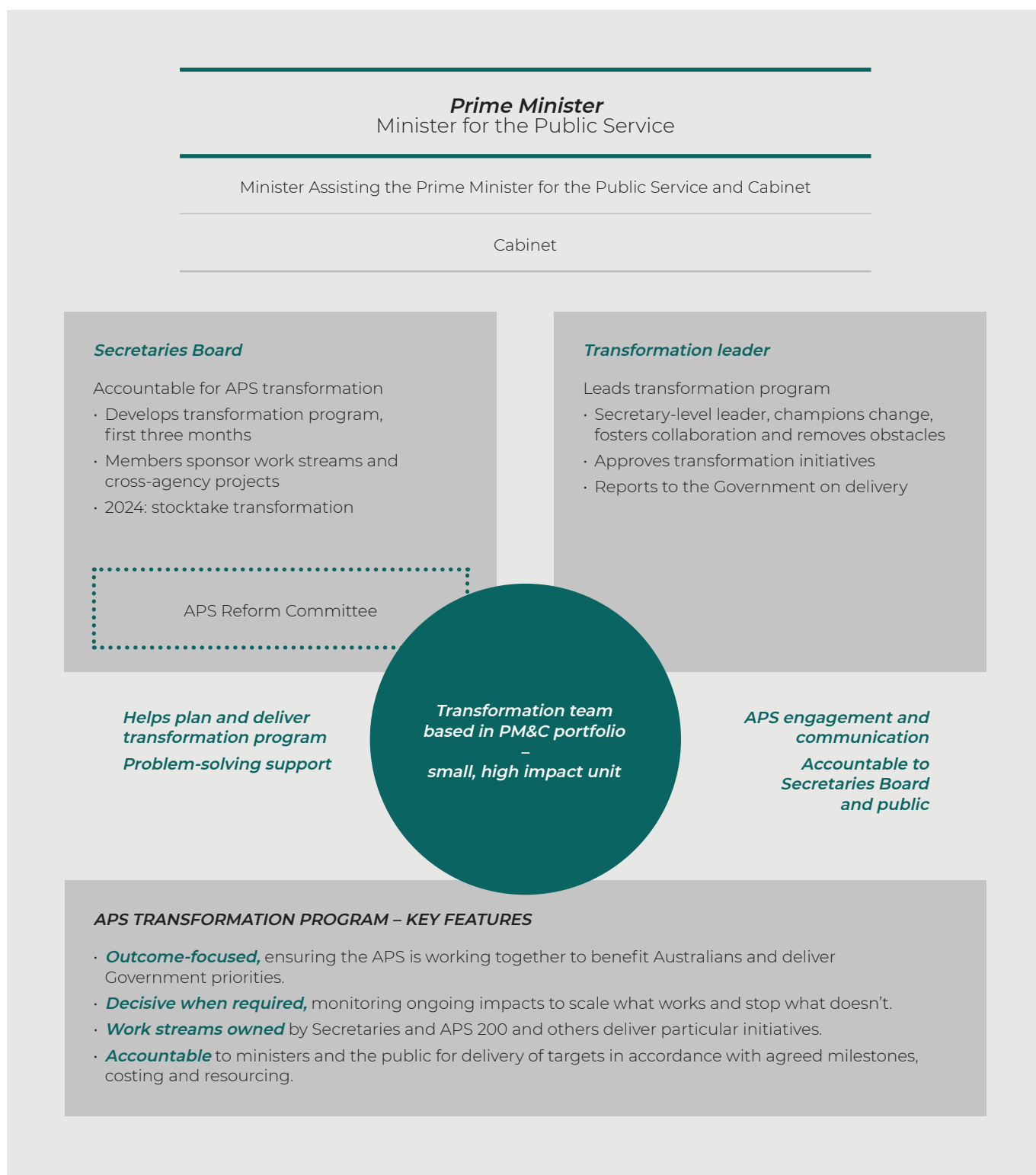
The APS needs to adapt to ongoing change. The recommendations in this review provide a set of critical and interrelated enablers for short-term changes and long-term reform of the APS. As part of this change, the APS needs to build adaptability and renewal into its own operating model. Accordingly, Secretaries Board should review results and progress of the transformation program by mid-2024 against what the APS needs to serve Australia best. This stocktake is intended to support advice to the Government about the ongoing need for a transformation leader and office. This will provide an opportunity to monitor and evaluate the delivery of the transformation program, a key lesson from past APS reviews.[74]

73   L. Fæste et al., *The Science of Organizational Change: Winning the '20s*, BCG Henderson Institute, 2019.

74   M. Evans, op. cit., Lesson 9.

Exhibit 2.4

Aligned with government priorities, owned by APS leaders, driven by a dedicated transformation team.

Prime Minister
Minister for the Public Service

Minister Assisting the Prime Minister for the Public Service and Cabinet

Cabinet

Secretaries Board

Accountable for APS transformation
· Develops transformation program, first three months
· Members sponsor work streams and cross-agency projects
· 2024: stocktake transformation

APS Reform Committee

Transformation leader

Leads transformation program
· Secretary-level leader, champions change, fosters collaboration and removes obstacles
· Approves transformation initiatives
· Reports to the Government on delivery

Transformation team based in PM&C portfolio – small, high impact unit

Helps plan and deliver transformation program
Problem-solving support

APS engagement and communication
Accountable to Secretaries Board and public

APS TRANSFORMATION PROGRAM – KEY FEATURES

· **Outcome-focused,** ensuring the APS is working together to benefit Australians and deliver Government priorities.
· **Decisive when required,** monitoring ongoing impacts to scale what works and stop what doesn't.
· **Work streams owned** by Secretaries and APS 200 and others deliver particular initiatives.
· **Accountable** to ministers and the public for delivery of targets in accordance with agreed milestones, costing and resourcing.

Implement APS transformation through strong leadership, clear targets, and appointment of a secretary-level transformation leader.

- Secretaries Board to lead and be accountable for ambitious APS reform through an adaptive APS transformation program agreed with the Government.
- Secretaries Board to agree to a small number of APS-wide targets to guide the transformation and measure its progress.
- Government to appoint a secretary-level transformation leader to lead change, remove delivery roadblocks, and track progress. Transformation leader to:
  - be a member of Secretaries Board and have the authority and influence to drive change
  - have the authority to approve and prioritise funding for transformation initiatives, and
  - report regularly on transformation progress to the Government and the public.
- PM&C to establish a dedicated transformation office to support and drive APS transformation.

Implementation guidance

- Begin with a three-month planning phase to determine work streams and responsibilities, milestones, targets and metrics, and resourcing.
- Deliver APS reform through one transformation program, covering review initiatives and priority APS reforms already underway.
- Secretaries Board to evaluate the transformation program by mid-2024 and, by end-2024, advise the Prime Minister on APS capability and further reforms to ensure the APS meets emerging needs.

Building capability, measuring progress

Our experience at Coca-Cola Amatil suggests that with any change program, you must get the fundamentals right. To be successful, you need the right people, with the right skills working towards defined goals that are clearly aligned to strategy. This means allocating dedicated change management resources to the transformation effort, including the right enabling technology. It's important to regularly assess progress and adjust plans as needed. Implementation is vital.

Alison Watkins, Independent Review of the APS panel member and Group Managing Director Coca-Cola Amatil

Delivering results at the same time as building capability requires continuous self-improvement. Measurement matters. It provides incentives for change and an ability to adjust and adapt as required. The APS needs to adopt and track indictors that reflect APS capability (such as engagement, skills, transparency and integrity, risk management and inclusion) as well as clear performance measures (the delivery of outcomes against targets and productivity).

The recommendations in this review are designed to ensure that the APS both delivers better results and builds its longer-term capability to do so. All leaders will be encouraged to lift current performance and invest in future capability — moving from a culture of delivering at all costs to one in which leaders are rewarded for delivering results *and* developing their people. A strong delivery focus helps meet deadlines, but limits time and effort spent on developing and enabling teams.[75] To become a high-performing organisation, this needs to shift to reward leaders and managers for delivering results through developing and enabling others.

Building capability

Most recommendations in this review will need to be implemented by the separate agencies that make up the APS. These include recommendations to build collaboration and openness, improve performance management, and develop deeper professional expertise, greater diversity, real inclusion, digital capabilities, and dynamic management structures and ways of working.

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75   APSC, *The Senior Executive Service and APS Reform* [unpublished].

Change as usual, not business as usual — adjusting mindsets was crucial to bring people along … and if you're not measuring? You can't deliver.

Michael Schwager, Director General, IP Australia

The panel recommends that regular capability reviews be undertaken for all departments and major agencies across the service. These reviews should focus on the agency's existing capability and its readiness to deliver government priorities and serve Australians now and into the future.

As highlighted in research for this review, 'there is no sustained assessment of capability across the APS'.[76] Capability reviews were instituted by the APSC on recommendation of *Ahead of the Game* in 2010.[77] After they ceased in 2016, the APS lost an opportunity to incentivise agency heads to build agency capability over time.[78] They were generally considered a useful point-in-time snapshot of agency capability. However, the reviews had limited acknowledgement of challenges in the APS current or future operating environment and did not fully address the readiness of agencies to meet emerging needs.[79] Follow-up reviews to track improvements in organisational effectiveness did not occur, limiting their long-term impact.[80] While some reviews were published, others were not.

There has been little in the way of public commitments on what will be done in response to the sector-wide and agency capability reviews … or follow-up to determine their impacts.

Shifting the Dial: 5 year productivity review [81]

The UK experience is also instructive. Capability reviews were used from 2006 to 2013. These were initially valued as a tool to support delivery of the Government's agenda, but a lack of bipartisan support led to their lapse in 2013. Evaluation showed that repeating reviews was effective in measuring improvement in the UK. In their second phase 95 per cent of areas assessed as needing urgent development across all reviews had been addressed.[82] However, limitations included insufficient links to performance reporting — leading to divergent findings and a lack of demonstrable impact on outcomes.

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76   J. O'Flynn & G. L. Sturgess, *2030 and beyond: getting the work of government done*, ANZSOG, 2019.

77   Advisory Group on Reform of Australian Government Administration, op. cit., recommendation 8.1.

78   See background at APSC, *Capability reviews* [website], 2016, <https://www.apsc.gov.au/capability-review-program>.

79   Information provided by the APSC.

80   In conversation with Stephen Sedgwick AO, 5 July 2018.

81   Productivity Commission, *Shifting the Dial: 5 year productivity review*, 2017, p. 201.

82   N. Panchamia & P. Thomas, *Capability Reviews*, Institute for Government, 2014, p. 11.

In contrast, New Zealand's equivalent, the Performance Improvement Framework, has been sustained over time owing to bipartisan support, and its adaptive model. Four significant changes made to the framework over six years means it has evolved from a diagnostic tool to a mechanism that helps senior leaders understand issues facing New Zealand, and what an agency needs to do to address them.[83] It is explicitly future-focused, and anchored to agency deliverables and specific issues, providing a way of identifying strategic gaps and actions to address them. Former New Zealand Prime Minister and member of the review's reference group, Sir Bill English KNZM, highlighted to the review the utility of the Framework's transparency as an effective management tool and mechanism for increasing public trust.

The review recommends all departments and major agencies undertake regular capability reviews, with other agencies reviewed at the discretion of the APS Commissioner and agency head. To inform their design, there are useful lessons from the experience of previous APS capability reviews and evidence of what has worked in other jurisdictions (Box 2.1). All capability reviews and agency responses should be made public.

Reviews are to account for differences in agency operations and contexts, including expectations, requirements and resourcing. The aim should be to support continuous improvement by all agencies, not create a league table.

The first step in capability reviews is for agencies to undertake a self-assessment and develop their own plans to build capability. Staff surveys — to measure staff perceptions of capability on different dimensions — are an important component of involving staff in their own transformation. Results should be published to foster transparency. The process could allow agencies, building on their strengths, to set stretch targets to be an APS leader in a key capability dimension and then actively seek to build broader APS capability in that dimension.

Repeating capability reviews will reinforce accountability and incentivise action to build capability.[84] Secretaries Board, consistent with its role in stewarding the APS and leading transformation, should develop a framework for capability reviews, with the transformation leader and the APS Commissioner agreeing with agency heads when they will be reviewed.

The framework is to be based on a sound methodology that makes clear how lifting specific capabilities will lead to better outcomes for Australians. Sequencing reviews carefully will ensure that the APS supports delivery of government priorities — addressing skills gaps to deliver seamless services, and actions to reduce administrative congestion, for example.

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83   D. Te Kawa & K. Guerin, *Provoking debate and learning lessons. It is early days, but what does the Performance Improvement Framework challenge us to think about?*, Policy Quarterly, Vol. 8 Issue 4, 2012, p. 31.

84   In conversation with Stephen Sedgwick AO, 5 July 2018.

NEW APS CAPABILITY REVIEWS TO CREATE A FRAMEWORK FOR CONTINUOUS IMPROVEMENT

Capability reviews that learn from other jurisdictions and previous APS experience.

Future focused and agency specific. Acknowledge future challenges for each agency, as well as its government priorities and its core business. Reviews assess capability needs for high performance in the long-term.

Flexible. Relevant and valued. Capability review cycle geared to generate insights for an agency to act on in line with their remit, and within a window of time that suits its capacity. An initial self-assessment undertaken by each agency is an important starting point for staff engagement.

Not an audit. The reviews are focused on a narrative of improvement. Expertise is recognised and those who excel share learnings. Progress is measured and shared publicly — to be accountable to ministers and the public, and inform APS workforce planning.

Made by the APS. Secretaries Board to shape the framework and APS employee participation at each step. Staff involvement builds ownership and a self-sustaining improvement culture, and increases the likelihood of success. Autonomy and engagement to promote innovative responses to capability gaps.

Short, sharp and cost effective. Reviews should be focused and undertaken by a small and agile team. Led by expert reviewers with public–sector experience, and not simply outsourced at high cost to consultancy firms. Sequenced to support delivery of government priorities over time. Each review should be completed within six to eight weeks.

Recomendation 2a

Undertake regular capability reviews to build organisational capacity and accountability.

- Secretaries Board to agree by end-2019 a framework for future-focused capability reviews of all departments and priority agencies.
- Transformation leader and APS Commissioner to schedule reviews — all reviews to be completed by mid-2021.
- APS Commissioner to publish all reviews and agency responses.

Implementation guidance

- Prioritise and sequence reviews to ensure the APS supports the delivery of Government priorities.
- Reviews to be independent, short and joint-funded by the agency and a central funding pool.
- Repeat reviews periodically — second round to be completed by mid-2024.
- Use staff surveys to measure perceptions of agency capabilities and improve employee engagement.
- Tailor arrangements for smaller agencies and those in the National Intelligence Community.
- Identify key dimensions for building capability — these may include:
    - collaboration
    - openness and integrity
    - performance management
    - professionalisation and in-house skills and expertise
    - digital maturity
    - diversity and inclusion, and
    - fit-for-purpose management structures and ways of working.

Measure results. See progress

An underpinning theme of this review is that the APS needs to be run as an integrated institution. Consistent with this, the APS needs service-wide measures of its capability and performance to support and keep transformation on track (see recommendation 1). Until recently there has been no APS-wide mechanism to measure satisfaction with government services, citizen trust or experience. By contrast, the NSW Government uses its annual customer service satisfaction survey as a lever for change, with its board of secretaries having responsibility for the results.[85]

The commencement of the PM&C's Citizen Experience Survey in 2019 provides valuable insights into community satisfaction and trust in the APS. The review recommends the survey be continued and, reflecting the importance of transparency and accountability to trust, that its results are published regularly.

Staff surveys can be important tools for cultural change programs.[86] The annual APS census is a rich and long-standing source of data to measure many areas of APS culture, capability and leadership. The census is reviewed annually. While ensuring that consistent questions are asked over time to provide longitudinal data, the current census questions should be examined to ensure that they help to provide useful insights into critical areas for the APS to build capability.

Agency heads are custodians of significant public trust — using public money to deliver benefits for Australians. Agency heads are not only accountable to ministers and in turn to the Parliament for their use of public money in running their agencies, they are also accountable to the public. Capability reviews and the APS census are important measures of capability and the use of public money, and both reviews and agency-level census results should be published. The approach can reflect lessons from the trial publication of census results and agency responses for the 2018–19 census, as agreed by Secretaries Board in 2019.

All organisations can benefit enormously from the stimulus and different perspectives that come from external advice. The panel recommends that agencies institute their own mechanisms to obtain external advice such as by establishing external advisers or advisory boards. This will give agencies access to a broader spectrum of people with different perspectives and experience to help agencies better serve Australians and lift their capability.

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85   M. Hoffman, submission to the *Independent Review of the APS*, 2019.

86   ibid.

The *Public Governance, Performance and Accountability Act 2013* provides a well-developed framework for agencies to set and report on goals in corporate plans and annual reports. The objectives of this framework include setting high standards of governance, performance and accountability and providing meaningful information to Parliament and the public.[87] The framework itself is strong but, as found in the 2018 review of the *Public Governance, Performance and Accountability Act 2013* and Rule, it appears that the Act is too often complied with in letter than in spirit.[88]

This panel supports the implementation of recommendations of that review that seek to improve performance reporting.[89] Among other matters, that review called for a mandatory minimum requirement that performance information be relevant, reliable and complete, and proposed that Secretaries Board play a leadership role in improving performance reporting. Secretaries Board should consider application of a system of earned autonomy, as enabled by the *Public Governance, Performance and Accountability Act 2013*, to provide a targeted and risk-based approach to the financial framework legislation. This could allow greater flexibility in budget and governance approaches for agencies that demonstrably manage themselves well under the Act.[90]

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87   *Public Governance, Performance and Accountability Act 2013*, s 5.

88   E. Alexander & D. Thodey, *Independent Review into the operation of the Public Governance, Performance and Accountability Act 2013 and Rule*, 2018, p. 2.

89   ibid, recommendations 1, 3–10 and 33–34.

90   *Public Governance, Performance and Accountability Act 2013*, Explanatory Memorandum.

Recommendation 2b

Promote continuous improvement through the PM&C Citizen Experience Survey, APS census, external advice and better performance reporting.

- PM&C to continue the Citizen Experience Survey for measuring trust, satisfaction and experience in Australian public services, and publish results.
- APS Commissioner to publish APS Employee Census results for each agency, with agency responses, from 2019-20.
- All agency heads to obtain regular external advice on performance and organisational health.
- APS to improve performance reporting as recommended in the 2018 Independent Review into the operation of the *Public Governance, Performance and Accountability Act 2013* and Rule.

Implementation guidance

- Obtain regular external advice by appointing external advisers, establishing advisory boards or other means.
- Invite portfolio ministers to attend advisory board meetings periodically.
- Institute mechanisms for external advice by 1 July 2020.
- Put improvements to corporate planning and performance reporting in place for 2020–21 corporate plans and annual reports.
- Secretaries Board to consider applying a system of earned autonomy, as enabled by the *Public Governance, Performance and Accountability Act 2013*, to provide a targeted and risk-based approach to the financial framework legislation.

Prioritise investment in change

This review sets out three broad funding needs for the APS to deliver high-quality advice to the Government effectively and efficiently and outstanding services to the people of Australia.

One: As set out in chapters five and seven, the APS's physical and digital capital is under-funded. Agency minor capital budgets are under-funded and the failure to make provision for major capital needs has meant that too often, items of public capital are ageing and are replaced or upgraded too late. There is strong evidence of a technological deficit across the APS, with a number of legacy systems at or near end of life. This is reflected in the high amount spent on running and maintaining ICT systems, leaving insufficient funds to drive the major digital transformation envisioned by the Government.[91] Digital transformation funding needs to be directed to capability and skills and to systems and processes.

Upfront investment is critical for better services; however it is not possible for the review to estimate the cost of digital transformation or other public capital needs — the APS does not maintain comprehensive and reliable data. Chapter five provides benchmarks and recommends ICT audit and blueprint processes and a public capital review to clarify funding requirements for the digital uplift. Analysis suggests that raising spending levels to benchmark digital transformations in the private sector could be in the order of $400 million to $900 million a year.

Additional costs for other (non-digital) items of public capital mean that digital transformation and recapitalisation (whether provided through additional funding, savings or reallocating current expenditure) is likely to be at least $1 billion a year.

Two: As set out in chapter six, more funding needs to be prioritised to service-wide capability investments to generate the best outcomes for Australians. Overall spending on learning and development is at the low end of the benchmark across the service. Dedicated funding is needed for a concerted effort to build the skills and expertise of APS employees, including research, policy and evaluation skills. The review estimates that at least $60 million a year in dedicated funding is required for service-wide capability uplift

Three: Investment is required to support the mechanisms of the transformation effort, as set out in this chapter. This would cover the cost of the transformation office and leader, and related matters. The review estimates that at least $42.5 million a year in dedicated funding is required for transformation support.

A high-level outline of the basis for these estimations is set out in Appendix A, noting that these costs are indicative and need to be assessed in the initial three-month implementation design phase. There will be staffing needs to implement different measures too.

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91   Analysis undertaken by the Independent Review of the APS; Gartner, *IT Key Metrics Data 2019*, 2019; Finance, *Australian Government ICT Trends Report 2015–16*, 2016.

These investments do not always require additional funding. In many cases, investments can be funded by reallocating existing commitments across the service. Staff can be moved to prioritised projects. Upfront investment can also deliver identified savings (or reduce cost increases) in the medium or longer term. Implementation of review recommendations — for example through reducing management layers and more effective ways of working — will also deliver other operational expenditure savings over time. Better procurement, too, generates savings.

The panel recommends that part of the efficiency dividend, or other whole-of-government savings, be reinvested in the APS. Successive governments have applied an efficiency divided on Commonwealth agencies of between 1 and 4 per cent a year from 1987–88.[92] An efficiency dividend can be a useful tool for driving continued productivity and savings but, when not managed well, can undermine capability in policy, implementation and delivery. The scope and rate of the efficiency dividend needs to be regularly scrutinised, bearing in mind the budget position, the Government's expectations for the APS and the service's capacity to deliver productivity improvements and build or maintain short or long-term capability. Reinvesting some of the efficiency dividend is a useful approach for funding of APS-wide investment to lift the organisation's capability. This approach was used, for example, for the current Public Service Modernisation Fund, which is supporting a range of service-wide capability improvements.[93] A similar approach is used in Singapore.[94]

The Government could consider quarantining part of this investment in a flexible fund to pay for service-wide capability improvements, similar to the current Public Sector Modernisation Fund. The transformation leader and the Finance Secretary could be given joint responsibility for approving investment under such a fund, according to guidelines set by the Government and with ministerial oversight.

Funding for transformation cannot be a blank cheque. The case for each item of expenditure needs to be made and balanced against other priorities. However, the panel considers that APS transformation will not be possible unless there is dedicated upfront investment to deliver better outcomes for Australians and lift public sector productivity and effectiveness.

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92   P. Hamilton, *Public sector efficiencies, staffing, and administrative arrangements*, Parliamentary Library [website], 2018, <https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201819/PublicSector>.

93   Australian Government, *2016–17 Australian Government Budget — Budget Paper No. 2*, 2016, p. 71.

94   H. H., Lim, speech delivered at the Singapore Ministry of Finance Committee of Supply debate, 2010.

Recommendation 3

Drive APS transformation and build capability with innovative funding mechanisms.

- Government to reinvest a part of the annual efficiency dividend, or other whole-of-government savings, in APS capability, digital transformation and public capital, including a defined amount for the transformation program.
- Transformation leader and the Finance Secretary to agree priorities for transformation-related investments, based on government guidelines and with ministerial oversight.

Implementation guidance

- Assess costs and prioritise funding as provided for in this review (recommendations 1, 14, 34 and 40).
- Consider innovative mechanisms to fund transformation — such as staged funding and establishment of an investment fund (like the Public Sector Modernisation Fund).
- Transformation leader to report on performance to Cabinet and the Minister responsible for the public service.

A culture for 2030

[Culture] is an integral part of the organisation's makeup, of its sinews and energy. It will determine whether the organisation thrives, whether it gets by or just muddles through, or actually whether it fails.

Chris Moraitis PSM, Secretary, Attorney-General's Department[95]

An organisation's culture may be understood as the shared values and beliefs that guide how members of an organisation approach their work and interact with each other.[96] It is an essential element of genuine organisational transformation and an outcome of reform.[97] The panel's recommendations will, through implementation, change APS culture. This starts with developing an inspiring purpose and vision to unite the APS. The need to build a dynamic, connected and confident APS culture underpins the design of the review's recommendations, designed to work together to foster significant change in how the people of the APS work. Levers for cultural change need to be built into the implementation of many review recommendations to make change happen — and should be considered in the development and delivery of the transformation program.

The need for cultural change was a strong theme in review consultations. During a series of 29 workshops involving 481 people, participants emphasised the importance of building a proactive, future-focused and innovative APS culture, open to taking informed risks; a culture of curiosity and inclusion.[98] APS participants at an implementation workshop emphasised the need to move from a risk averse workforce to a more empowered workforce, describing a risk averse culture as one of the top three barriers to implementation of the review.[99]

The most senior leaders of the APS recognise the need for cultural change. The review asked APS 200 members to describe in one word the APS today and the APS they want in the future. The APS 200 described the APS today as professional, capable and resilient, but also cautious, reactive, siloed and passive; some described the APS as jaded, conservative and ploddingly functional. The APS 200 described the need in the future for a service that is energised, connected and collaborative, aligned and dynamic — one that is trusted, optimistic, unified and visionary (Exhibit 2.5).

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95   C. Moraitis, *Keynote address to the Institute of Public Administration Australia Secretary Series*, 21 February 2018.

96   Victorian Public Sector Commission, *Organisational Culture*, Leading Public Organisations series, 2013.

97   D. Blackman et al, University of New South Wales: Public Service Research Group, submission to the Independent Review of the APS, 2018; Chartered Institute of Personnel and Development, *Leading culture change: Employee Engagement and Public Service Transformation*, 2012.

98   Inside Policy, *An Independent Review of the Australian Public Service: A detailed consultation report*, 2018.

99   Independent Review of the APS, *APS design workshop April 2019: Let's talk about change* [website], 2019, <https://www.apsreview.gov.au/sites/default/files/apsreview200-design-workshop-april2019.pdf>.

Exhibit 2.5

APS leaders have a clear view of the desired culture

The review reimagines APS culture changing along these lines:

- from a culture in which leaders and managers deliver at all costs to one in which the APS rewards people for delivering effectively and efficiently, as well as for developing the capability of their staff to deliver
- from a culture in which people deliver agency priorities to one where people instinctively collaborate to deliver government priorities
- from a culture in which the default presumption is to find the answers in Canberra to one where people look outside of many policy-makers, and outside the APS, to help solve problems, and
- from a culture of cautious risk avoidance to one in which staff are empowered to have a go and take informed risks.

When the Environment Department experienced deep cuts to budgets and staffing, and big shifts in the Government's approach to solving environment, climate and energy problems, we risked serious loss of focus, capability and morale among staff. While the changes were not easy, the transformation worked because it was centred on people, its objectives and focus on purpose were clear and shared, and communication was open, honest and respectful.

Dr Gordon de Brouwer PSM, Independent Review of the APS panel member and former secretary

Successful change programs and the literature on behavioural psychology highlight the following four critical elements for successful cultural change:[100]

One: Employees must understand what change is expected and why. As set out in chapter three, a shared purpose and vision are proven to deliver improved outcomes in large complex organisations. This requires clear, persuasive and consistent communication from leaders and involvement from staff.[101] Communication must be more or less continuous, not one-off, with 90 per cent of people in one study indicating that more communication — particularly with the front line — would have made public sector transformations more successful.[102]

100   E. Lawson & C. Price, op. cit.

101   D. Blackman et al, op. cit.

102   T. Allas et al., *Delivering for Citizens: How to triple the success rate of government transformations*, McKinsey Center for Government, 2018, p. 18.

Two: Employees must observe leaders and other influencers reinforce and role-model these changes. Nothing is more corrosive to cultural change than witnessing leaders and other influencers in an organisation promote change while acting (or rewarding others who behave) inconsistently.[103] Because transformation is unpredictable and risky, influential leaders acting consistently with expected new behaviours helps people feel confident to take the risk associated with changing.[104]

Three: Incentives and reward mechanisms must align with the expected behaviours. Too often organisations reward things that are misaligned with the desired behaviours of the organisation.[105] Learning and development, performance assessment at all levels, promotions and appointments need to reinforce desired change.

Four: Employees must be equipped with the skills, capabilities and tools to act in new ways. Failing to do so necessarily undermines their ability to change. In contrast, building up the ability and belief of individuals to act in new ways creates positive reinforcement.[106]

The review's recommendations are intended to reinforce significant culture change across the APS through each of these four critical elements.

> *Culture. We're all told not to underestimate it, but we do. Understand the current culture and give it due respect, hold on to the good parts, acknowledge and strengthen them. Co-create new aspects and provide examples of what they look and feel like in practice.*

Jacqui Curtis, Chief Operating Officer, Australian Taxation Office[107]

Secretaries Board and the APS 200 need to provide clear, persuasive and consistent communication about the need for change and engage with staff to identify the nature of changes required. Build on the strengths of the APS, inspire people toward the APS's purpose, and be clear about desired behaviours that need to become normal.[108] This should be built into the transformation program (recommendation 1). APS-wide conversations about the purpose, vision, principles and values of the service and its integrity (recommendations 6 and 7) need to be clear about the consequent practical behaviours that the APS expects to see in its people. Such conversations need to happen across the service, in agencies, in professions and in teams. Leaders at all levels need to role-model the changes too, themselves acting consistently with expected behaviours.

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103   L. Duan et al, *Tapping the power of hidden influencers*, McKinsey Quarterly, 2014.

104   R. Ashkenas, *We still don't know the difference between change and transformation*, Harvard Business Review, 2015.

105   S. Kerr, *On the folly of rewarding A, while hoping for B*, Academy of Management Journal, Vol. 18, No. 4, 1975.

106   A. Bandura, *Self-efficacy: The exercise of control*, W.H. Freeman, 1997.

107   In conversation with Jacqui Curtis, June 2019.

108   J. Hemerling et. al., *A Leader's Guide to 'Always-On' Transformation*, Boston Consulting Group, 2015.

Midway through transforming the ANZ Bank it was clear that winning the organisation's hearts and minds is the hardest but most important job required to deliver sustained change. The transformation of a large, complex organisation is a multi-year journey that frequently requires people to put the long-term needs of the organisation above their own. To achieve this requires the organisation to not just intellectually understand why change is required, but also to be emotionally invested.

Maile Carnegie, Independent Review of the APS panel member and ANZ Group Executive Digital Banking

Expected behaviours need to be reinforced and measured in capability reviews and the APS census (recommendation 2a and 2b) and in people and performance development, recruitment, mobility, and appointments, including of all agency heads (recommendations 22–24 and 39a).

The review's recommendations seek to build APS capability to support people to act consistently with expected culture and behaviours. The APS will invest in the development of professional expertise and the development of APS employees and leaders (recommendations 20–23), in skills identified by the APS workforce strategy (recommendation 19), and in the development of the necessary data and digital tools and skills (recommendations 13–18).

The aim is not to implement a monolithic culture across the entire service. This is both impractical and inappropriate, given the diverse capabilities, responsibilities and perspectives of teams and agencies across the APS — this difference is a strength and should be celebrated. But certain underpinning behaviours and mindsets need to be promoted, expected and rewarded across the APS, consistent with the purpose, values, principles and vision of the integrated service.

Recommendation 4

Build the culture of the APS to support a trusted APS, united in serving all Australians.

- Secretaries Board to lead ambitious change of APS culture, guided by agreed change program with clear desired behaviours and mindsets.
- APS 200 and APS leaders at all levels to role-model desired behaviours and communicate change to all staff.
- Secretaries Board and agency heads to ensure tools and ways of working, learning and development, performance assessment, promotions and recruitment reinforce desired cultural change.

Implementation guidance

- Ensure cultural change reinforces APS vision, Values and principles and helps achieve the APS purpose.
- Build on cultural strengths in different agencies.
- Collaborate with APS leaders to identify cultural strengths and critical shifts in behaviours and mindsets.
- Model desired behaviours and communicate the 'how' and 'why' of change within agencies and across the APS.
- Communicate change clearly and consistently, so that every APS staff member understands what is expected and why.
- Measure and monitor progress regularly.

THREE

UNITE TO SUCCEED

Pivot irrigation in the Murray Darling Basin, Victoria, Australia

Chapter in brief

- ***Westminster: an evolving tradition.*** The APS was founded in the Westminster tradition as an impartial, professional and merit-based service, serving successive governments. The tradition has adapted to suit Australia's needs since 1901. The review affirms and endorses this evolving Westminster foundation as fit for present and future contexts.

- ***Principles and values.*** Broad principles govern APS actions, but there is no consolidated statement that defines them. values are already well-defined, but are inconsistently promoted across the service. Define the APS's principles and promote the APS Values to all employees — to improve how the APS fulfils its role. Extend application of principles and APS Values to Commonwealth agencies not covered by the *Public Service Act 1999*.

  Recommendation 5

- ***Purpose and vision.*** Develop a common purpose and vision as the first step to achieve a united APS, one that is more than the sum of its parts — with tangible benefits of improved motivation, increased collaboration and better outcomes.

  Recommendation 6

- ***Trust through integrity.*** Public trust in the APS has declined, as it has in many Western democratic institutions. Integrity failings weaken trust — perceptions of integrity are the most significant driver of trust.

- ***Reinforcing integrity.*** Strengthen the integrity of the APS as an institution. Empower the APS Commissioner to take on a greater pro-integrity role and ensure effective measures to prevent and address integrity issues.

  Recommendation 7

Westminster: an evolving tradition

... we should be very proud of our uniquely Australian model of public administration ... That it has evolved ... from its Westminster origins is thoroughly positive. It captures the dual ideas of the APS as a great, continuing national institution — but one which at the same time is responsive and ready to change — that is, a willingness to continue to adapt to Australian circumstances and national needs.

Ken Matthews AO, former Secretary and Chair of the former National Water Commission[109]

The APS was founded, on 1 January 1901, in the Westminster tradition. Grounded in nineteenth-century British practice, but evolving still, this tradition broadly requires:

- public servants to provide high-quality, independent and evidence-based advice to the Government, and implement the Government's decisions efficiently, effectively and ethically
- public servants to ensure that their advice and implementation, or the perceptions of these, are not affected by political factors
- mutual respect between public servants and ministers and parliamentarians, and between public servants themselves, to allow a free flow of ideas and information and ensure that responsibility for decisions is taken as and when required
- a career structure for public servants that is independent and based on merit, and
- stakeholder confidence that decisions by public servants are not affected by their personal, financial, political or other interests or those of their relatives or friends.[110]

Australia's democracy has been served well by this tradition — robust governments, elected by the people and supported by an enduring public service. While the Westminster approach provides a set of interrelated principles to guide the APS, this tradition has been regularly revisited and reviewed to be fit for purpose for both the present day and future contexts.[111]

As with similar jurisdictions — including Canada, New Zealand and the UK — Australia has evolved its Westminster foundation to suit its particular needs. For example, the institution of the Ombudsman was introduced across all Australian jurisdictions in the 1970s. FOI and new public management reforms were delivered from the 1980s. And, in the

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109 K. Mathews in J. Wanna et al. (eds), *With the benefit of hindsight: Valedictory reflections from departmental Secretaries*, ANU Press, 2012.

110 APSC, *Reinvigorating the Westminster tradition: Integrity and accountability in relations between the Australian Government and the APS* [website], 2008, <https://www.apsc.gov.au/reinvigorating-westminster-tradition-integrity-and-accountability-relations-between-australian>, accessed 29 January 2019.

111 R. Mulgan, *Goodbye, Westminster: is our political system dying or just evolving*, The Sydney Morning Herald, 2016.

2000s, new merit-based selection requirements for agency heads, public interest disclosure protections, an ethics advisory service and other reforms were all introduced.[112]

With this history, and success, this review strongly reaffirms the Westminster tradition as the system to base the APS's foundations today and into the foreseeable future. The review rejects any move towards a partisan 'Washminster' model, whereby agency heads change when governments change and senior public servants have clear political allegiances.

Retaining a Westminster foundation delivers a professional and permanent APS. It supports the APS to make necessary longer-term investments in its core and emerging capabilities, rebuilding its expertise, skills and institutional memory. It delivers an impartial and professional public service which underpins trust in the institution and, by extension, democracy. It ensures the APS can continue to attract and retain bright, dedicated people in the knowledge that they will have a rewarding career without the fear of losing their job with a change of Government. In contrast, Australia could not operate under a Washington model — it lacks the broader set of institutions that allows the United States of America to support a more partisan public service.

Australia's Westminster foundation will remain critically important for the APS to best serve Australia in a complex, changing world. Building on this foundation, this review concludes that the APS needs to operate in a much more confident, collaborative and dynamic manner now and in coming decades. This needs to be grounded in solid foundations. To this end, this chapter recommends:

- core principles that guide the APS's actions — apolitical, stewardship, openness, integrity and adherence to merit — be defined, legislated, and promoted across the APS, alongside the current APS Values (recommendation 5)

- the APS develops a clear purpose (why the organisation exists) and vision (what the organisation wishes to achieve, now and into the future) to support it to act and develop as a dynamic, collaborative and integrated institution (recommendation 6), and

- additional integrity measures to support these foundations and ensure the APS acts in accordance with the trust placed in it (recommendation 7).

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112 R. Verspaandonk et al., *Background Note: Chronology of changes in the Australian Public Service 1975–2010*, Department of Parliamentary Services, 2010, p. 7.; D. Donaldson, *Coombs 42 years on — looking back at the review that shaped the APS*, The Mandarin, 2018; APSC, *Reinvigorating the Westminster tradition: Integrity and accountability in relations between the Australian Government and the APS* [website], 2008, <https://www.apsc.gov.au/reinvigorating-westminster-tradition-integrity-and-accountability-relations-between-australian>, accessed 29 January 2019.

Principles and values

A strong and vibrant Australia needs ... a strong, vibrant and impartial Australian Public Service that is always prepared to question, analyse and, where necessary, offer sometimes unwelcome but confidential advice and to implement programs as if their family's and other taxpayers' funds and services are at stake ...

Patricia Scott, former secretary and Productivity Commissioner[113]

The role of the APS is clear and uncontroversial: '... an apolitical public service that is efficient and effective in serving the Government, the Parliament and the Australian public'.[114] It is not the role of the APS that requires review and renewal, but rather how this role is fulfilled.

The APS has evolved and adapted significantly since the Coombs *Royal Commission*. Among other matters, various steps have been taken to increase the APS's responsiveness to government. It has been observed that, since the 1980s, 'Commonwealth public service legislation tipped the balance toward ministerial control'.[115] Some have expressed concerns that the APS is becoming politicised, while others have cautioned against exaggeration.

Research undertaken for the review concluded that the 'political-administrative environment (is) becoming increasingly politicised'.[116] Andrew Podger AO, former APS Commissioner, has commented that 'accusations of excessive responsiveness, or politicisation, or of a cowed public service, tend to arise in line with political cycles'.[117] Lynelle Briggs AO, former APS Commissioner, stated that, while 'this view has been considerably overstated, there have been times when Australian public servants have felt themselves under pressure to make decisions or tailor advice in ways that furthered a government's political interests'.[118] David Morgan AO, a member of the review's reference group and a former senior public servant, concluded:

> We [the APS] have now become an APS that is responsive but we also have a responsibility to three constituencies. The Government, the Parliament and the Australian public and they're equally important.[119]

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113   P. Scott in J. Wanna et al. (eds), *With the benefit of hindsight: Valedictory reflections from departmental Secretaries*, ANU Press, 2012.

114   *Public Service Act 1999*, s.3.

115   G. Davis, *Reimagining public administration: First Peoples, governance and new paradigms*, address to ANZSOG conference in Melbourne, cited in D. Donaldson, *We need to talk about ministerial control, says APS Review panellist*, The Mandarin, 2019.

116   A. Tiernan et al., op. cit., p. 9.

117   A. Podger, SES conference 2004, cited in C. Shandil, *Trust in Thy Leader: Is 'Washminster' Apt for the Australian Public Service*, The Policy Space [website], 2015, <https://www.thepolicyspace.com.au/2015/17/79-trust-in-thy-leader-is-washminster-apt-for-the-australian-public-service>, accessed 30 April 2019.

118   L. Briggs, *Testing APS Ethics: Where's the Integrity?*, Australian Journal of Public Administration, Vol. 68, 2009, pp. 119–136.

119   In conversation with David Morgan AO, 22 March 2019.

Australia is not alone. Other Westminster countries are grappling with politicisation of the public sector, perceived or real, too.

Good government depends on public servants being able to give full and frank advice, and I want all our public servants to have the confidence to be able to do that. I hope that the House will reflect on the importance of defending our values and principles, particularly when they are under pressure.

The Right Honourable Theresa May, former Prime Minister of the UK[120]

To support the APS to best undertake its role, in the Westminster tradition, this review recommends that core principles — apolitical, stewardship, openness, integrity and adherence to merit — be distilled and set out in the *Public Service Act 1999*. Doing so will provide clear guidance to the APS and its leaders and employees. It will help reaffirm the Westminster tradition of the APS.

These recommended principles are currently scattered throughout the *Public Service Act 1999* — in the Objects, APS Values, APS Employment Principles and Code of Conduct and within the functions and powers of the APS Commissioner, Secretaries Board, secretaries, agency heads, Merit Protection Commissioner, and SES. Legislating these principles will enable them to be consolidated and defined as a powerful set of foundational principles for the APS, alongside the current APS Values.

Legislated principles should give merit and stewardship broader meaning than their current application. In the *Public Service Act 1999*, the merit principle is focused on engagement and promotion decisions pursuant to the APS Employment Principles.[121] Merit is one of the factors that distinguishes the unique role of the APS as an institution, distinct from that of ministers and their advisers.[122] Legislating an APS principle of merit would give it broader application in guiding all the organisation does.

Likewise, under the *Public Service Act 1999* only secretaries, the APS Commissioner and Secretaries Board are required to act as stewards — of their departments and, in partnership, of the APS. Legislating the obligation of stewardship as a principle would give it broader application to guide the APS's institutional role, beyond the individual stewardship responsibilities of Secretaries Board.[123] As a legislated guiding principles for the APS, stewardship could encompass building a service that is committed to the public interest, a service that is a repository of wisdom and experience and maintains the

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120   T. May, *Engagements: Hansard 10 July 2019*, UK Parliament, House of Commons, 2019.

121   *Public Service Act 1999*, s. 10A(a)(c).

122   A. Podger, submission to the *Independent Review of the APS*, July 2018, p. 6.

123   A. Tiernan et al. op. cit., p. 24.

capability and core expertise to serve successive governments, and a service that is self-critical and builds and sustains genuine partnerships. As with New Zealand, there is an opportunity for the APS to look ahead to the medium and long term and act as stewards of Australia, working for the benefit of all Australians, now and for the future.[124]

The APS principles proposed by this review are set out in Box 3.1.

Box 3.1

Defining APS principles

DEFINING APS PRINCIPLES

Apolitical. Providing policies, regulations and services for the Government of the day, while maintaining the trust of successive governments. Understanding and operating within the current political context, but in a politically neutral, unbiased way.

Stewardship. Looking ahead to the medium and long term to identify and meet current and future challenges and take future opportunities, with the interests of all Australians in mind. Protecting the institution of the APS. Providing a repository of wisdom and experience, including maintaining the capability to serve successive governments, ensuring continuity of public service, sustaining core expertise to tackle multifaceted policy issues, being self-critical, building and sustaining genuine partnerships and remaining steadfast to the public interest.

Openness. Engaging and partnering with stakeholders, and informing the public about how and why decisions are made. Releasing data and insights, reducing barriers to access, and improving accessibility, accountability and transparency. Ensuring that this does not preclude confidentiality, but enables a balance to be struck.

Integrity. Adhering to a high moral standard, including acting in line with the APS Values and Code of Conduct. Maintaining high standards of ethical behaviour, including honesty, truthfulness and accuracy, in all interactions with the Government, stakeholders and the community, and across the APS.

Adhering to merit. Ensuring that all decisions, particularly relating to procurement, provision of services and employment, are ethical and accountable. Ensuring that decision-making processes take into account all relevant aspects, including evidence, equity, legality, value for money, outcomes, and outputs.

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124   New Zealand State Services Commission, *Discussion paper: State Sector Act – Long Form*, State Services Commission [website], 2018 <https://www.havemysay.govt.nz/optiondepartment2/the-unifying-purpose-principles-and-values-of-the-new-zealand-public-service/>, accessed 22 November 2018.

The principles would complement and sit alongside the current APS Values — impartial, committed to service, accountable, respectful, and ethical (Exhibit 3.1).[125] These Values play an important role in guiding the APS's culture and underpinning how it measures and tests integrity.

Values matter. They are the basic principles that influence our thinking, our judgement and the way we behave. Values help us determine what is right or wrong, good or bad, professional or unprofessional. They shape how we see ourselves and how we are perceived by others. That is why the APS code of conduct and values are so important to everything we do in the public service. They need to be championed and defended.

Peter Varghese AO, former secretary[126]

Exhibit 3.1

Principles and values complement and reinforce each other

Principles ... a description	Values ... a description
· Fundamental truths or propositions · Rules which guide behaviour	· Representation of core ethics · Used to measure conduct · Qualities which guide behaviour
At the APS ...	
Principles are the basic rules of how we work.	Values form the foundation of our integrity system, such as the code of conduct.

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125   *Public Service Act 1999*, s. 10.

126   P. Varghese, *Parting reflections*, Secretary's speech to IPAA, 9 June 2016.

Review consultations raised discussion about whether the APS Values are fit for purpose.[127] The panel concluded that current Values are robust and notes there are disadvantages in frequently adjusting an organisation's values. While the Government may, in legislating principles for the APS, consider any amendment to ensure the Values and principles are drafted in a complementary manner, the panel's greater concern is that the Values are unevenly — and hence inadequately — promoted and understood across the APS. The 2017–18 *State of the Service Report* concluded that, while the APS Values were reflected in all agencies' management practices and procedures, at least in part, if not throughout, the mechanisms and methods for doing so varied.[128]

There could also be greater guidance on how to apply the Values, and how they could be used to improve the APS's interactions with the public, for example to improve how the APS works in partnership with Aboriginal and Torres Strait Islander peoples (Box 3.2).

Embedding the new principles and existing APS Values, including through induction, training, performance management and other key employee interactions, will improve how the APS operates. This will build on work undertaken by the APSC, including under the leadership of APS Commissioner, Andrew Podger AO, on effective mechanisms to embed the Values in supporting APS integrity.[129]

Presently, for various reasons, a range of Commonwealth government bodies operate outside the *Public Service Act 1999*. The review supports applying the new principles and existing APS Values to agencies not operating under the *Public Service Act 1999,* where this is appropriate and consistent with the capacity of these agencies to properly discharge their responsibilities.

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127   See, among others, A. Podger, submission to the Independent Review of the APS, July 2018; N. Kirby & S. Webbe, *Being a trusted and respected partner: the APS Integrity Framework*, ANZSOG, 2019, and K. Fisher, submission to the Independent Review of the APS, 2019.

128   APSC, *State of the Service Report 2017–18*, 2018, p. 23; K. Fisher, submission to the Independent Review of the APS, 2019.

129   As referred to in K. Fisher, submission to the Independent Review of the APS, 2019.

RESPECT. WORKING WITH ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLES

Aboriginal and Torres Strait Islander approaches to governance are rooted in an Indigenous world view: the notion that all things are connected in a web of relationships.

'In Aboriginal philosophy the universe is a pattern comprised of other patterns, of systems inside systems. It is a holistic view in which everything is interrelated and interdependent. Nothing exists in isolation. All life — and everything is alive in an Aboriginal worldview — exists in relationship to everything else'.

This world view is neither embodied by the APS nor reflected in the *Public Service Act 1999*, both of which are steeped in the Westminster tradition.

However, there is a common connection between these two world views. Respect — the APS respects all people, including their rights and their heritage — has strong links with the Indigenous concept of relationality: working collaboratively with all the communities it serves to develop policy, design services, and develop strong and genuine partnerships.

The APS could make better use of these linkages and improve how it considers and applies its existing values. Gains can be made by providing greater guidance to APS staff on how it can best apply its values in different circumstances. This will improve how the APS works in genuine partnership, not only with Aboriginal and Torres Strait Islander peoples, but with all communities it serves.

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130   A. Kwaymullina & B. Kwaymullina, *Learning to Read the Signs: law in an Indigenous Reality*, Journal of Australian Studies, Vol. 34, No. 2, 2010, p. 196; A. Milroy, *Indigenous values for the APS: An ANZSOG submission to the Australian Public Service Review*, ANZSOG, 2019, p. 10.

Promote a shared understanding of the APS and its role alongside the Executive and Parliament.

- Finance, APSC and PM&C, working as appropriate with parliamentary departments, to develop induction and training material for APS employees, parliamentarians and their advisers that explains clearly the role of Australia's democratic institutions, including the APS.
- Amend the *Public Service Act 1999* to:
  - reflect key principles for the APS — apolitical, stewardship, openness, integrity and adherence to merit, and
  - extend application of these principles and APS Values to other Commonwealth agencies not covered by the *Public Service Act 1999*.

Implementation guidance

- Outline roles of Australia's democratic institutions in induction and training as follows:
  - Parliament to make laws
  - the Government to set policy, administer laws and deliver services, and
  - the APS to advise successive governments on policies and programs and implement their decisions for the Australian people.
- In extending application of APS principles and the APS Values to agencies not presently covered by the *Public Service Act 1999*, ensure they are consistent with the responsibilities of these agencies.

Purpose and vision

As set out in chapter one, the APS has, in recent decades, become a significantly more devolved organisation. During this period, various responsibilities, including for budgets, recruitment and enabling services, were devolved to the constituent parts of the APS, with agency heads positioned as chief executive officers of different departments giving agencies significantly greater autonomy and separate and distinct accountabilities. This has helped deliver a greater focus on performance, efficiency, strategy and delivery, but risks diminishing cohesion and collective delivery.[131]

This review concludes that the APS now needs to be much more joined-up to best deliver government priorities and meet emerging challenges. This conclusion has been reached before. In 2010, *Ahead of the Game* promoted the concept of one APS to equip it to tackle multidimensional and interrelated issues and support employment bargaining arrangements.[132] One APS remains more an aspiration than a description of the APS today. Nonetheless, it is important that, in engagement with the panel during this review, Secretaries Board affirmed the underlying principle that the service be led as one APS.[133]

Running the APS as an integrated organisation — as one APS — does not mean rigid centralisation or a homogenisation of the constituent parts. It means aligning the APS around shared priorities, supported by a common purpose and vision, and encouraging a healthy contest of ideas and robust debate to determine the best collective solutions for Australia. This will be essential to tackle complex cross-portfolio problems, deliver seamless services and build APS capability and productivity.

The first step to achieving one APS is to create a common or shared purpose and vision. When embedded in an organisation's DNA, a shared purpose and vision have the power to:

- connect people to something bigger than their task, role or agency
- be a reason for people to give their best each day
- unite co-workers, managers and agency heads, from the fisheries officer on Thursday Island to the diplomat in Beijing, and
- provide a shared ambition which motivates and inspires the many parts of the APS to operate as one in serving all Australians.

The tangible benefits of creating a shared purpose and vision to unite large, complex organisations have been demonstrated many times over. Done carefully, they deliver better outcomes, improve motivation and increase collaboration (Box 3.3)

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131   J. Johnston, op. cit.

132   Advisory Group on *Reform of Australian Government Administration*, op. cit.

133   This was endorsed at the September 2018 Secretaries Board meeting.

Box 3.3

The value of purpose and vision[134]

THE VALUE OF PURPOSE AND VISION

Higher-quality products and services for clients — according to 81% of executives (n=474)

Higher levels of customer satisfaction — found by 94% of executives and employees (n=1,310)

2.3 x staff engagement
2.2 x staff satisfaction
2.8 x likely staff retention (n= 20,000)

Increased willingness of teams to partner across functions and product boundaries and greater ability to galvanise employees to persevere through challenging situations.

Agencies have undertaken work to define and implement agency-specific purpose statements, with around 170 statements across all Australian Government organisations. This has been driven by the *Public Governance, Performance and Accountability Rule 2014*, which requires every corporate and non-corporate Commonwealth entity and corporation to outline its purpose in its annual corporate plan (Exhibit 3.2).[135] This work has been undertaken with genuine commitment and with great results — 77 per cent of APS staff believe in the purpose and objectives of their agency.[136] While these purpose statements have been used to good effect, they have also, potentially, contributed to an APS that delivers agency-specific, rather than whole-of-service, outcomes.

A shared purpose and vision will help develop a genuinely unified and collaborative culture across the different functions, responsibilities and teams that comprise the APS. A shared understanding of the APS's purpose and vision will provide a common lens through which to view problems, develop solutions and make difficult decisions. It will provide APS people with an understanding of how they fit in and how they make a difference to the Australian people and the prosperity of the nation. Consultation with APS employees undertaken during this review demonstrated strong support for this.[137]

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134   Harvard Business Review & EY, *The business case for purpose*, 2015; Deloitte, *Culture of purpose: A business imperative. 2013 core beliefs and culture survey*, 2013; The Energy Project & Harvard Business Review, *The human era @ work*, 2014.

135   Finance, *Governance Structures* [website], 2019, <https://www.finance.gov.au/resource-management/governance>; *Public Governance, Performance and Accountability Rule 2014,* s.16E.

136   APSC, *State of the Service Report 2017–18*, 2018.

137   Developing a purpose and vision received a positive response on the review's online forum following the release of *Independent Review of the APS: Priorities for Change* in March 2019.

Exhibit 3.2

There are more than 170 purpose statements across the APS[138]

Some reflect service to Government...

Department of Defence
Defence's primary role is to protect and advance Australia's strategic interests through the promotion of security and stability, the provision of military capabilities to defend Australia and its national interests, and the provision of support for the Australian community and civilian authorities ***as directed by the Government.***

Department of Finance
Finance assists the Australian Government to achieve its fiscal and policy objectives by advising on expenditure, managing sustainable public-sector resourcing, driving public-sector transformation and delivering efficient, cost-effective services ***to, and for, the Government.***

Some reflect the end user...

Prime Minister and Cabinet
PM&C coordinates policy development across the Government in economic, domestic and international affairs, ***Aboriginal and Torres Strait Islander advancement*** and public-service stewardship.

Services Australia (former Department of Human Services)
Services Australia supports the economic, health and social wellbeing of Australians by delivering high-quality services and payments for the community on behalf of the Government.

Some reflect a stewardship role...

Veterans' Affairs
Veterans' Affairs supports ***those who serve or have served*** in the defence of our nation and commemorates their service and sacrifice.

Department of Health
To support the Government and stakeholders ***to lead and shape Australia's health and aged care system and sporting outcomes*** through evidence-based policy, well targeted programs, and best practice regulation.

Some reflect the future...

Department of the Environment and Energy
The Department of the Environment and Energy advises on and implements environment and energy policy to support the Government in achieving a healthy environment, strong economy and thriving community now and ***for the future.***

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138 Department of Defence, *Corporate Plan 2018-19*, 2018; Finance, *Corporate Plan 2018-19*, 2018; Department of the Prime Minister and Cabinet, *Who we are* [online] <https://www.pmc.gov.au/who-we-are/the-department>; Department of Human Services, *Corporate Plan 201819*, 2018; Department of veterans Affairs, *Corporate Plan 2018-2022*, 2018; Department of Health, *Corporate Plan 2018-19*, 2018; Department of the Environment and Energy, *Corporate Plan 18-19*, 2018.

It is not for this review to recommend the APS's purpose and vision — these statements only have meaning and power if they are developed and discovered authentically by an organisation itself. Consultation confirms this, with calls for 'all levels and locations of the APS … to contribute to development of [a] common purpose'.[139] The process needs to be led by Secretaries Board but involve all parts and levels of the service. Other large, geographically-dispersed organisations have improved business performance through the development of purpose with their staff. KPMG, for example, developed their compelling purpose 'We Shape History' through an extensive staff engagement process — aiding recruitment and increasing employee satisfaction, loyalty and performance — and became the top ranked Big Four Firm for their first time.[140]

The APS purpose must be a call to action — succinct and simple.[141] It should identify why the APS exists, what it seeks to achieve and for whom. Based on the review's consultations and insights, it will seek to capture the stewardship role the APS plays in serving all Australians — to protect and improve the lives of Australians, to make Australia better and to place the Australian people at the centre of everything it does.

A more comprehensive APS vision will set the tone for the future. It will describe, and then communicate, the desired culture and articulate a feasible way to achieve this goal.[142] As identified in consultations, 'the vision statement [should] be revisited — perhaps every five years — to ensure it remains current and relevant to the issues faced by Australians'.[143]

Developing a purpose and vision need not be onerous. It can build on work already undertaken through the review's consultations that reflect a strong and inspiring spirit of service across the APS (Box 3.4). It can be used to start a service-wide conversation — a foundational step in the APS's transformation program. Starting with purpose and vision will help guide the APS's large-scale and necessary cultural change and reinforce that it is more than the sum of its parts.

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139   Anonymous, comment to the Independent Review of the APS online forum, 2019.

140   B. Pfau, *How an Accounting Firm Convinced Its Employees They Could Change the World*, Harvard Business Review, 2015; E. Hannan, *How KPMG gave 6000 employees a higher purpose*, Australian Financial Review, 2016

141   EY, *Winning with purpose*, EY Entrepreneurial Winning Women Conference, 2016.

142   J. Kotter, *What leaders really do*, Harvard Business Review, Vol. 68, No. 3, 1990, p. 108.

143   Anonymous, comment to the Independent Review of the APS online forum, 2019.

Box 3.4

An overwhelming spirit of service[144]

AN OVERWHELMING SPIRIT OF SERVICE

THE REVIEW ASKED APS EMPLOYEES, 'WHAT IS THE PURPOSE OF THE APS?

Some people focused on serving the Government and the Australian people:

To support the Government deliver services to the Australian community — *Adelaide*

To design, implement and measure the Government's policy in the most efficient, effective and ethical way — *Canberra*

To provide an unbiased, professional service to the Government of the day and the Australian tax payer — *Geelong*

A one stop shop for information, support, and guidance to underpin how citizens work, live, innovate and contribute — *Perth*

To deliver and provide services to the Australian public in a fair, equitable and transparent manner without discrimination — *Melbourne*

Some focused on building a better Australia:

To ensure that no Australian is left behind' — *Alice Springs*

Working towards social justice — making life better for all Australians' — *Adelaide*

Improve public life for all Australians including the economy' — *Brisbane*

Others looked to the future:

(To) safeguard Australia's future' — *Wollongong*

To drive long term policy to better Australia and people's lives'— *Canberra*

(Deliver) services to ensure a reasonable quality of life for Australians, and protecting this quality of life in the future — *Wollongong*
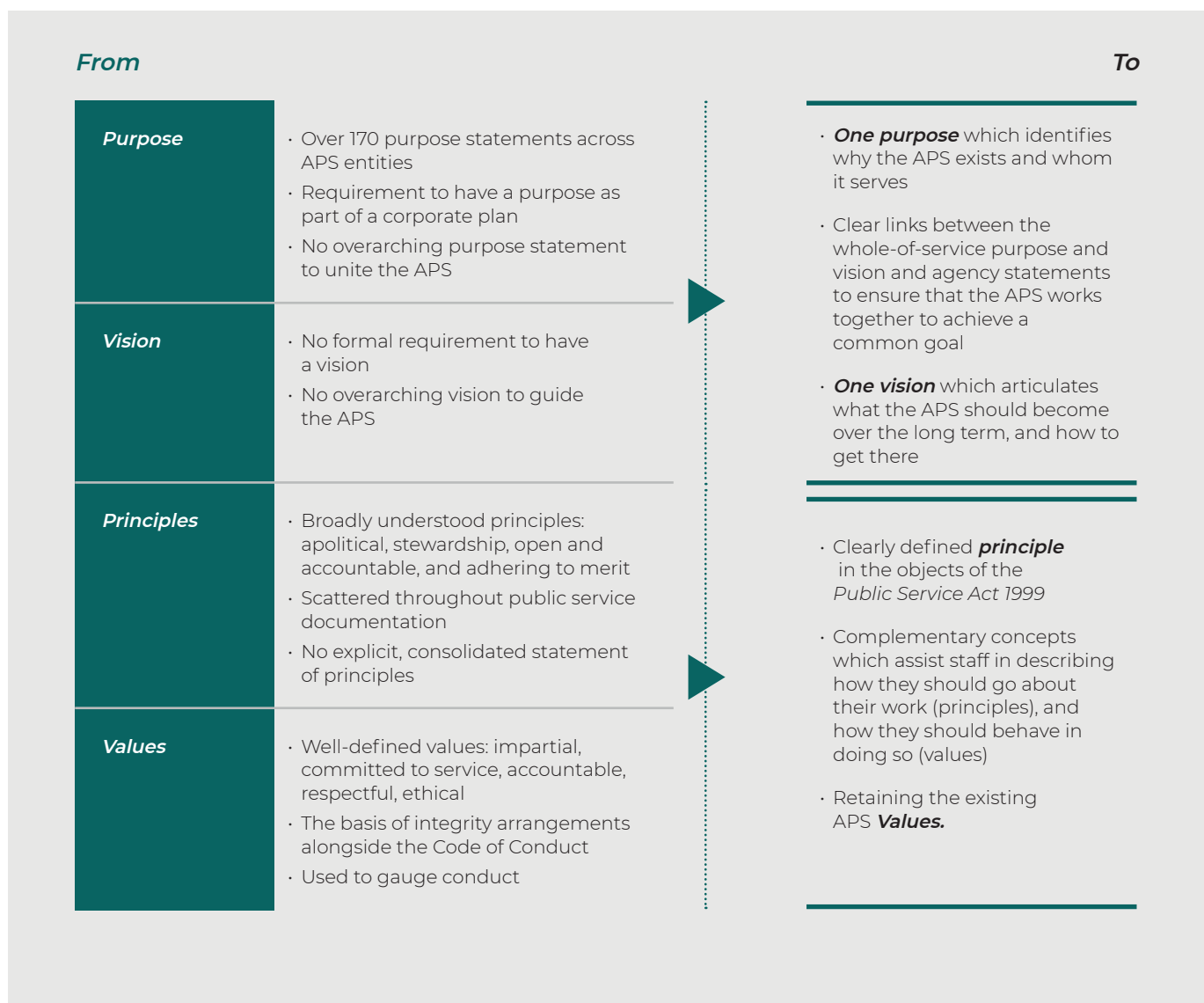
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144   Inside Policy, *Record of discussion: Independent APS Review consultations* [unpublished].

Together, firm foundations — principles, values, purpose and vision — will ensure that all public servants can connect to something more than their task, job or agency (Exhibit 3.3). This connection will break down silos and harness talents from across the service to work together on complex policy issues. It will build a common language and provide a signpost for decision-making. Success will be judged on the outcomes achieved — that the service, as a whole, has delivered for the Government and the Australian people — and not on the constituent parts.

Delivering this requires leadership. The APS Commissioner, supported by the APSC, will play a critical role in ensuring that the principles, values, purpose and vision are embedded across the service in everything the APS does. Reflecting the critical nature of the APS Commissioner's role, the *Public Service Act 1999* should always sit in the centre of government, in the Prime Minister and Cabinet portfolio, with the Prime Minister or a dedicated minister responsible for the public service.

Exhibit 3.3

APS foundations can, and should, evolve

From		To
Purpose	· Over 170 purpose statements across APS entities · Requirement to have a purpose as part of a corporate plan · No overarching purpose statement to unite the APS	· **One purpose** which identifies why the APS exists and whom it serves · Clear links between the whole-of-service purpose and vision and agency statements to ensure that the APS works together to achieve a common goal
Vision	· No formal requirement to have a vision · No overarching vision to guide the APS	· **One vision** which articulates what the APS should become over the long term, and how to get there
Principles	· Broadly understood principles: apolitical, stewardship, open and accountable, and adhering to merit · Scattered throughout public service documentation · No explicit, consolidated statement of principles	· Clearly defined **principle** in the objects of the *Public Service Act 1999* · Complementary concepts which assist staff in describing how they should go about their work (principles), and how they should behave in doing so (values)
Values	· Well-defined values: impartial, committed to service, accountable, respectful, ethical · The basis of integrity arrangements alongside the Code of Conduct · Used to gauge conduct	· Retaining the existing APS **Values.**

Develop and embed an inspiring purpose and vision to unite the APS in serving the nation.

- Secretaries Board to oversee development of an APS purpose statement and set a five-year vision for the APS. Update the vision periodically.
- Secretaries Board to ensure purpose and vision embedded across the APS.
- APSC and the *Public Service Act 1999* to remain in the Prime Minister and Cabinet portfolio, with the Minister responsible for the public service sworn to PM&C.

Implementation guidance

- Develop a succinct, simple purpose statement that captures the stewardship role of the APS by identifying why the APS exists, what it seeks to achieve, and for whom.
- Develop a more detailed vision statement describing what the APS needs to do and look like to achieve its objectives — use the vision to guide APS transformation.
- Embed purpose and vision in the APS through branding, induction and training, recruitment, performance management and promotions.
- Describe how each agency's work contributes to the APS purpose and vision in each agency's corporate plan and outline progress in annual reports.
- Consider amending the *Public Service Act 1999* to require the APS to have a published purpose and vision at all times.

Trust through integrity

A clear focus on integrity and the public interest will help to gradually improve public trust. Everyone in the public sector has a vital role to play in restoring these basic principles.

Ken Smith, Dean of ANZSOG[145]

Trust has declined in all institutions in western democracies — governments, businesses, non-government organisations and the media.[146] Australia is not immune. The number of people who say they trust the Government has fallen from 48 per cent in 1996 to 26 per cent in 2016 (Exhibit 3.4).[147] Trust in the APS rates lower than the defence force, police and universities.[148]

Exhibit 3.4

Trust in government has declined 22 percentage points in 20 years[149]

Responses to statement "people in Government can be trusted"
Percentage who agree

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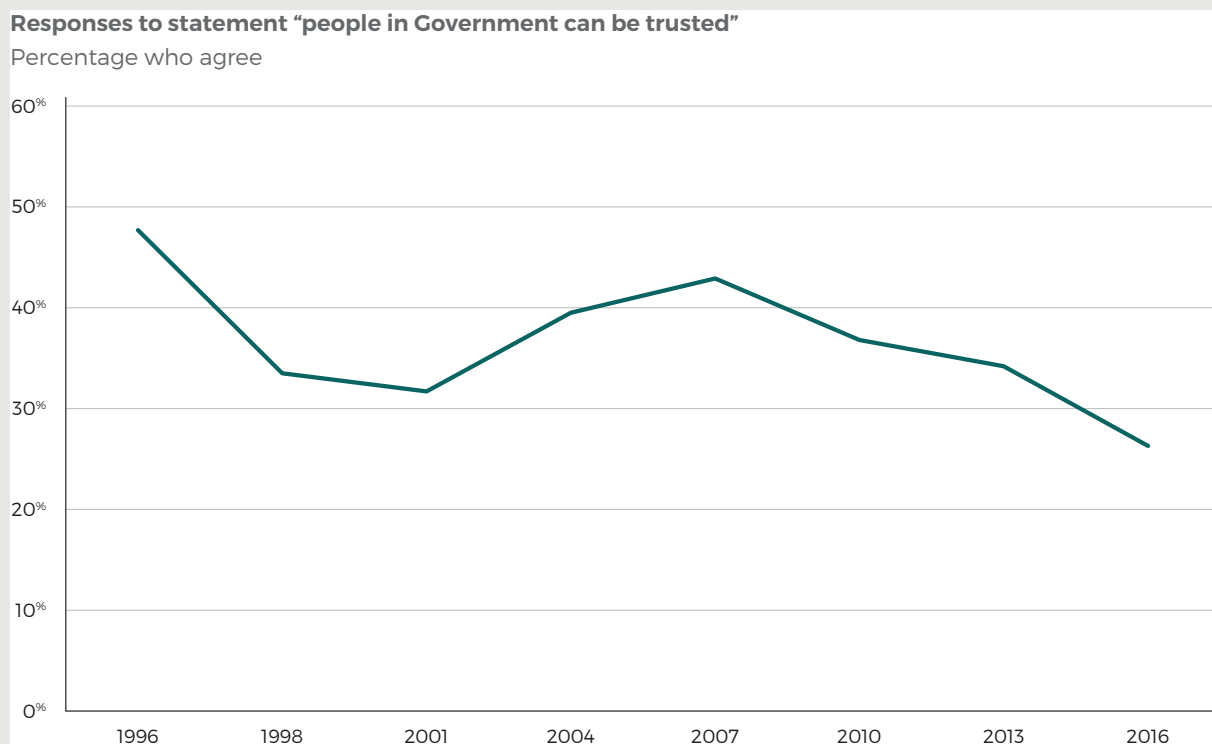
145   K. Smith, *Ken Smith: how to restore public trust in government*, The Mandarin, 2018.

146   Edelman, *2018 Edelman Trust Barometer — Global Report*, 2018.

147   S. Cameron & I McAllister, *Trends in Australian political opinion: results from the Australian Election Study 1987–2016*, Australian National University, 2016.

148   D. Wood & J. Daley, *A crisis of trust: The rise of protest politics in Australia*, Grattan Institute, 2018, p. 70.

149   S. Cameron & I McAllister, *Trends in Australian political opinion: results from the Australian Election Study 1987–2016*, Australian National University, 2016.

Scepticism is part of a healthy democracy but extreme low trust is detrimental. It compromises the APS's capacity to provide services to citizens, to regulate effectively and to provide well-informed and influential advice. While there are many drivers of trust in the public sector — including reliability, responsiveness, openness, better regulation and inclusive policy-making — the OECD identifies integrity as the most crucial determinant.[150]

To build trust in the public sector, all participants in the system — the APS, Parliament and ministers (along with their advisers) as well as third parties — must operate with high levels of integrity. Their actions are all interlinked, and how they operate — the standards they uphold — must be considered.

Australian public sector integrity

Australian Commonwealth, state and territory government integrity, as assessed by the global Corruption Perceptions Index, remains strong. In 2018, Australia ranked 13th in the world with a score of 77, where 0 is highly corrupt and 100 is clean. This demonstrates the strength of Australia's system, given that more than two-thirds of countries score below 50.[151]

Australia's corruption system is enabling the detection of and response to corruption concerns. Each year, APS employees are investigated for suspected Code of Conduct breaches and allegations of disclosable conduct. In 2017–18:

- 569 officers were investigated for breaches under the Code of Conduct, with 86 per cent found to be in breach, including 72 individuals found to have engaged in corrupt behaviour of some form (Exhibit 3.5)
- 4.6 per cent of staff reported having witnessed corrupt actions in the past 12 months, and
- 737 public interest disclosures were made, resulting in 207 recommendations on matters such as abuse of public office, maladministration, contravention of a law, and conduct that may result in disciplinary action (Exhibit 3.6).[152]

150   OECD, *Trust in Government* [website], 2019, <https://www.oecd.org/gov/trust-in-government.htm>, accessed 15 April 2019.

151   Transparency International Australia, *Corruption Perceptions Index 2018*, [website], 2019, <https://www.transparency.org/cpi2018>, accessed 27 February 2019.

152   APSC, *State of the Service Report 2017–18*, 2018, pp. 31–32; Commonwealth Ombudsman, *2017–18 Annual Report*, 2018, p. 64.

Exhibit 3.5

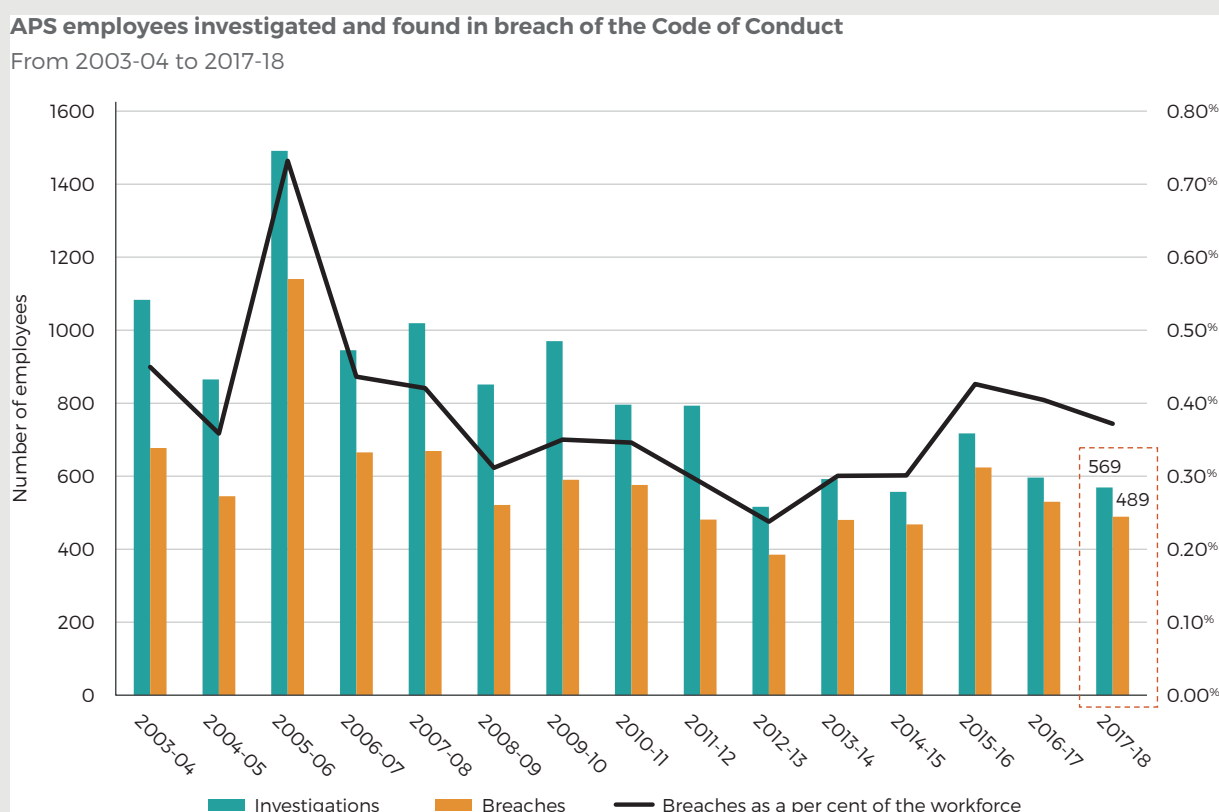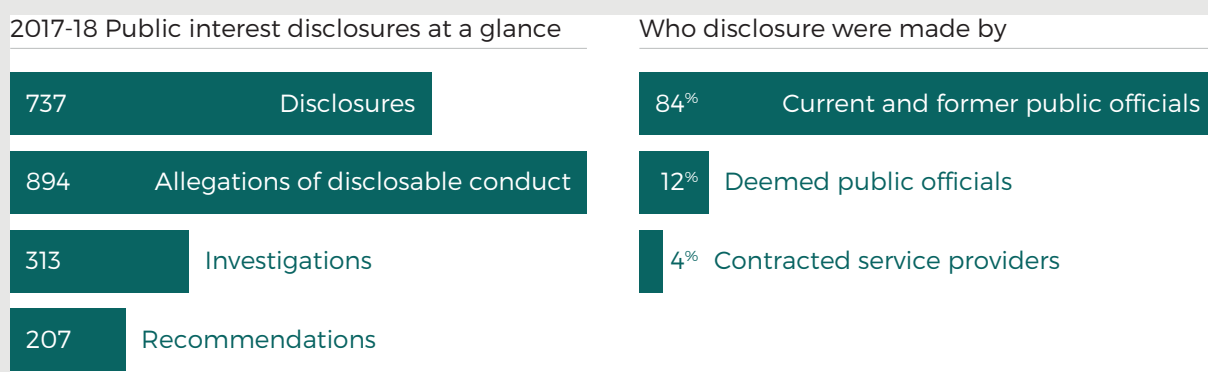APS employees investigated and found in breach of the Code of Conduct from 2003–04 to 2017–18[153]

APS employees investigated and found in breach of the Code of Conduct
From 2003-04 to 2017-18

Exhibit 3.6

A significant number of public interest disclosures are made each year[154]

2017-18 Public interest disclosures at a glance	Who disclosure were made by
737 — Disclosures	84% — Current and former public officials
894 — Allegations of disclosable conduct	12% — Deemed public officials
313 — Investigations	4% — Contracted service providers
207 — Recommendations	

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153   APSC State of the Service Reports and blogposts from 2003–04 through to 2017–18.

154   Commonwealth Ombudsman, *2017–18 Annual Report*, 2018, p. 64 and p. 67.

The Australian Commission for Law Enforcement and Integrity, responsible for investigating corruption in Australian Government law enforcement and other government agencies that have law enforcement functions, continues to manage heightened operational activity.[155] In 2016–17, the Commission conducted more than four times as many hearings, sought more than three times as many telecommunications interception warrants, and sought more than five times as many surveillance device warrants than in 2015–16.[156]

The APS's ability to detect and respond to corruption is part of the broader set of mechanisms in place to investigate, report and promote integrity in Parliament, the Government and the public service (Exhibit 3.7).

Exhibit 3.7

Australia takes a multi-agency approach to promoting integrity across the public sector[157]

Responsibility: Entities		Responsibility: Individuals	
CRIMINAL CONDUCT	Australian Federal Police Australian Securities Investment Commission	ADMINISTRATIVE DECISIONS	Ombudsman
		APS CODE OF CONDUCT	APS Commissioner
CORRUPT CONDUCT	Australian Commission for Law Enforcement Integrity	PARLIAMENTARY SERVICE CODE OF CONDUCT	Parliamentary Services Commissioner
FINANCIAL/ RESOURCE MANAGEMENT CONDUCT	Independent Parliamentary Expenses Authority Australian National Audit office (Auditor-General) Australian Electoral Commission	STATEMENT OF MINISTERIAL STANDARDS	Prime Minister
		STATEMENT OF STANDARDS FOR MINISTERIAL STAFF	Prime Minister

155 This includes the Australian Criminal Intelligence Commission, Australian Federal Police, Australian Transaction Reports and Analysis Centre, Department of Home Affairs, aspects of the Department of Agriculture and any other Australian Government agency that is prescribed by regulation under the *Law Enforcement Integrity Commissioner Act 2006*.

156 Australian Commission for Law Enforcement and Integrity, *Annual report of the Integrity Commissioner* [website], 2017, <https://www.aclei.gov.au/sites/g/files/net846/f/annual-reports/2016–17/part-1-overview/year-review.html>, accessed 3 June 2019.

157 Adapted from Attorney-General's Department, *Consultation paper – A Commonwealth Integrity Commission – proposed reforms*, 2018.

While the federal integrity system is working to detect and respond to corruption, in the last five years Australia's absolute score on the Corruption Perceptions Index has dropped two points and its ranking has fallen from 7th to 13th. Rather than being a leader in integrity, Australia falls behind its Westminster counterparts of New Zealand (2nd), Canada (9th) and the UK (12th).[158]

Three factors in the federal integrity system may be contributing to this — fragmentation, low resourcing by international standards and failings of integrity within the public service.

Exhibit 3.7 illustrates Australian Government integrity mechanisms in neat boxes arranged as one system. In reality, commentary suggests there is fragmentation, blurred responsibilities and a lack of a strategic approach to integrity. Corruption prevention efforts are currently *ad hoc* and focus on 'detection, disruption and deterrence'.[159] These findings are similar to those of the Senate Select Committee on a National Integrity Commission, which recommended that the national integrity framework needs to become 'more coherent, comprehensive and accessible'.[160] The *Independent Review of the Public Interest Disclosure Act 2013* also found that, while the public service whistleblower framework helps agencies bring to light, understand and respond to wrongdoing, it does so only to a limited extent owing to overly complex interactions with other procedures.[161]

Resourcing is low by international standards. Transparency International Australia estimates that the Australian Government invests, at best, around a quarter of what state and territory governments spend on core public integrity systems. In total, Australia's public sector (including the states) invests a third less than New Zealand, pro rata, on the same core integrity functions.[162]

Integrity failings, real or perceived, weaken trust. Recent examples in the APS include allegations of corrupt and unethical practices at the Australian Taxation Office and Australian Border Force, questions raised about government procurement processes, and alleged non-compliance with post-employment guidelines.[163]

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158   Transparency International Australia, *Corruption Perceptions Index 2018*, [website], 2019, <https://www.transparency. org/cpi2018>; Transparency International Australia, *Corruption Perceptions Index 2014* [website], 2014, <https://www. transparency.org/cpi2014/results>, accessed 27 February 2019.

159   A.J. Brown et al., *A National Integrity Commission – options for Australia*, Transparency International Australia and Griffith University, 2016.

160   The Senate Select Committee on a National Integrity Commission, *Report*, 2017, p. xiii.

161   P. Moss, *Review of the Public Interest Disclosure Act 2013*, 2016, p. 61.

162   A.J. Brown et al., op. cit., p. 36.

163   For example, Inspector-General of Taxation, *Review into the Australian Taxation Office's Fraud Control Management*, 2018; N. McKenzie & R. Baker, *Border Force tackles internal corruption as officers suspected of helping alleged crime ring*, The Sydney Morning Herald, 2017; A. Aikman, *Turnbull warned of 'corrupt' indigenous business tenders*, The Australian, 2017; S. Trask, *Whistleblower sparks Defence Department fraud investigation*, The Sydney Morning Herald, 2017.

Reinforcing integrity

Neither the APS nor the government of the day can control every factor that determines public trust. But a regime based on institutional integrity [places the APS] in the best position possible to be an essential and trusted Australian institution into 2030 and beyond.

Nicholas Kirby and Simone Webbe, ANZSOG[164]

Strengthening the integrity of the APS as an organisation — and building the public's perceptions of the APS's integrity — requires more than individual public servants complying with minimum standards or values. To build integrity, the APS needs to shift to an institutional integrity approach. In research for this review, Kirby and Webbe described institutional integrity as meaning that 'not merely the parts, but the whole, can be described as having integrity'.[165] This requires the APS's purpose, processes, governance, performance, culture and accountability to combine in a public service which is (and which is seen to be) reliable, responsive, coherent, inclusive and open — in short, trustworthy.[166] Various recommendations in this review go to achieving this. In this section, the review highlights mechanisms to improve how the APS tackles integrity problems and more broadly promotes the integrity of the organisation.

Establishing a Commonwealth Integrity Commission to investigate corruption in the public sector provides a strong signal, authority and enforcement mechanism to enable independent integrity investigations of all participants within the system.[167] It is critical that the Commission monitors and investigates all parts of the system, including key advisers to elected officials — both the APS and ministerial staff. As part of this, measures, or equivalent, that apply to the APS should also be extended to all parties in the system to increase public trust. This could provide the opportunity to extend the application of the *Public Interest Disclosure Act 2013* to ministerial advisers and enforce a legislated Code of Conduct for them (chapter four).

The creation of the Commonwealth Integrity Commission is welcomed by the review and many others. The Australia Institute's national poll indicated that over 80 per cent of respondents (n = 1,420) support the establishment of such a commission.[168] The Ethics Centre submission to this review captures the sentiment of many consultations and submissions received on this topic.[169]

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164   N. Kirby & S. Webbe, *How the APS can build trust by adopting institutional integrity*, The Mandarin, 2019.

165   N. Kirby & S. Webbe, *Being a trusted and respected partner: the APS Integrity Framework*, ANZSOG, 2019.

166   ibid.

167   Attorney-General's Department, *Commonwealth Integrity Commission* [website], 2018, <https://www.ag.gov.au/Consultations/Pages/commonwealth-integrity-commission.aspx>, accessed 18 December 2018.

168   The Australia Institute, *Polling – Federal ICAC*, 2017, p. 2.

169   See example submissions to the Independent Review of the APS from ACCESS2, 2018; Y-F. Ng, 2018.

[An anti-corruption body would] be a systemic change that would help increase public trust in Commonwealth government institutions. This is a basic insight from decades of ethics culture change: that public confidence relies, not on assertions by the APS that there is no corruption within the APS, but on having an independent body that can determine whether corruption exists or not.

The Ethics Centre[170]

To complement the Commonwealth Integrity Commission, the review recommends that the responsibilities and functions of the APSC be expanded to take on a greater pro-integrity role. This would take the APS Commissioner's functions beyond upholding high standards of integrity and conduct to building and sustaining APS integrity strength and resilience.[171] Rather than just responding to corruption and concerns, the Commissioner will play a leading role in building pro-integrity culture and practices across the APS — including in promoting the APS Values.

The APS Commissioner and Secretaries Board, along with agencies responsible for integrity, must lead this move to build APS integrity. In doing so, the APSC should be empowered as an investigative agency, as recommended in the Public Interest Disclosure Review.[172] With power to initiate reviews and investigations and the introduction of mandatory requirements for agencies to report whole-of-service integrity information, the APS Commissioner will have visibility of the whole system, know where pressure points exist, and respond to issues before they unfold.

This work cannot be delivered in isolation. It is vital that the Commonwealth Integrity Commission, the pro-integrity arm of the APSC, and all integrity bodies across the APS are clear in their roles, and work together to ensure that the entire system operates effectively. This includes committing to share data, collaborate on whole-of-sector risk management, and identify and close accountability gaps.

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170   The Ethics Centre, submission to the Independent Review of the APS, 2018, p. 8.

171   *Public Service Act 1999*, s.41.

172   P. Moss, *Review of the Public Interest Disclosure Act 2013*, 2016.

Continuous improvement

Institutional integrity will require an ongoing commitment to continuous learning and improvement. This includes improving public interest disclosure provisions and post-employment guidelines, applying integrity arrangements to third parties, and examining how the APS considers and addresses complaints.

Australian Government public interest disclosure arrangements are overly complex — the legislation is too technical and impracticable. The review supports reform of current whistleblower arrangements, particularly to support public servants and other key officials in the broader system, to identify and address potential issues before they become systemic.

To this end, the pro-disclosure culture in the public service should be strengthened, and all APS leaders and employees need to see this as part of their ordinary work and their responsibility to enhance institutional integrity.[173] Whistleblowers play an important role in ensuring that information that it is in the public interest to disclose sees the light of day. They must be able to come forward with the confidence that they will be protected under a comprehensive and robust legal framework — provided they have fulfilled all their obligations under the law (including under the *Public Interest Disclosure Act 2013*).

Reporting wrongdoing can be harrowing.[174] Those willing to call out wrongdoing need support. Transparency International Australia has called for an independent whistleblower-protection authority to be established in the APS, ANZSOG has, similarly, called for a one stop shop or gateway central agency. The APSC could operate as such a body.[175]

In the coming decades, the APS will explore new kinds of partnerships and business models to ensure that it delivers the best possible services, projects and programs to the Australian people. This will require strengthened capability in building partnerships and a stronger integrity regime to guard against fraud and provide greater transparency.

The number of non-government service providers and long-term contractors delivering services for or on behalf of the Government is high (see chapter six). Value statements and codes of conduct are already included in contractual requirements. This assists with aligning community expectations and reduces risks associated with outsourcing service delivery to providers at arm's length to government.[176] The Commonwealth Integrity Commission's jurisdiction is intended to cover recipients of Australian Government funds.

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173   ibid., p. 7.

174   ibid., p. 6.

175   Submissions from Transparency International Australia to *the Senate Legal and Constitutional Affairs Committee Inquiry into the National Integrity Commission Bill 2018; the National Integrity (Parliamentary Standards) Bill 2018;* and, *The Attorney General's Department Institutional Integrity Taskforce proposed model for the establishment of a Commonwealth Integrity Commission,* 2019; N. Kirby & S. Webbe, *Being a trusted and respected partner: the APS Integrity Framework,* ANZSOG, 2019, p. 20.

176   ANAO, *Application of the Core APS Values and Codes of Conduct to Australian Government Service Providers,* The Auditor-General Audit Report No.40 2009–10 Performance Audit, 2010.

There is also an opportunity for the APSC and Finance to provide advice and options to support agencies in suitable contract design and follow-through. This would facilitate meaningful and effective jurisdiction beyond the contract period.[177]

Career mobility and diversity provides recognised benefits to the private and public sectors and, as outlined in chapter six, should be supported. Guidelines already exist to manage potential conflicts of interest and probity when moving out of the APS. The guidelines can be strengthened to ensure that no individual can take personal advantage of information to which they may have had access in their role — where that information is not generally available to the public. For example, cooling-off periods currently apply only to lobbying roles. This is out of step with countries such as Canada and Germany, where cooling-off periods are longer when shifting to lobbying roles and also apply to business appointments.[178] This is particularly important when managing post-employment of agency heads and the SES, given their leadership responsibilities and decision-making roles. Better capacity to enforce the guidelines will ensure they are followed more rigorously.

Early results from the PM&C Citizen Experience Survey show that only around one-third of those who provided feedback are satisfied with how their suggestion or complaint to a public service agency was handled.[179] Experience from the banking sector — where the Financial Services *Royal Commission* did not examine whether or not customers were generally satisfied, but examined the concerns of the very dissatisfied — demonstrates that the concerns of a small minority cannot be ignored. There may be value in examining how complaints about the APS are heard, how these issues are considered, and how this is reported to bring about greater transparency and trust. The *Ombudsman Act 1976* has served Australia well, but could include additional mechanisms to handle complaints to allow them to be resolved more quickly, deliver better outcomes for the complainant and the agency, and be conducted in a less adversarial and in some cases less resource-intensive way.

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177   N. Kirby & S. Webbe, *Being a trusted and respected partner: the APS Integrity Framework,* ANZSOG, 2019, p. 32.

178   ibid., p. 20.

179   PM&C, *The Citizen Experience Survey: Early insights from APS research conducted over 2018–19* [unpublished, full results expected to be published mid-2020].

Recommendation 7

Reinforce APS institutional integrity to sustain the highest standards of ethics.

- APS Commissioner to work with Secretaries Board and agencies with responsibility for integrity to build pro-integrity culture and practices in the APS.
- Amend the *Public Service Act 1999* to:
    - provide own-motion powers for the APS Commissioner to initiate investigations and reviews
    - require agencies to provide integrity information to the APSC, and
    - include requirements to ensure agency heads and SES avoid or manage potential conflicts of interest after leaving the APS.
- APSC to embed integrity guidance in APS-wide induction, training and other core systems and processes.
- APSC and Finance to ensure all agencies extend APS integrity requirements to service providers, long-term APS contractors and consultants.

Implementation guidance

- Report on measures to strengthen integrity in annual State of the Service Reports.
- Strengthen APS integrity arrangements in establishing the proposed Commonwealth Integrity Commission, including ensuring that known issues with existing whistleblowing arrangements are addressed.
- Develop a system to monitor and enforce the post-APS employment guidelines.
- Build on current measures — including incorporating the APS Values in contracts — in extending APS integrity arrangements to service providers, long-term APS contractors and consultants.
- Make APS integrity requirements standard contractual obligations for individuals or organisations accepting payment from the Commonwealth.

FOUR

PARTNER FOR GREATER IMPACT

Cape Tribulation, North Queensland

Chapter in brief

- **Achieving more together.** The APS needs to be a partner, rather than a commander — to use the capabilities and insights others bring to achieve the best solutions for Australians. This requires strong commitment to working in open, trust-based partnerships with private and not-for-profit sectors, states and territories, academia, and individuals.

- **Partnerships and openness.** The APS has struggled to work with partners in a collaborative way. Develop a Charter of Partnerships to guide APS engagement with people and communities. Address administrative barriers to openness.

  Recommendation 8

- **Solutions with communities**. Develop a whole-of-government framework for placed-based investment. Work in genuine partnership with Aboriginal and Torres Strait Islander peoples.

  Recommendations 9—10

- **Ministers and the APS: a core relationship.** Improve support for ministers and their advisers and update APSC advice on principles that define interactions between public servants, ministers and advisers. To reflect the contemporary importance of ministerial advisers in Australia's political system, improve their institutional recognition, support and accountability through professional development and a legislated code of conduct.

  Recommendation 11

- **Working with states and territories.** Many of Australia's most pressing policy challenges require collaboration across jurisdictions. Develop a proposal to set, progress, and publicly report on a small number of national priorities with shared and clear metrics of success.

  Recommendation 12

Achieving more together

The issue for a future focused APS is how to better foster partnerships and collaboration across government, civil society, business and academia.

Save the Children Australia[180]

The APS is most effective when it works in partnership with others. A partnership model ensures that community needs are fully understood, people have a genuine sense of control over their own lives, and the best outcomes are built together.

From time to time, there are criticisms of the APS for its so-called Canberra-centricity. The review considers this to be a state of mind more than a location issue — indeed, 62 per cent of APS employees are located outside Canberra.[181] But, certainly, the APS must acknowledge that 'Canberra', in a pejorative sense, does not have all the answers. It must recognise that often the public will have better insights into why people and communities are getting ahead or struggling. That business will have good ideas on how to unlock the potential of emerging technologies to lift productivity and improve people's lives. That academia can highlight emerging trends and innovative policy solutions. That states and territories have more experience and success delivering services to people across Australia.

To be a partner rather than a commander, the APS must share some of its data and authority with its partners, including when it works with local communities and Aboriginal and Torres Strait Islander peoples. Increasingly, this will mean the APS will need to focus more on enabling others to find solutions and harness opportunities, rather than trying to solve every problem itself, recognising this will achieve the best outcomes for Australia.

Everyone needs to surrender either a bit of their authority or their knowledge to the common purpose in order to achieve a true partnership, which is defined as mutual accountability for an outcome. And that outcome must serve the community.

Chris Eccles AO, Secretary, Victorian Department of Premier and Cabinet[182]

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180   Save the Children Australia, submission to the Independent Review of the APS, 2018, p. 2.

181   APSC, *Australian Public Service Employment Database, 31 December 2018 release*, 2019.

182   C. Eccles as quoted in N. Smith & L. Kamener, *The future of government is moral, says Victoria's most senior public servant*, The Mandarin, 2018.

Too often, private and not-for-profit sectors, academia, and individual members of the public are conceived of as stakeholders to be managed, rather than partners to work with. APS engagement with the community can be irregular and on the APS's own terms — often after decisions have been made. This perpetuates feelings of mistrust towards the APS. Trust will be restored by reliable, open and respectful engagement.

> *Not everyone gets everything they want. In such situations, trust and respect can be the difference between people remaining at the table or walking away.*
>
> *Professor Ian Anderson, Deputy Chief Executive Officer, National Indigenous Australians Agency[183]*

Building better partnerships with the community will help the APS provide better advice to successive governments and more effectively deliver their priorities.[184] Governments want the APS to help them achieve outcomes for the people of Australia. To do this well, the APS must understand the needs of communities and the nation, and what is required to implement policies effectively and efficiently.

The relationship between the elected government and the APS needs, as recognised by the Coombs *Royal Commission*, to be an effective partnership. This requires a clear understanding of the distinct roles of ministers, their advisers and the APS. The APS also needs to improve its support and advice to ministers.

In Australia's federated system of government, progress towards improved social and economic outcomes often requires cooperation between the Australian Government and state and territory governments. It is critical therefore that the APS works in genuine partnership with colleagues in state and territory governments to provide truly national advice to the Prime Minister and other First Ministers.

This chapter explores three critical dimensions where the APS needs to build stronger partnerships for greater impact:

- solutions with people and communities, including place-based solutions and working with Aboriginal and Torres Strait Islander peoples (recommendations 8–10)
- ministers and officials, a core relationship (recommendation 11), and
- working with states and territories (recommendation 12).

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183   I. Anderson, *Strengthening relationships with first Australians*, Australian Journal of Public Administration, 2017, Vol. 76, No. 4, pp. 406–408.

184   In this chapter, 'government' (e.g. the APS's relationship with government) is used to refer to Cabinet, ministers in the outer ministry and parliamentary secretaries. 'Australian Government' is used to refer to the entire government executive: that is, members of Cabinet, the outer ministry, parliamentary secretaries and the Australian Public Service.

Solutions with people and communities

Doing things with people and communities, not to them, is a simple concept and integral to the APS achieving better outcomes. Yet over many decades, the APS has struggled to partner with others, whether with the private and not-for-profit sectors, with academia, with communities, or with Aboriginal and Torres Strait Islander peoples.

Partnerships require accountability and regular, meaningful and timely engagement. The APS will be required to invest more to enable communities and partners to develop and implement their own solutions, whether in particular places, industries or sectors. A partnership approach will require the APS to transform its relationship with Aboriginal and Torres Strait Islander peoples.

Solutions with people

The APS is often perceived as engaging on its own terms with stakeholders — how it wants, when it wants. Looking in, not looking out and not working with. Ministers, academia, businesses, community groups and the public raised concerns that the APS engages in a tokenistic manner, often too late in the process with misplaced intentions — looking for endorsement of decisions already made.[185]

> *Consultation is a related problem. It generally occurs too late in the process, after most decisions have been made. Its role is to find a way to affirm the pre-existing choice/views of the minister rather than to genuinely seek out alternative options.*
>
> *Anonymous[186]*

The call to look outwards, to improve engagement and decision-making with the public, is not new. *Ahead of the Game*, the *Government 2.0 Taskforce Report* and *Learning from Failure* all advocated greater inclusion of the public in government processes. Yet these recommendations did not lead to a step change in the APS's approach to engagement. This review heard it again. Engagement research undertaken through the Open Government Partnership showed there is a great deal of untapped expertise available in the community — and that more effective engagement can lead to improved government decision-making, with greater confidence and trust in those decisions.[187]

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185   For example, 'Perhaps the biggest barrier for the not-for-profit sector in working with the public sector is the ingrained view that government knows best', Community Council for Australia, submission to the Independent Review of the APS, 2018, p. 4.

186   Anonymous, comment to the Independent Review of the APS online forum, 2019.

187   Department of Industry, Innovation and Science, *Hidden in Plain Sight: Building an understanding of how the Australian Public Service can unlock community expertise to improve policy, programmes and service delivery*, 2017.

Inviting more people into a meaningful conversation on complex problems is one way of addressing both complexity and declining trust, but is not an approach readily adopted in the APS.

Damian Carmichael[188]

This failure to engage better with Australians is not because of a lack of guidance. Peak bodies, other governments and various parts of the APS have all set out best practice in various ways.[189] Secretaries Board is overseeing the development of a promising Public Engagement Strategy and a practical APS Framework for Engagement and Participation. There are already great examples across the service of innovative models to bring the public's voice into policy design, regulation and service delivery.[190] But these are the exception rather than the rule. Failure to adopt best-practice engagement practices reflects default habits or expectations in the APS, the fact that real external partnerships are difficult, and fears that more openness will lead to greater scrutiny.

This review proposes a Charter of Partnerships to set clear expectations — for government, the APS and the community — on how the APS will work with its external partners. Premised on the understanding that current engagement is insufficient, the Charter will be a public commitment to work openly and respectfully, to be willing to learn and listen, to inform and be informed. It will set expectations of being a good partner with the APS, as this relationship cannot just be a one-way street. Publishing the Charter will allow the APS and its partners to refer to a clear set of standards in identifying superior or poor examples of public engagement. The Charter will enable the APS to better use insights from outside the service to inform and influence the deliberative processes of government and, once decisions are taken, to shape their implementation.

Developing the Charter in collaboration with the APS's partners, including Aboriginal and Torres Strait Islander peoples, will help ensure it genuinely meets the needs of both the APS and its partners. The Charter can be built on work recently commissioned by Secretaries Board on best-practice approaches to public engagement.

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188   D. Carmichael, submission to the Independent Review of the APS, 2018, p. 1.

189   See, for example, International Association for Public Participation Australasia, *Welcome to IAP2 Australasia* [website], 2016, <https://www.iap2.org.au>; Ontario Provincial Government, *Public Engagement Framework* [website], 2019 <https://www.ontario.ca/page/public-engagement>; and NSW Information and Privacy Commission, *Charter for Public Participation – a guide to assist agencies and promote citizen engagement*, 2018.

190   See, for example, Department of Industry, Innovation and Science's BizLab (policy design); Australian Energy Regulator's Consumer Challenge Panel (regulation); Services Australia's Design Hubs (service delivery).

The APS must not default to working repeatedly with familiar partners. Rather, it needs to gather the widest range of perspectives possible, talking with members of the public who do not normally participate in government processes.

Mere publication of a Charter does not mean it will be lived. The APS will need to inform the public why certain decisions were made. It will need to release data and insights, and reduce barriers to their access. It will need to be open to criticism and contrary opinion. But living the Charter will also bring the opportunity to benefit from expertise, experience and viewpoints outside the APS. This will provide a deeper APS understanding of policy and service problems, thus increasing the effectiveness of government responses. This will build public trust and an opportunity for genuine partnership. It will mean, ultimately, that the community is part of decision-making wherever possible.

Partnerships rely on openness

… people all around the world are demanding more openness in government. They are calling for greater civic participation in public affairs, and seeking ways to make their governments more transparent, responsive, accountable, and effective.

Open Government Partnership[191]

Building a more outward-facing APS, which collaborates in genuine partnerships with people outside the service, will require real cultural change in the APS. This will only be achieved through strong leadership and greater accountability, incentives to behave differently, and improved capability. Adherence to the Charter of Partnerships must be supported by Secretaries Board, the APS 200 and leaders at all levels. It needs to be embedded in the way the APS measures the performance of its agencies, its staff and its leaders. This will improve recognition of the value of joint decision-making and working in genuine partnership with the people of Australia. It will also be important for the Government not only to encourage this way of working but to require it. The benefits to ministers — the insights, the perspectives — will be considerable.

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191   Open Government Partnership, *Open Government Declaration* [website], 2011 <https://www.opengovpartnership.org/process/joining-ogp/open-government-declaration/> accessed 13 June 2019.

Some barriers to openness can be administrative as well as cultural. To accompany the new approach to engagement it is timely to examine the suite of privacy, FOI and record-keeping rules and regulations to ensure they are fit for purpose for the digital age, now and into the future, with an emphasis on openness. As a general principle, it should be as simple, fast and cheap as possible for interested parties to access information held and generated by the APS.

A small amount of the material prepared by the APS informs deliberative processes of government. The review believes it critical that this material remain confidential, and be exempt from release under FOI legislation. This has been recommended before, and this review agrees that such an exemption is critically important to effective public administration in strengthening the APS's partnership with the Government.[192] In his 2015 report *Learning from Failure*, Professor Peter Shergold AC observed that:

> the Commonwealth FOI laws now present a significant barrier to frank written advice. The Commonwealth laws have had the unintended consequence of constraining the content, form and mode of advice presented to ministers … the consequences include a patchy record of decision-making and an increased likelihood of decisions being made based on incomplete or poorly argued information. This can ultimately only be detrimental to good governance and the public interest. [193]

Similarly, members of the review's reference group, including former ministers and senior public servants, highlighted their own experiences of FOI legislation inhibiting the provision of frank and fearless advice to government on deliberative matters, especially in writing.

Ensuring that APS advice and opinion provided to support the deliberative processes of government policy formulation remain confidential will give public servants the confidence to provide frank and fearless advice, and ministers and the Cabinet the best advice to make fully informed decisions.

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192   P. Shergold, *Learning from Failure*, 2015, p. 24.
193   ibid., p. 21.

Recommendation 8

Harness external perspectives and capability by working openly and meaningfully with people, communities and organisations, under an accountable Charter of Partnerships.

- Secretaries Board to develop a Charter of Partnerships to promote an open APS and guide external engagement and collaboration.
- All agencies to embed Charter expectations into individual and agency head performance management and corporate planning and reporting.
- All agencies to draw on diverse and rich community and partner insights in advice to Government, including in Cabinet and budget processes.
- Government to commission a review of privacy, FOI and record-keeping arrangements to ensure that they are fit for the digital age, by:
    - supporting greater transparency and disclosure, simpler administration and faster decisions, while protecting personal data and other information, and
    - exempting material prepared to inform deliberative processes of government from release under FOI.

Implementation guidance

- Establish a cross-agency team to develop the Charter in collaboration with APS partners, including Aboriginal and Torres Strait Islander peoples.
- Ensure the Charter:
    - highlights the value of better external engagement
    - guides the APS to work openly and respectfully with partners on policies and programs before and after government decisions
    - reflects the importance of seeking diverse external views, and
    - sets reciprocal expectations for APS partners — including engaging with honesty and pragmatism.
- Measure APS adherence through partner feedback, annual reports, capability reviews and individual and agency head performance management.
- Consider amending the *Public Service Act 1999* to require the APS to develop a Charter of Partnerships

Solutions with communities

Australia is a big country — what works in Sydney doesn't necessarily work in Perth, and what works in Perth doesn't necessarily work in the Kimberley.

Perth public workshop[194]

Different people have different needs. Different communities have different needs. These are self-evident truths but the review's examination of potential futures for the Australian communities and the APS shows that they are likely to become fundamental drivers of public policy in the decades ahead.[195]

Despite 28 years of uninterrupted national economic growth and sustained spending in regions and communities, entrenched disadvantage and poverty persists in some communities across Australia. Nearly 260,000 people live in Australia's 50 most disadvantaged communities, which have remained largely static over the last 20 years.[196] Persistent disadvantage carries significant social and economic costs. Governments at all levels understand this and rightly expect public servants to proactively develop practical approaches to tackling community problems and supporting economic and other opportunities in different places.

Multiple reviews and academic literature have identified joined-up, place-based approaches as being key to tackling unique challenges and addressing disadvantage, which more conventional approaches have been unable to shift. Yet the APS does not have a strategic framework to support long-term, place-based social change. The result is a proliferation of various models, where the Australian and state and territory governments fund similar services through similar organisations to support the same groups of people.

The Australian Government is presently supporting a variety of place-based collective-impact initiatives (for example, Stronger Places, Stronger People; Communities for Children; Regional Deals; and the Indigenous-designed and led Empowered Communities) that seek to embrace better community consultation and coordination of funding and services. There are other models in different states and territories often driven by local communities themselves.

Despite investment in and experimentation with place-based initiatives, results are mixed. There have been some successes across Australia, but some communities are not seeing a lift in key economic and social indicators (Boxes 4.1 and 4.2).[197]

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194   Inside Policy, *Record of discussion: Independent APS Review consultations* [unpublished].

195   Boston Consulting Group, *Scenarios for 2030*, 2018.

196   Analysis of usual resident population of disadvantaged local government areas in Australian Bureau of Statistics, Catalogue Number 2033.55.001, 2016 Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA), 27 March 2018; T. Vinson & M. Rawsthorne, *Dropping off the Edge: persistent communal disadvantage in Australia*, Jesuit Social Services and Catholic Social Services Australia, 2015, p. 11.

197   C. Althaus & C. McGregor, *Ensuring a world-class Australian Public Service: delivering local solutions*, ANZSOG, 2019, p. 13.

Box 4.1
When local is done well[198]

WHEN LOCAL IS DONE WELL

Maranguka Justice Reinvestment Project, Bourke NSW

Community-led. The Aboriginal community of Bourke invited non-government organisations and philanthropists to join them in setting up the Maranguka project. It demonstrates how justice-system funding can be reinvested into social programs to reduce incarceration rates, and improve lives and the futures of children in Bourke. Maranguka has since partnered with the Australian and NSW Governments to fund some of the programs associated with the project.

Changes lives. To reduce crime and incarceration rates, create better coordinated support for vulnerable families and children, and reduce the number of Aboriginal families experiencing high levels of social disadvantage.

Realising community ambition. By working in close partnership to help realise the community's ambitions. The community coordinates the right mix and timing of services through an Aboriginal, community-owned and led multidisciplinary team, working in partnership with relevant Australian Government, NSW Government and non-government agencies. Services have included learner-driver education, intensive family-focused case management to reduce domestic violence, and initiatives to address breaches of bail and outstanding warrants.

Delivering social and economic benefits

- 23% reduction in police-recorded incidence of domestic violence
- 31% increase in Year 12 student retention rates
- 38% reduction in charges across the top five juvenile offence categories
- 14% reduction in bail breaches
- 42% reduction in days spent in custody
- Savings for the NSW justice system, and broader social and economic benefits for the Bourke community

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198   KPMG, *Maranguka Justice Reinvestment Project: Impact Assessment*, 2018.

Box 4.2

When local isn't done well[199]

WHEN LOCAL ISN'T DONE WELL

COAG Indigenous Trials, Wadeye NT

Trial cooperative approach. The Wadeye community accepted a proposal in 2002 to become the COAG Indigenous Trial site in the Northern Territory. The trial explored new ways of working in partnership with communities, and Commonwealth and state and territory governments. The newly established Thamarrurr Regional Council entered into a Shared Responsibility Agreement with the Australian Government and Northern Territory Government in March 2003.

Three regional priorities were mutually agreed. Women and families, youth, and housing and construction.

Lack of follow through, ad hoc funding. Working groups were set up to create action plans against the three priorities, but only two were developed. Government agencies reportedly initiated and responded to ad hoc funding proposals outside of the action plans during the trial.

Benefits not realised

- Four houses were built over three years. During that same period, 200 babies were born into the community, and 15 houses were made uninhabitable owing to violence
- The trial increased the administrative burden and complexity for the community, with the number of funding agreements increasing from around 60 to more than 90, and
- After an incident of community violence, the Australian Government resorted to a more coercive approach and subsequently chose not to develop housing through the Thamarrurr Regional Council.

The COAG Indigenous Trials ceased in 2007.

199   B. Gray, *Council of Australian Governments (COAG) Trial Evaluation, Wadeye Northern Territory*, 2006; J. Hunt, *The Whole-of-Government Experiment in Indigenous Affairs: a question of governance capacity*, Public Policy, 2(2), 2007, pp. 155–174.

Some prevailing rules and practices can prevent place-based, community-led approaches from reaching their full potential. This can include siloed program funding, a short-term focus on deliverables and outcomes, and the exclusion of communities from deliberations and decisions on priorities and resource allocations.[200] A focus on investing in places is not necessarily about increasing government investment, but rather removing duplicative efforts and targeting investment in areas that will effect real and sustained change by reducing long-term welfare dependence and disadvantage. The effectiveness of current investment in communities would be improved by an agreed set of objectives against which shared outcomes can be measured and a clear overall picture of investment.[201]

The review recommends that the APS develop, for the Government's consideration, a whole-of-government policy framework for place-based investment. It would, subject to appropriate ministerial oversight, promote joint decision-making with communities on the design and implementation of policies and services affecting the local area. This would be a considerable change to the status quo and needs to be applied carefully, with flexibility to cater for different community opportunities and needs, and the different levels of maturity of local leadership and decision-making forums. The framework could be rolled out progressively, starting with a small number of communities with entrenched disadvantage or complex needs and strong community leadership.

A further step change would be the introduction of more flexible funding arrangements that take into account communities' particular characteristics and needs. This could also be reflected in a new place-based framework. It could involve pooling a small proportion of discretionary grants funding from across portfolios to allocate flexibly to community-led initiatives intended to achieve jointly agreed objectives.

Data provision and analysis needs to be a crucial element of this framework. Communities need comprehensive, de-identified data from across Australian Government and state and territory public sector agencies to help them understand local needs and priorities.

Working collectively and flexibly to solve place-based problems will be challenging for an APS used to working in isolation. It will require Secretaries to embrace shared accountabilities and manage the APS as an integrated organisation. To help reinforce this re-orientation, the Government could consider promoting shared accountability between ministers for place-based approaches. This would reflect that place-based solutions, by their very nature, cut across traditional portfolios.

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200   An ANAO 2018 report of PM&C's Regional Network found its performance was 'mixed', with the full potential not maximised owing to limited authority to make local decisions and inconsistent community input into policy. ANAO, *Management of the Regional Network — Department of the Prime Minister and Cabinet,* Auditor-General Report No. 7 2018–19 Performance Audit, 2018, p. 8.

201   C. Althaus & C. McGregor, op. cit., p. 14.

To truly embed a place-based approach, the APS's on-the-ground presence must be fully effective. The service has deployed resources in regions and communities in many ways, often with mixed success. Challenges arise if there is lack of clarity on purpose and outcomes, or if there are perceived inconsistencies between portfolios and their local offices. The review sees merit in trialling an APS Community Partners model, recommended in research commissioned for this review, with positions established and assigned to each of the communities where the place-based approach is being trialled.[202]

These Community Partners can develop a genuine partnership with the community they serve, with a real understanding of needs and an openness to 'do it the community's way'. They will need authority and support — over policy and funding matters — and the ability to direct and coordinate public services across multiple portfolios. This will be a highly specialised, highly valued role across the APS, most likely at SES level, with individuals carefully chosen and carefully developed. Community Partners cannot come to be seen as a substitute for having all relevant government agencies at the decision-making table and they will not be effective if a policy and funding framework for place-based approaches is not implemented.

Finally, tackling localised disadvantage is not a matter for the APS alone. If Australian Government and state and territory agencies work in isolation on place-based approaches, communities will continue to receive fragmented support and governments will continue to duplicate effort and resourcing.

Working in partnership with communities on place-based approaches is hard work and must not be undertaken lightly. It requires experimentation and adaptation, sustained commitment and investment, and a new disposition that enables, not directs, communities. But, if genuine place-based partnerships can be developed, communities and governments can realise economic opportunity and build community strength around Australia.

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202   ibid., p. 22.

Recommendation 9

Use place-based approaches to address intergenerational and multi-dimensional disadvantage.

- Government to develop a framework for place-based investment, based on:
    - joint decision-making with communities and other levels of government on designing and implementing policies and services
    - flexibility, including through funding arrangements, to cater for the different needs and opportunities in particular communities
    - use of data to support decision-making and measure progress, and
    - clear accountability for outcomes, including shared ministerial accountability where appropriate.
- Government to pilot approach in communities with entrenched disadvantage or complex needs and strong community leadership.
- Agencies to appoint regionally-based SES as APS Community Partners to work with local communities and other jurisdictions, with delegated authority for investment decisions where appropriate.
- Secretaries Board to ensure APS makes place-based data available to help understand local needs and opportunities and measure progress.

Implementation guidance

- Build on existing collaborations with communities, governments and other partners in finding tailored solutions to achieve local priorities.
- Include an Aboriginal or Torres Strait Islander community in initial pilot areas.
- Adapt framework in light of results of the trials.
- Consider pooling discretionary grants funding from across portfolios to allocate to community-led initiatives to achieve jointly-agreed objectives.

Solutions with Aboriginal and Torres Strait Islander peoples

When we have power over our destiny our children will flourish. They will walk in two worlds and their culture will be a gift to their country.

Uluru Statement from the Heart[203]

Aboriginal and Torres Strait Islander peoples seek a positive future for their communities, where:

- their cultures, traditions, languages and stories, past and present, are known and respected by all Australians
- they have the same level of access to jobs, education and health services as other Australians
- the deep disadvantage experienced by their communities is disrupted, and a period of healing and rejuvenation ensues, and
- Aboriginal and Torres Strait Islander peoples are not only joint decision-makers in the many matters that affect them, but are valued for the attributes, skills and knowledge they contribute more generally to Australia.

The broader Australian community shares this hope and the APS has a critical role to play in realising this future. Aboriginal and Torres Strait Islander peoples have told the review that the only way to make progress towards this future is by communities and the APS working in genuine partnership.

The APS needs to work with Aboriginal and Torres Strait Islander peoples, and not do things to or for us. We should not be seen as the problem, but as the solution.

PM&C Aboriginal and Torres Strait Islander Employee Network member

Aboriginal and Torres Strait Islander peoples have long been calling for the APS to partner with them genuinely to improve outcomes. Forty years ago, the *Coombs Royal* proposed that Aboriginal communities be assisted to develop institutions, giving them real power for the 'substantially independent conduct of chosen aspects of their own affairs'.[204] In the first 50 years of Australian Government administration (1967 to 2017) there were at least

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203   1 Voice Uluru, *Voice. Treaty. Truth: The Uluru Statement from the Heart* [website], 2017, <https://www.1voiceuluru.org/the-statement> accessed 10 July 2019.

204   H. C. Coombs, op. cit., p. 337.

ten different structures established with responsibility for Indigenous affairs (with nine of these in the past 30 years).[205] But, despite the efforts of those involved, this has not delivered substantially better outcomes across the board, nor genuine empowerment for Aboriginal and Torres Strait Islander peoples.

The ANZSOG First Peoples Team labelled the relationship between the APS and Aboriginal and Torres Strait Islander peoples as 'fraught and lacking in trust'.[206] This is a damning assessment of years of focus on gaps and problems, not on strengths and assets. Too often, this approach has seen the APS do things to, not with, Aboriginal and Torres Strait Islander communities, and substantially fail to improve social and economic outcomes.

The orientation of the APS's relationship with Aboriginal and Torres Strait Islander peoples is shifting slowly, but has much further to go. The approach adopted to refresh the *Closing the Gap* targets is an important step. New strength-based targets are being developed through a formal partnership between Aboriginal and Torres Strait Islander peoples, the Australian Government and state and territory governments.[207] Similar approaches have been used in the Aboriginal and Torres Strait Islander health sector for several decades.[208] The continued national conversation on constitutional recognition for Aboriginal and Torres Strait Islander peoples is another important development.

These developments recognise the need for a cohesive national agenda focused on important priorities for enabling Aboriginal and Torres Strait Islander families, children and communities to thrive. They reflect the need for mutual respect and an acceptance that direct engagement and collaboration is the preferred pathway to productive and effective outcomes.

Recommendations earlier in this chapter will require the APS to work profoundly differently with Aboriginal and Torres Strait Islander peoples. The Charter of Partnerships will commit the APS to working more often and effectively as genuine partners with Aboriginal and Torres Strait Islander peoples. It will provide a clear and transparent standard by which to hold agencies and senior officials to account. Place-based solutions are a critical mechanism for how the APS partners with different Aboriginal and Torres Strait Islander communities to create strong community futures. Under this framework, Aboriginal and Torres Strait Islander peoples will decide jointly with the APS on the design and implementation of policies and services affecting their communities.

If pursued, such initiatives provide opportunities for a new relationship between the APS and Aboriginal and Torres Strait Islander peoples — a genuine partnership focused on supporting and realising the full participation of Aboriginal and Torres Strait Islander peoples in the social and economic life of the nation. In achieving this vision, it will be necessary to consider implications for the APS that may flow from, or support,

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205   PM&C, *Commonwealth Machinery of Government in Aboriginal and Torres Strait Islander Affairs,* IAG Discussion Paper No. 1, 2017, p. 15.

206   A. Milroy, op. cit., p. 10.

207   COAG, *COAG Statement on the Closing the Gap Refresh*, 2018.

208   See, for example, Australian Government, *National Aboriginal and Torres Strait Islander Health Plan 2013–2023*, 2013.

constitutional recognition of Aboriginal and Torres Strait Islander peoples. This includes, for example, any consequential implications for how the APS works in partnership with Aboriginal and Torres Strait Islander people and the *Public Service Act 1999*.

Senate estimates hearings are a vital part of Australia's parliamentary system and the principal means through which the APS is held to account to Parliament. These hearings allow senators to scrutinise government policies and spending and the outcomes achieved. As an area of public policy that is so fundamental to Australia and Australians, Indigenous affairs should be subject to comprehensive scrutiny through the Senate Estimates process. To help ensure this, the review suggests that Parliament consider establishing a standalone Senate Committee on Indigenous Affairs as part of the Senate Estimates process, to scrutinise all relevant programs and outcomes. In doing so, the Senate may wish to consider involving in some way senior Aboriginal and Torres Strait Islander community representatives in these hearings. This could powerfully bring a level of accountability and transparency to how the APS undertakes its Indigenous affairs responsibilities, subject to the rules of the Senate.[209]

Alternatively, Parliament may wish to consider establishing a Joint Committee on Indigenous Affairs. A Senate or Joint Committee on Indigenous Affairs would allow for parliamentary scrutiny of the aggregate impacts and effectiveness of government policy and programs on Indigenous affairs. This would allow all relevant parts of the APS to engage meaningfully with our elected representatives on issues of national significance.

Building a stronger partnership with Aboriginal and Torres Strait Islander peoples starts by ensuring that Aboriginal and Torres Strait Islander employees thrive in the APS. As the APS Indigenous SES Steering Committee observed in its submission to the review, 'the more Indigenous people employed in the APS, the more our policies and programs will reflect Indigenous worldviews, needs and aspirations'.[210] While the number of Aboriginal and Torres Strait Islander employees across the APS broadly corresponds with the proportion of Aboriginal and Torres Strait Islander peoples in the wider population, they are significantly under-represented in middle and senior management positions.[211] Worryingly, staff turnover rates are 16 per cent higher for Aboriginal and Torres Strait Islander employees than for their non-Indigenous colleagues.[212] Special-measure recruitment rounds for Aboriginal and Torres Strait Islander peoples, targeted strategies to develop and retain these employees, and cultural competency training across the APS will all contribute to improving these results. These initiatives need to be developed with Aboriginal and Torres Strait Islander employees and the Indigenous SES network if they are to work.

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209   In conversation with Professor Tom Calma AO, 26 April 2019.

210   APS Indigenous SES Steering Committee, submission to the Independent Review of the APS, 2018.

211   Aboriginal and Torres Strait Islander staff represent 3.5 per cent of all APS staff, above the proportion of Aboriginal and Torres Strait Islander peoples in the wider population (3.3 per cent). However, the ratio declines with increasing seniority, from APS6 at 1.8%, down to SES3 at 0.8%. APSC, *Australian Public Service Employment Database, 31 December 2018 release*, 2018; Australian Public Service Indigenous SES Steering Committee, submission to the Independent Review of the APS, 2018.

212   The difference in turnover was 9.7% for Aboriginal and Torres Strait Islander staff, compared with 8.4% for non-Indigenous staff. The difference between the two groups was greatest at APS3 and APS4 levels. APSC, *Australian Public Service employment database, 31 December 2018 release*, 2018.

Recommendation 10

Work in genuine partnership with Aboriginal and Torres Strait Islander peoples.

- Government and APS to recognise the importance of Aboriginal and Torres Strait Islander peoples making decisions on matters affecting their lives and communities, and support their full participation in the social and economic life of Australia.
- National Indigenous Australians Agency and PM&C to lead the APS's application of the framework for place-based investment and the Charter of Partnerships in working with Aboriginal and Torres Strait Islander peoples, including to:
    - promote joint decision-making with communities on design and implementation of policies and services
    - adopt flexible funding arrangements that cater for different opportunities and needs across communities, and
    - delegate authority for investment decisions to regionally-based APS employees.
- APSC and relevant agencies to work with Aboriginal and Torres Strait Islander employees, the Indigenous SES Network and Secretaries Board to improve recruitment and development of Aboriginal and Torres Strait Islander people in the APS.
- Secretaries Board to ensure cultural competency training remains a core part of APS professional development.
- Parliament to consider establishing a Senate or Joint Committee on Indigenous Affairs to oversee Australian Government expenditure and policies relevant to Aboriginal and Torres Strait Islander peoples.

Implementation guidance

- Secretaries Board to ensure the APS works in effective partnerships with Aboriginal and Torres Strait Islander peoples, including responding to and supporting future changes in Indigenous Affairs.
- Improve recruitment pathways and develop Aboriginal and Torres Strait Islander people for EL and SES levels.
- Provide cultural competency training for all APS employees. All SES officers to complete training by end-2020.

Ministers and officials: a core relationship

... an effective partnership between the elected government and its senior officials is fundamental to effective government.

Dr Herbert Cole Coombs et al, Royal Commission on Australian Government Administration[213]

The truism that the APS cannot be effective if it does not have an effective partnership with the elected government remains true today and will remain so for the foreseeable future. Forty years ago, Dr Coombs observed that this crucial partnership was under strain, and this review heard it again from both ministers and former secretaries.[214]

The major issue for this review is the drifting apart of the APS and elected governments.

A key issue for the APS is its relationship with the elected government (and to some extent the Opposition) — this has changed, for the worse over time. Governments have shifted from wanting advisers to wanting fellow travellers, and tend to look more for those with similar views; this makes it much more difficult for the APS to operate according to the traditional model (such as being apolitical).

Former APS secretaries[215]

Ministers expressed particular concerns about the APS's policy-making capability, its ability to implement policy and deliver services effectively, its lack of responsiveness and its lack of openness to new ideas.[216] Recommendations of this review seek to address these fundamental capability concerns. The following section is focused on practical initiatives that could be implemented immediately to strengthen the critical partnership between ministers and public servants.

Recent academic work, including that commissioned by the review, sets out the range of issues and challenges in the relationship between ministers and public servants. One issue is the proliferation of advisory networks available to ministers. Ministers now access advice from think tanks, consultants, academics, lobbyists, interest groups and the media. This means that some ministers no longer regard the APS as their primary or even preferred source of advice.[217]

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213   H. C. Coombs, op. cit., p. 19.
214   ibid.
215   In conversation with former APS secretaries, June 2018.
216   A. Tiernan et al., op.cit., p. 13; P. Shergold, *Learning from Failure*, 2015, p. 15.
217   A. Tiernan et al., op.cit., p. 13.

On the whole, this growth in advisory networks is a healthy development in Australia's democracy. It looks set to be a permanent feature of the Australian political system. More perspectives and a contest of ideas enrich public policy. Rather than lament this development, the APS must respond by embracing contestability and redefining its role as the principal adviser to government. As well as continuing to provide high-quality and impartial advice to government, the principal adviser role now requires the APS to help ministers make sense of the many perspectives they hear through their advisory networks.

Instructing APS employees on the nature of this role, and more broadly on how to support ministers and their offices effectively, will benefit the APS and ministers alike. Over 15 years ago, led by Lynelle Briggs AO, the APSC developed and published advice on good-practice principles for public servants in working with ministers and their advisers.[218] The publication includes practical advice on how to build a strong partnership. There would be value in the APS revisiting it to guide productive relationships between public servants and advisers, in accordance with the Westminster tradition.[219]

Getting the basics right will help the APS earn the respect of ministers and build a strong partnership for the decades ahead. To boost the quality of its support and advice to ministers, agencies need to provide contemporary tools and platforms for ministers and their offices to work effectively with the APS — including ready access to APS advice and data-informed insights. There is also considerable benefit in portfolio and service-wide mechanisms for ministers to give feedback to the APS. Other recommendations in this review will build the APS's capability to serve elected governments with professionalism and expertise. As set out recommendation 8, the relationship between agencies and ministers will be supported by the exemption of deliberative advice from FOI requests.

Research and feedback to the review has highlighted the growth in the number and influence of ministerial advisers. Over the past two decades, ministerial staff numbers have risen 32 per cent from 339 in July 2000 to 449 in June 2019. This compares to a 34 per cent increase in the number of APS staff over the same period and a 65 per cent increase in the number of SES officers. In the same period, the number of APS employees employed as policy advisers to ministers has doubled.[220]

Ministerial advisers are now an established feature of Australia's system of government. In 2012, retiring departmental head Ric Smith AO PSM observed that ministerial advisers now advise 'on the full range of a minister's responsibilities. In effect, by comparison with 1969, we now have a whole new layer or level of government.'[221] It is vital that advisers and public servants work well together as part of an effective partnership between the APS and ministers.

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218   APSC, *Supporting Ministers – upholding the Values* [website], 2003 <https://www.apsc.gov.au/supporting-ministers-upholding-values> accessed 8 July 2019.

219   For example, Victorian Public Sector Commission, *Serving Government: a guide to the Victorian Public Sector for ministerial officers*, 2019; Queensland Government, *Protocols for communication between ministerial staff members and public service employees,* 2015.

220   Information provided by the Finance.

221   R. Smith as quoted in A. Tiernan et al., op. cit., p. 10.

Ministerial advisers provide often-indispensable political, policy and administrative support to ministers.[222] They fulfil a critically important role in contemporary public administration in Australia, and it is timely and appropriate to reflect this enhanced role through revised forms of acknowledgement and accountability. The panel recommends this be achieved through a formal legislated code of conduct, with appropriate enforcement provisions, and better support, induction and professional development for advisers.

Presently, the *Statement of Standards for Ministerial Staff* sets out the standards of personal integrity, professionalism and behaviour expected of ministerial staff. The Standards are a broadly sound and effective guide to advisers. *Learning from Failure* advised the Standards could be strengthened, by making it explicit only ministers can direct public servants and that directions communicated by ministerial advisers need to be at the behest of the minister.[223]

The Statement provides that its implementation is the responsibility of the Prime Minister's Office and the Government Staffing Committee.[224] Ministers or the Prime Minister may be held accountable to Parliament for the actions of ministerial advisers.[225] In contrast, codes of conduct for ministerial staff used in the UK, Canada, and New Zealand are enforced by independent commissioners.[226] It has been suggested that advisers be made accountable through parliamentary scrutiny and application of other usual accountability and integrity mechanisms that apply to the APS.[227] Given the significant role they play in the Australian political system, the review considers it appropriate that the roles and responsibilities of ministerial advisers be formally recognised in a legislated code of conduct, with effective mechanisms for accountability and compliance with the code.

As highlighted in *Learning from Failure*, 'despite the demands of their positions, ministerial advisers receive little role-specific training or institutional support. There is no formal induction process for new advisers. Most of their learning is on-the-job'.[228] While some training and development is made available for advisers, including by Finance, it is reported that courses are poorly attended.[229] The review recommends that high quality and relevant formal induction processes and training be provided to ministerial advisers and, while recognising the demands of their jobs, they be encouraged and supported to attend. Current and former ministers and advisers should contribute to the design and delivery of training and induction. These should cover, among other things, the Statement of Standards for Ministerial Staff or the proposed code of conduct, the role of the APS, and the constraints within which public servants operate.

In 2015, one former Chief of Staff to a Minister spoke about the need for public servants and advisers to understand and respect each other's roles:

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222   P. Shergold, op. cit., 2015.

223   ibid.

224   APSC, *Circular 2008/7: Code of Conduct for Ministerial Staff*, 2008.

225   See discussion in Ng, Y-F, *Between Law and Convention: Ministerial Advisers in the Australian System of Responsible Government*, 2017, chapter 4.

226   Y. Ng, *The Rise of Political Advisors in the Westminster System,* 2018.

227   Y. Ng, op. cit.

228   ibid., p. 33.

229   ibid.

It is essential that the chief of staff ensures that the ministerial staff ... value and respect the talented and hard-working people who make up the public service. Equally, the chief of staff needs to ensure that senior officials understand what both the government and the minister expect of them.[230]

Formal induction and training need to be complemented by ongoing and effective engagement between agencies and advisers. Former NSW Premier the Hon Mike Baird, a member of the Independent Review of the APS's reference group, suggested that all secretaries and ministerial chiefs of staff meet periodically to foster effective working relationships between them.

Further, it has been suggested that formal training for members of Parliament would strengthen their relationship with the APS.[231] This would complement existing induction for parliamentarians provided by the parliamentary departments. Training could be modelled on Western Australia's Council Member Essentials course and include an induction into the basics of public administration, including the roles and responsibilities of the APS.[232]

Rotation of public servants through ministers' offices as advisers, or in other roles, helps to build good understanding and trust between the APS and ministerial offices. This was recommended in *Learning from Failure* but was not followed up. More public servants rotating through offices will benefit offices, providing access to the subject-matter expertise and experience of public servants. It will provide public servants invaluable professional development by gaining insights into the inner workings of government.[233] The APS should encourage staff to spend time working in offices, and support their eventual return to the public service. Time spent in a minister's office is a highly desirable attribute for public servants, especially ones with the potential to move into senior leadership roles.

This could be facilitated by re-establishing the role of Senior Departmental (Policy) Liaison Officer or other mechanisms enabling APS officers to work for longer periods in senior positions in ministerial officers while remaining employed under the *Public Service Act 1999*.[234] These roles would be open to SES officers, still working for an agency, but seconded full-time to a minister's office to provide high-level policy advice and direction on how to get the best out of the agency and the APS.

The relationship between ministers and public servants at the Commonwealth level is hindered by the simple fact that ministers and departments are not co-located.[235] Unlike other Westminster countries (such as the UK and Canada) and some state and territory governments, federal ministers and their advisers do not regularly use offices inside their departments. By all accounts, a closer proximity between ministers and their departments helps build a deeper understanding of each other's roles and a stronger partnership. The review encourages ministers and departments to trial this arrangement during non-sitting periods.

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230   A. Behm, *No, Minister: So you want to be a chief of staff?*, Melbourne University Press, Carlton, 2015, p. 126.

231   In conversation with S. Smith, member of the Independent Review of the APS reference group; B. Sargeant, submission to the Independent Review of the APS, July 2018.

232   Government of Western Australia, *Council member training and candidate induction* [website], August 2019, < https://www.dlgsc.wa.gov.au/department/news/news-article/2019/08/12/council-member-training-and-candidate-induction>, accessed 15 September 2019.

233   M. Maley, submission to the Independent Review of the APS, March 2019.

234   ibid.

235   ibid.

Recommendation 11

Strengthen APS partnerships with ministers by improving support and ensuring clear understanding of roles, needs and responsibilities.

- Secretaries Board and agencies to improve APS support for ministers, including by:
  - providing common platforms for ministers and offices to collaborate with public servants and readily access APS advice and insight
  - establishing portfolio and service-wide mechanisms for Ministers to provide periodic and real-time feedback to the APS, and
  - training APS employees on how to support ministers and their offices effectively, including on the role of ministerial advisers.
- APSC to update guidance on roles and responsibilities defining interactions between ministers, their advisers and public servants, to support induction and training for all parties.
- Agency heads to support SES officers to work in ministerial offices and then return to the APS.
- Amend the *Members of Parliament (Staff) Act 1984* to establish a legislated code of conduct, with appropriate enforcement provisions, for advisers.
- Government to set guidance for ministerial offices to have at least half of ministerial policy advisers with public service experience.

Implementation guidance

- Exempt deliberative material from release under FOI (recommendation 8).
- Cover the role of advisers to ministers in induction and training on the respective roles of Ministers, Parliament and the APS (recommendation 5).
- Use APS-wide SES capability assessments (recommendation 23) to identify high potential SES for ministerial offices.
- Make experience in a state or federal ministerial office highly desirable for appointment to SES Band 3 positions.
- Consider re-establishing a position of senior Departmental Liaison Officer in ministerial offices.
- In developing legislated code of conduct, acknowledge parliamentarians are accountable to the Parliament for the conduct of their staff.

Working with states and territories

Many of Australia's most pressing policy challenges straddle Australian Government and state and territory responsibilities. Improvements in health and educational outcomes, for example, will not be achieved by one level of government alone. This complexity will only increase in the years ahead — as will public expectations that governments at all levels, of whatever political persuasion, will collaborate to deliver better outcomes. In the long-term, delivering Australian Government and state services through a single front door (whether virtual or physical) could make it much easier for people to deal with government. This means that the APS's ability to partner effectively with other jurisdictions is integral to its overall effectiveness.

The APS's performance in working with other jurisdictions is difficult to assess. It is hard to separate the quality of working relations between the officials of different jurisdictions from the state of relations between different levels of elected governments. It often comes down to individuals or small groups, or certain portfolios or specific issues. But research commissioned for this review highlighted significant APS deficiencies — in culture and in capability — in undertaking multi-jurisdictional work:

> Notwithstanding its significance and extent, the current APS relationship with other jurisdictions is typically uneasy and underachieving. Privately, many on both sides of the relationship would say it is sometimes characterised by threats, contempt, a lack of understanding and low levels of goodwill. Arguably it has become less effective over time, even as the importance of the relationship has increased.[236]

Three state government agencies — all from NSW — made submissions to the review. Two of these focused on the problems with the relationship between the Australian Government and the states and territory, both identifying the root cause as Australian Government policy rather than APS capability or culture:

> … federal-state relations are constraining the ability of public services in all jurisdictions to collaborate efficiently and effectively, and to deliver benefits and accountability to Australian citizens.[237]

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236   B. Rimmer et. al., *Working better with other jurisdictions*, ANZSOG, 2019, p. 15.

237   NSW Department of Premier and Cabinet, submission to the Independent Review of the APS, 2018, p. 2.

A shift by the Commonwealth away from exerting control and policy prescription over states' decision-making would be productive — toward approaches that more fully recognise the autonomy and sovereignty of states within the Australian federation.

NSW Treasury[238]

These statements highlight an appetite to collaborate and improve relationships between jurisdictions to drive better policy outcomes. There are powerful examples of what can be achieved when all levels of government work together to enhance community wellbeing. The negotiation of City Deals involves the Australian, state, territory and local governments, as well as businesses and the community. They bring a customised approach, supported by long-term partnerships focused on topics that matter to the average Australian — job creation, new skills and industry development, and greater physical and digital connectivity.[239]

City Deals demonstrate what can be achieved when different levels of government focus their combined energies and resources on clear, measurable outcomes. There is an opportunity to build on such approaches, and for the APS, with other jurisdictions, to support COAG to deliver a well-functioning federation. One way to strengthen the operation of the federation would be for First Ministers to agree to a shared approach to setting, progressing, and publicly reporting on a small number of national priorities. These priorities would form the initial focal point for cross-jurisdictional work and would be reviewed annually. Of course it will be for First Ministers, not public servants, to agree the priorities, outcomes sought in relation to each, metrics of success, and roles and responsibilities of each jurisdiction in relation to each priority. But it will be the responsibility of the APS and equivalents in states and territories to support First Ministers in doing so.

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238   NSW Treasury, submission to the Independent Review of the APS, 2019, p. 3.

239   Australian Government & NSW Government, *Western Sydney City Deal: Vision. Partnership. Delivery*, 2018.

As well as supporting First Ministers in setting priorities and outcomes, the APS should continue work to establish protocols with other jurisdictions to enable easier and secure sharing of data between Australian and state and territory governments (recommendation 18). This would enable the best possible measurements of progress against outcomes, as well as providing data to support better policy-making, regulation and support and services to people and businesses. In helping to identify and progress national priorities, the APS will need to act with humility, respecting the role and expertise of its state and territory equivalents.

To support an effective Australian Government-state partnership, the review recommends that PM&C work with its counterparts to develop models for effective secretariat support to COAG. This should include consideration of establishing a secretariat that is funded and staffed by, and responsive to, all jurisdictions. Its responsibilities would include supporting the Prime Minister and other First Ministers in setting COAG agendas, providing administrative support and planning services for inter-jurisdictional meetings, and monitoring and improving the effectiveness of cross-jurisdictional work.

Establishing a multi-jurisdictional secretariat would pool some specialist skills together to support national priorities, but further effort is needed to build strong and widespread capability across the APS for working effectively with other jurisdictions. This capability is underdeveloped and will be crucial if Australia is to make progress on national priorities.[240] There would be significant benefit, therefore, in strengthening cross-jurisdictional tradecraft — that is, the skills to work effectively and collaboratively with other jurisdictions, through dedicated guidance and training. Increased mobility of staff between public services across Australia will complement these measures (recommendation 21).

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240   B. Rimmer et al., op. cit., p. 8.

Recommendation 12

APS to work closely with the states and territories to jointly deliver improved services and outcomes for all Australians.

- Government to propose COAG sets, progresses and publicly reports on a small number of national priorities with clear, shared metrics for success.
- Government to propose COAG commissions PM&C, with state and territory counterparts, to develop models for effective secretariat support to COAG, for COAG's consideration.

Implementation guidance

- Start with a small number (3–4) of national priorities and agree outcomes sought, metrics of success (including interim review points), and roles and responsibilities of all jurisdictions for delivering each priority. Update priorities as needed.
- Experiment with models for achieving national priorities, for example, pilots developed by one or two jurisdictions or a cross-jurisdictional taskforce based in a state or territory.
- Report publicly on delivery of national priorities.
- COAG Secretariat to:
  – support the Prime Minister and other First Ministers to set COAG agendas
  – be funded, staffed by, and responsive to all jurisdictions
  – provide administrative support for inter-jurisdictional meetings
  – provide training and support for officials from all jurisdictions on inter-jurisdictional tradecraft
  – support COAG to engage local governments and Aboriginal and Torres Strait Islander peoples in its work
  – support data-sharing across jurisdictions, particularly to track delivery of national priorities, and
  – advise COAG on optimal governance arrangements to deliver cross-jurisdictional commitments.

FIVE

EMBRACE DATA AND DIGITAL

Sydney City, New South Wales

Chapter in brief

- *Towards data-driven and digitally enabled government.* By 2030, the APS will harness the power of technology to provide outstanding digital services and improve social, economic and security outcomes for all Australians. Today, the APS is in an early stage of digital literacy and behind comparable governments. It needs to accelerate digital transformation.

- *Strengthening digital governance.* Consolidate existing functions and boost whole-of-government data and digital capability.
  Recommendation 13

- *Planning for a digitally enabled APS.* Correct APS deficiencies in knowledge of its ICT spend, systems and capability, as well as in its plans for the future. This will require a comprehensive whole-of-government ICT audit and blueprint.
  Recommendation 14

- *Building data and digital skills.* Establish a new APS digital and data profession or professions to ensure that the APS has the skills required to develop, build and maintain ICT systems that enable the Government to be easy to deal with.
  Recommendation 15

- *Seamless services built on trust.* Reimagine services for Australian people and businesses by using emerging technologies to deliver personalised, proactive and integrated services — designed around people rather than around government.
  Recommendation 16

- *Common, high-quality services and better use of data.* The APS requires highly automated enabling services and common systems to work together easily. Make better use of data to improve policy and decision-making, provide personalised and proactive services and foster private sector innovation.
  Recommendations 17—18

Towards data-driven and digitally enabled government

That's what we want government to be for Australians, we just want it to be much easier … It's also about driving better use of information technology and apps that can assist Australians to better access services they need.

The Hon Scott Morrison MP, Prime Minister of Australia[241]

As the rate of technological change continues to accelerate, and public expectations of the Government increase accordingly, the APS needs to use data and digital technologies to better meet the needs and expectations of the Australian people, businesses and communities.

Harnessing the power of data and digital technologies is a growing priority for governments everywhere. Governments must now lead, not follow — in digital service delivery for citizens, and the use of data and digital technologies to solve complex policy problems and enable the APS and the Government to work together seamlessly.

By 2030 a data-driven and digitally enabled APS will:
- deliver personalised, integrated and proactive services to people and businesses — whether online, in person or on the telephone
- use data, advanced analytics and emerging technologies to achieve the best outcomes for people and businesses
- drive productivity and efficiency in government services
- collaborate and integrate seamlessly across departments, agencies and different levels of government, including ensuring that information only needs to be provided to government once
- provide pervasive digital leadership and talent across all agencies and levels, and have strong whole-of-government data and digital functions, and
- have access to global best-practice digital learning and development programs to incubate new talent and next generation skills.

The APS needs to accelerate its adoption of data and digital technologies to achieve these ambitions.

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241   S. Morrison, Press Conference, Parliament House, Canberra, 26 May 2019.

# The need for accelerated transformation

The Australian Government has made significant data and digital investments over the last decade. It has commenced the digital transformation of legacy ICT systems providing important public services and established myGov, a well-regarded whole-of-government single-sign-on service portal, which now has more than 10 million active users.[242] The APS has commenced the transition of over 30 agencies onto six common shared service hubs for corporate services. This has realised more than $70 million in savings to date.[243] In 2016, the Government established the DTA,[244] and in 2018 it released Australia's first whole-of-government digital strategy.[245]

These investments serve as a good foundation on which to build and accelerate the APS's digital transformation. Acceleration is necessary because, despite these investments, the APS is not keeping pace with increasing public expectations.

While pockets of excellence exist and are being developed across the APS, data and digital is underutilised in many areas, including in service delivery and policy and program evaluation. A 2018 maturity assessment of over 25 agencies found that, as a single institution, the APS is in an early stage of digital literacy (Exhibit 5.1).[246]

Exhibit 5.1

The APS is in a stage of early digital literacy and behind comparable governments[247]
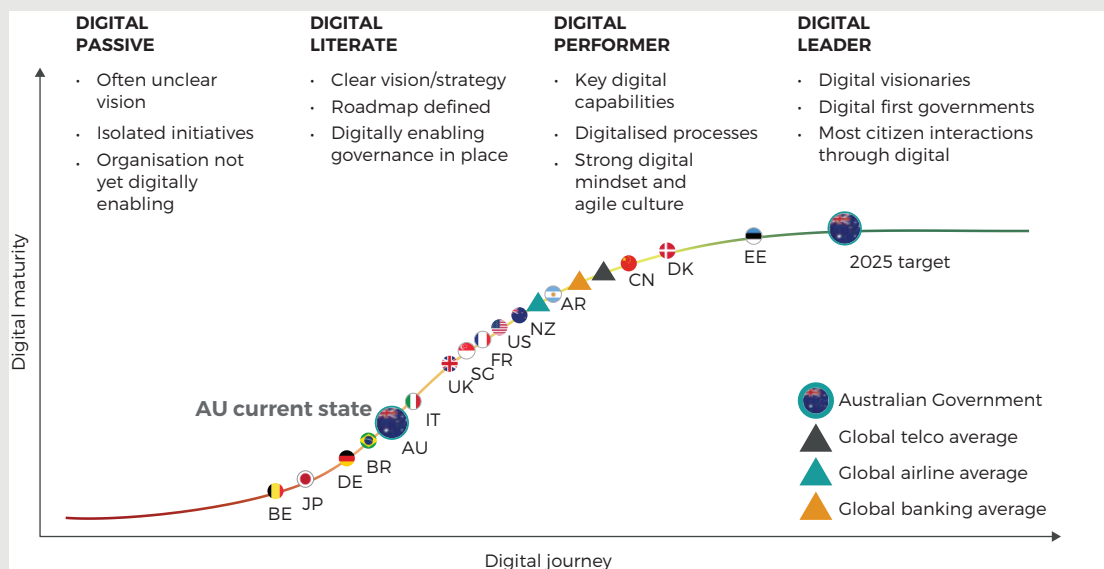
242   ANAO, *myGov Digital Services, The Auditor-General ANAO Report No.59 2016–17 Performance Audit*, 2017.

243   Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4*, 2019, p. 9.

244   DTA, *Vision 2025: We will deliver world-leading digital services for the benefit of all Australians*, 2018.

245   M. Keenan MP, *Our bold vision for Australia's digital future, speech delivered at National Press Club*, Canberra, 21 November 2018.

246   Boston Consulting Group, *Digital Acceleration Index survey,* conducted with the DTA, 2018.

247   Boston Consulting Group, *Digital Acceleration Index (DAI) benchmarking*, 2019.

This challenge, and the risks it proposes, is not theoretical. The Department of Agriculture and Water Resources (now Department of Agriculture) reported to the review that:

> The department currently faces the serious challenge of having to support a national trade agenda with technical capabilities that are increasingly not fit for purpose, difficult and costly to maintain and enhance, and are limiting the department's ability to deliver the services necessary to protect Australia's primary industries ... If the current system isn't improved at a rate commensurate with the demands on it, its performance is going to get worse and potential failures will lead to real time trade disruptions.[248]

The APS's progress on data and digital initiatives has been impeded by several factors:

- Sponsorship and accountabilities are inconsistent and insufficient at leadership level; only a little over one third of the APS 200 surveyed for the review currently see APS transformation as a high priority.[249]

- Whole-of-government digital and data functions are fragmented and incomplete; the DTA lacks the authority and resources to drive the digital agenda.

- Strong vertical silos drive agency-centric rather than whole-of-government efforts, reinforced by cultural and institutional barriers.

- The APS lacks the ability to attract, retain and nurture high-quality talent and the level of consistent leadership across the whole of government required for a culture of innovation and change across the APS.

- The APS has slowly and inconsistently adopted modern digital toolsets such as business and data architecture, citizen life events and journey maps and human-centred design across agencies.

- Many agencies rely on ageing and complex systems; this leads to inflexibility and high running costs and constrains changes in policy.

- Traditional governance, funding and procurement models incentivise large one-off change programs, rather than more flexible and agile delivery models.

- Public trust in government has declined, contributing to a greater sense of risk aversion in the public sector and a lack of innovation — particularly in the use of data.[250]

A shift in trajectory is needed for the APS to realise its digital agenda. To realise the vision outlined in this review, and deliver better outcomes for all Australians, the APS will need to drive pervasive change across all levels of the organisation and in all aspects of its work. This chapter outlines six key priorities for action:

- strengthening digital governance (recommendation 13)

- planning for a digitally enabled APS (recommendation 14)

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248   Department of Agriculture and Water Resources, submission to the Independent Review of the APS, 2018.

249   *Independent Review of the APS, APS 200 April 2019: In conversation with the APS Review [website]*, 2019, <https://www. apsreview.gov.au/sites/default/files/files/senior-leaders-implementing-change.pdf>.

250   S. Cameron & I McAllister, *Trends in Australian political opinion: results from the Australian Election Study 1987–2016*, Australian National University, 2016.

- building data and digital skills (recommendation 15)
- delivering seamless services (recommendation 16)
- supporting staff with common, high-quality services (recommendation 17), and
- better use of data (recommendation 18).

Strengthen digital governance

Existing APS staff with data expertise and experience are in short supply and are moving quickly between agencies to meet short-term needs. A positive development is that many Commonwealth agencies are establishing analytical units and are becoming more focused on data management, however too few staff exist to undertake these activities well.

APSC [251]

The starting point for APS data and digital transformation is to treat data and digital as valuable assets for the service. Together, data and digital offer a disruptive new paradigm — one that puts people, business and the community at the centre of the design of public services. This breaks the traditional trade-off between quality and cost-effectiveness. Like any asset, however, both data and digital capabilities require ongoing investment to continue delivering value.

The APS can no longer afford to see data and digital as technology-centric domains. Every APS leader needs to value these capabilities and contribute to their development and ongoing improvement. To ensure that data and digital are treated as valuable assets, a coordinated service-wide approach is required. A clear, cohesive direction and standard must be embedded across the APS to promote alignment within and across agencies. The APS should regularly evaluate the data and digital capabilities of agencies and individuals to track progress of the whole-of-government data and digital agenda.

The APS needs to move beyond rigid and siloed organisational structures if it is to become truly data-driven and digitally enabled. Today, whole-of-government data and digital functions are fragmented and incomplete. The establishment of the DTA signalled an ambitious whole-of-government digital agenda however, development of common platforms has been slow and interrupted — for example, the abandonment of the gov.au redesign.[252]

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251   APSC, submission to the Independent Review of the APS, 2018.

252   Finance and Public Administration References Committee, *Digital delivery of government services,* 2018, p. 7.

Fragmentation of current funding processes further inhibits the Government's digital agenda. The DTA, while well placed in expertise, plays only an advisory role on investment proposals.[253] The business-case process is arduous, favouring large capital projects and traditional waterfall delivery — which sets timeframe, product, and deliverables from the outset. For example, second-pass business cases are generally expected to deliver cost estimates for the entire initiative with less than 15 per cent contingency, a work-breakdown structure and a master schedule.[254] This is typically called for before agencies are funded to engage the market to explore solutions and compare options.

The absence of a mechanism for smaller and more frequent release of funds makes agile delivery difficult and constrains development of more innovative digital tools and services. To address this, spend controls for digital initiatives need to sit closer to those with the deepest digital skills and expertise.

Pockets of excellence in analytical and digital talent are being established in the APS, but more can be done to develop service-wide digital capability. The Australian Bureau of Statistics, Services Australia (formerly Department of Human Services), the Australian Taxation Office and Data61 have all championed initiatives in their respective domains or bilaterally. Some agencies have established centres of excellence, or common capability development squads, to help build critical capabilities like augmented reality and data analytics.[255] There is an opportunity to build on these pockets of excellence. The APS requires better mechanisms to deploy talent across the service to tackle the highest-value problems and drive more consistent service-wide capability uplift. Without the right scale, agencies will continue to compete against each other for high-demand skills.

The APS needs to create a critical mass in order to transform. Internationally, governments are increasingly clustering data and digital functions within a single entity. This is designed to create a critical mass of resources and capabilities, end-to-end accountabilities, and the credibility to drive digital transformation (Exhibit 5.2). Examples include the UK's Global Digital Services, Denmark's Agency for Digitisation, and Singapore's Smart Nation and Digital Government Office.

In the short to medium term, the review recommends that DTA supports Services Australia in its overhaul of digital service delivery. For DTA to properly fulfil its important role in Australia's digital environment, it should be one of the first entities to undergo a capability review (recommendation 2a).

In the medium to long term, to support ongoing digital transformation, digital functions could be transitioned to a standalone central department led by a secretary. The advantages of this approach are demonstrated in comparable international jurisdictions (Exhibit 5.2).

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253   DTA, *About Us [website], 2019, <https://www.dta.gov.au/about-us>.*

254   Finance, *ICT Business Case Guide,* 2015.

255   For example, Services Australia's Augmented Intelligence Centre of Excellence and the Australian Taxation Office's Data Analytics Centre of Excellence.

Exhibit 5.2

International experience shows that digital and data functions work best in a single whole-of-government entity[256]

One entity should host whole-of-government digital and data functions:		
to drive the digital agenda,	**effectively deploy funding,**	**... and bring a holistic perspective.**
· Brings overarching view on platforms that should be common, core or bespoke · Prioritises user-centricity and reusability over single agency focus areas · Drives platform adoption across government	· Assesses technical feasibility based on in-house expertise · Ensures user-centricity of proposed digital solutions · Reduces duplication due to view on which solutions already exist	· Gains visibility across APS spend and requirements · Signals urgency of digital agenda · Leverages concentrated resources and capabilities
Examples		
UK Government Digital Service runs GOV.UK for 800 services	**UK Government Digital Service spend controls on digital, realising £450m in savings in 2016-2017**	**UK Government Digital Service is a standalone entity** **Singapore Digital Government Office in PM's office**

However it is structured, the broader APS has a responsibility to help the DTA discharge its responsibilities, and the review recommends Secretaries Board leads by supporting the DTA to have greater impact.

Digital governance arrangements need to ensure strong cyber security for APS ICT systems. Cyber risks will remain a continued challenge for the APS in coming years.[257] While the Protective Security Policy Framework and Information Security Manual provide strong foundations and guidance on necessary cyber protections, it is essential that all agencies have robust cyber protections above or consistent with these policies.[258]

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256 O. Dowden, *A government that work for everyone,* speech delivered at Sprint 18, 11 May 2018; Institute for Government, *Whitehall Monitor*, 2019.

257 Boston Consulting Group, *Scenarios for 2030*, 2018.

258 Attorney-General's Department, *Protective Security Policy Framework: 2016–17 Compliance Report*, 2018.

Improve funding, structure, and management of digital functions across the APS.

- Government to strengthen DTA as chief digital adviser, with:
    - responsibility to advise on prioritisation of digital investment and monitor digital projects, capability and risks
    - authority to enforce Commonwealth digital policies (e.g., relating to digital capability, procurement and funding) across the APS, and
    - appropriate resourcing and capability to discharge these functions.
- DTA to support Services Australia overhaul digital service delivery.
- Secretaries Board to establish a digital working group to support the DTA deliver on its strengthened mandate.
- In the long term, Government to consider transitioning Commonwealth digital functions into a stand-alone central department.

Implementation guidance

- Embed the DTA's authority in government decision-making processes, including the Budget Process Operational Rules and the Cabinet Handbook.
- Retain agency accountability for their digital capability, systems and delivery, including when services are provided through a single front door.
- Secretaries Board digital working group to include the transformation leader to ensure consistency with the transformation program.
- Ensure ICT governance arrangements deliver strong and fit-for-purpose cyber security protections at all times.

Planning for a digitally enabled APS

__Legacy payments and ICT systems limit our policy options and our ability to deliver simply and swiftly for customers.__

Renée Leon PSM, Secretary, Services Australia[259]

In the coming years, many agencies will need to invest heavily to replace ICT systems that are reaching their 'end of life' — meaning that they stop being officially supported by the vendor. There is no APS-wide information about the cost of replacing many of these ICT systems — but they need to be replaced to deliver essential government services the Australian community needs.

For example, the Medicare payment system, responsible for 600 million Medicare, Pharmaceutical Benefits Scheme, aged care and veterans payments worth over $50 billion a year, relies on a complex web of legacy and inflexible ICT systems (involving 200 applications and 90 databases). The current system inhibits policy options today, and will continue to do so in the future when consumers will demand more personalised health services from the Government.[260] In another example, the Immigration Records Information System (installed in 1989) used in the visa application process, relies on the purchase of second-hand aftermarket hardware components from eBay — because hardware for the system stopped being produced around a decade ago.[261] The ANAO publicly documented the limitations of this system in 2003 but, as of 2019, critical parts of the system are still in use.[262]

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259   In conversation with Renée Leon PSM, July 2019.

260   Information provided by Services Australia.

261   Information provided by the Department of Home Affairs.

262   ANAO, *Management of Selected Aspects of the Family Migration Program: Department of Immigration and Multicultural and Indigenous Affairs,* The Auditor-General Audit Report No.62 2002–03 Performance Audit, 2003.

Upfront investment

Ageing ICT systems present two issues. First, replacing ICT systems that are becoming obsolete will be a monumental and complex multi-year effort, requiring significant funding and skilled resources. Second, the APS must foster the culture and service-wide processes required to ensure that the first issue is not repeated. The funding needed will be considerable, heightening the need for a whole-of-government approach for ICT investment that reflects a legacy of systematic underinvestment in ICT assets and capabilities.

Upfront investment can bring significant cost savings to the Government in the long run.[263] Large digital transformations, done right, can provide better and more convenient services to people, businesses and the community with lower costs to government and taxpayers. For example, each face-to-face transaction currently costs the Government $16.90 and each phone transaction an average of $6.60 — whereas an online transaction costs the Government approximately 40 cents.[264] Even if only one quarter of Australian individuals chose to switch from phone and face-to-face transactions to digital channels, this could save the Government millions of dollars each year — money that could be invested into providing better services.

Further, the adoption of new technologies, such as cloud-based solutions, offers potential for significant cost savings while still providing better services — and therefore better outcomes — for Australians.

A comprehensive ICT audit

The review heard numerous examples of ageing systems across the APS. Moreover, there is limited knowledge and understanding about the overall state of ICT in the APS. The last time the APS documented whole-of-government ICT spend was in 2015-16. There is now no detailed inventory of the systems that exist across the APS nor of associated risks, costs and upgrade needs.

Data from 2015–16 show that APS spending on ICT was consistent with benchmarks across other national governments — at around 10 per cent of operating expenditure, or roughly $6.2 billion in 2016. However, compared to benchmarks, the APS uses a higher percentage of total ICT spend on running costs, rather than on growing digital capabilities (Exhibit 5.3).
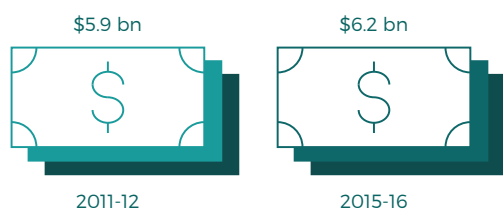
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263   Department of Home Affairs, submission to the independent Review of the APS, 2018.

264   Deloitte Access Economics, *Digital government transformation: Commissioned by Adobe*, 2015.
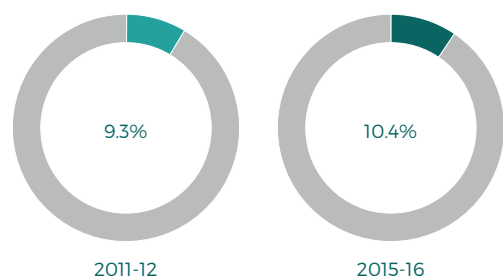
Exhibit 5.3

ICT expenditure is skewed towards 'run' costs[265]

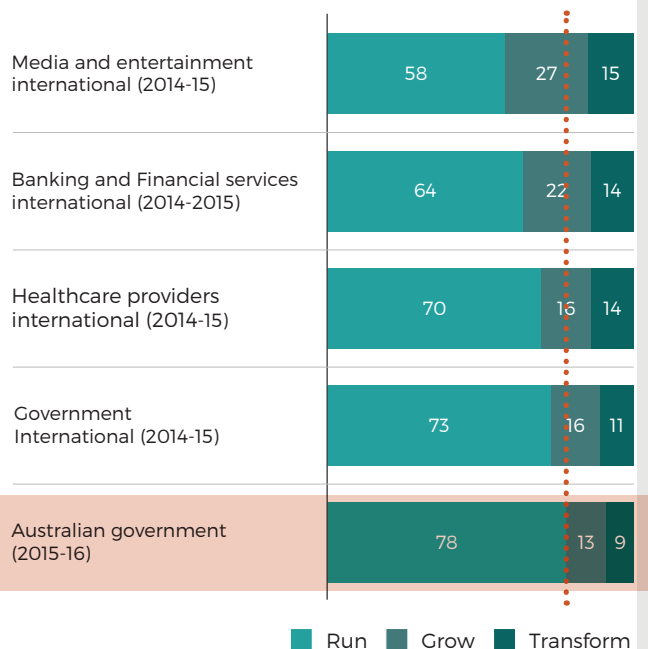APS spending on ICT in 2016 was consistent with benchmarks at ~10% of opex in 2016

$5.9 bn — 2011-12

$6.2 bn — 2015-16

Proportion of entity spend

9.3% — 2011-12

10.4% — 2015-16

Note: Gartner benchmarks for national government IT expenditure were 9.4% in 2016 & 10.0% in 2019

However, a high proportion was directed towards running costs rather than growing or transforming capabilities: 78%

	Run	Grow	Transform
Media and entertainment international (2014-15)	58	27	15
Banking and Financial services international (2014-2015)	64	22	14
Healthcare providers international (2014-15)	70	16	14
Government International (2014-15)	73	16	11
Australian government (2015-16)	78	13	9

The propensity to spend a greater percentage to 'run' rather than 'grow' or 'transform' may indicate high costs of running legacy systems, a technological deficit, and inefficient spending. Public and private sector experience indicates that upfront investment in ICT systems and digital skills and expertise is needed to address the technological deficit — for example through maintaining and decommissioning legacy systems at the same time as building new ones.

Aside from individual project proposals, such as the $1.5 billion Welfare Payment Infrastructure Transformation, there has been limited work done by the APS to assess the budgetary investment required to transform the APS — including any efficiencies and savings that could come from transformation. The APS has high run costs due to using out-of-date and old technology platforms, and investment in transformation offers an opportunity to bring down costs. Forecasts from large listed Australian companies show that significant financial benefits (as well as benefits in the form of better services to people and businesses) can come from transformation — after an initial investment (Exhibit 5.4).

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265   Finance, *Australian Government ICT Trends Report 2015-16*, 2016; Gartner, *ICT Key Metrics Data 2019*, 2019.

Exhibit 5.4

Large private sector entities have forecast significant long-run cost savings from digital transformation investment[266]

Institution	Total spend on digital transformation, AU$b	Digital transformation duration, Years	Operating expenditure in year of launch, AU$b	Annual spend % of operating expenditure	Financial benefit of transformation
Telstra	1.20	3	16.60	2	Benefits of $500m per annum expected
Commonwealth Bank	1.25	6	9.99	2	Expected cost savings of $2b
National Australia Bank	1.50	3	8.99	6	Cost saving : $0.7b, 2019 Expected : over $1b by 2020
Westpac	0.80	3	9.47	3	Cost savings : $61m, 2018

While the lack of data precludes the review from estimating more precisely the funding required to digitally transform the APS, benchmark analysis suggests that raising APS spending levels to benchmark digital transformations in the private sector could be in the order of $400 to $900 million a year (Exhibit 5.5).

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266   Budget papers, Annual reports, press search, company websites, expert interviews, ING Group Investor day 2016 Presentation.

Exhibit 5.5

Additional upfront investment may be needed to accelerate delivery of digitally enabled services[267]
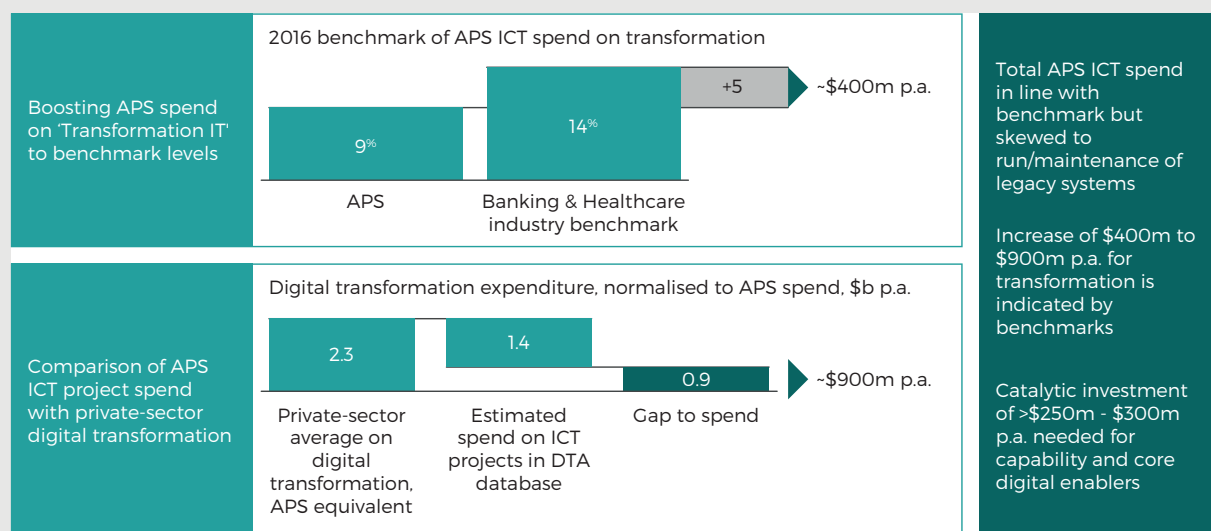
Bottom-up capability analysis for the review indicates that $250 to $300 million a year over the next four years is needed to lift digital and data skills and expertise and basic enablers (such as data exchange) to undertake digital transformation — although this figure needs to be used with caution due to the uncertainty about current APS spend in this area.[268]

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267   ~$400m p.a.: scaled to base off APS departmental expenditure; FY20 Departmental expenses estimates excluding NDIA administered: $71,194 m (Budget paper No.4); assumes IT expenditure remains at 10.4%; Private-sector average: announced spend on digital transformation based on leading Australian telecommunications companies and banks; annualised and scaled to APS expenditure and annualised; Estimated spend on ICT projects in DTA database: DTA 'ICT performance dashboard' lists $4.24 bn of ICT project spend ~over 3 year period; Gartner, *ICT Key Metrics Data,* 2016; Finance, *ICT Trends Report*, 2016; Budget papers; Analysis conducted for the Independent Review of the APS; annual reports; press search.

268   Analysis undertaken by McKinsey & Company for the Independent Review of the APS.

A comprehensive ICT audit is required to resolve this lack of core information on government ICT spend — creating an inventory of current and forecast government ICT expenditure and assets, systems scheduled to be retired or no longer supported by software vendors, associated risks and future requirements. The audit would provide the first comprehensive view of the current state of ICT across the Australian Government since 2015-16.

The audit is urgent and can realistically be completed within six months of being commissioned, to enable prompt development of an ICT blueprint to guide investment in digital transformation. In the future, the review recommends that digital maturity of internal and external systems be included in agency capability reviews (recommendation 2a).

Underinvestment has translated into minimal maintenance and upgrades of existing ICT platforms, resulting in ICT environments which are ageing and difficult to maintain. The fragmented and incoherent approach has resulted in an eclectic mix of technologies and systems that complicate the management and upgrade of the total ICT portfolio. This is stifling innovation and contributing to a slow degradation of service delivery to the Australian public.[269]

Building on the audit, and following best practice of countries such as Singapore, the Government should release a detailed blueprint based on the ICT audit.[270] This should be a comprehensive plan for future investment, including the management of risks posed by legacy systems. While risk treatments will vary from remediation to full replacement, the objective will be to ensure that the APS has fit-for-purpose ICT systems to support the business of the Australian Government. The blueprint should consider necessary system and capability investments to protect ICT systems from evolving cyber threats.

The audit and blueprint will reveal a thorough understanding of the data landscape, including the quality, usability and potential value of the data held by the Government. Currently, the potential value of data is restricted due to limited data-sharing between agencies, driven by the absence of widely adopted standards for high-value datasets (see the 'Making better use of data' section).[271]

Currently, there are no whole-of-government frameworks for how agencies use emerging technologies, such as the type of processes appropriate for automation, or the types of assessments that can be augmented with artificial intelligence. Without central guidance, many agencies take a risk averse approach. For example, it is estimated that 15 to 20 per cent of today's service delivery efforts could be automated by 2030, freeing up time to focus on higher-value tasks such as service improvement and complex case management.[272]

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269   See previous reference to the Medicare Payment System and Immigration Records Infrastructure System; and other examples, including Department of Agriculture and Water Resources, submission to the Independent Review of the APS, 2018; Australian Pesticides and Veterinary Medicines Authority, *APVMA Digital Strategy 2018–2022*, 2018.

270   Singapore Government, *Digital Government Blueprint: A Singapore Government that is digital to the core, and serves with heart*, 2018.

271   Productivity Commission, *Data Availability and Use: Inquiry Report,* No. 82, 2017.

272   Analysis undertaken by McKinsey & Company for the Independent Review of the APS.

Recommendation 14

Conduct ICT audit and develop whole-of-government ICT blueprint.

- DTA and Finance to conduct a whole of government ICT audit to identify:
    - current and forecast ICT expenditure and assets
    - systems scheduled for retirement or no longer supported by software vendors (and associated risks)
    - future requirements, and
    - any urgent ICT capital investment needs.
- Following the audit, Government to commission DTA, with Finance and the transformation leader, to develop a whole of government ICT blueprint that:
    - ensures that the APS has fit-for-purpose ICT systems to support the business of Government
    - identifies platforms to be core, common or bespoke
    - outlines a plan for managing risks posed by legacy and unsupported systems, and
    - settles an ICT investment pipeline.
- Secretaries Board to support preparation of audit and blueprint and submit them to Government.

Implementation guidance

- Complete audit within six months; submit blueprint to Government by end-2020.
- Keep ICT audit current and update the blueprint every two years.
- Publicly release the blueprint. Build on the experience of countries like Singapore.
- Ensure audit and blueprint are comprehensive — include ICT strategy and governance, projects, procurement, assets, systems and services, cyber security, and service delivery models.
- In treating risks of legacy and unsupported systems, seek to maintain the continuity of the business of government at all times.
- Consider the 2012 Queensland Government ICT audit as a useful model in implementing this recommendation.

Building data and digital skills

The APS needs to use data to provide better advice to the Government and better services to all Australians. This requires building capability in data and digital expertise. Currently, 65 per cent of APS agencies cite skills and capability as a barrier to using data, and 58 per cent think that they are under-skilled in the digital aspects of delivering for the Australian people.[273] The APS will attract the people it needs by being inclusive and innovative in its approach to digital capability development — including upskilling existing employees, recruiting people with the necessary skills and working with academia and the private sector to deliver better digital services.

The APS can be an attractive place to work for aspiring data and digital specialists, and the APS is moving in the right direction to recruit people with the necessary skills. In 2018, there were over 1,300 applicants for just 140 positions in APS digital emerging-talent programs, such as the digital apprenticeships, digital graduate, and digital cadetship programs.[274]

Services Australia's Centre for Augmented Intelligence — established in late 2018 — is a step in the right direction.[275] But centres of excellence such as these should have greater whole-of-service responsibilities to kick-start large APS-wide projects. At a minimum, an APS-wide centre of excellence in data analytics would ensure that all agencies can take full advantage of the benefits that data analytics has to offer. Centres of excellence will allow the talents from academia, business and the community to work together to deliver better digital services to Australians.

As part of the professions model, the APS should create a genuinely compelling offer to work in data, digital and broader technology roles in the public service. A data and digital profession, or separate but linked professions for data and digital experts, are an early priority in deepening in-house APS capability to support an ambitious digital transformation.

A key area of development is to ensure that the APS has the skills required in digital sourcing, often referred to as ICT procurement. According to some estimates, the federal government is the single biggest purchaser of ICT equipment in Australia — the APS needs considerable in-house skills and knowledge to ensure that it is getting the correct products to deliver outcomes, as well as value for money.

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273   APSC, State of the Service Report 2017–18, 2018, p. 93.

274   Information provided by the DTA.

275   D. Bushell-Embling, *DHS opens AI Centre of Excellence in Canberra*, Govtech Review, 2018.

Recommendation 15

Build data and digital expertise across the service by applying the professions model and creating centres of excellence.

- PM&C and heads of DTA and ABS, with APS Commissioner, to establish a digital and data profession for the APS.
- Profession to prioritise development and retention of core in-house capabilities, including:
  - creating new learning and development opportunities to lift APS wide generalist skills and understanding of digital and data
  - attracting specialists in visualisation, advanced analytics, automation, gamification, cyber security and artificial intelligence, and
  - focusing APS engagement with digital product and service providers on value for money and outcomes.
- Secretaries Board to advise Government on new and strengthened dedicated centres of excellence in data and digital techniques. Centres of excellence to have a mandate to pilot and drive service wide initiatives.

Implementation guidance

- Consider establishing separate but linked data and digital professions, or a combined data and digital professional, consistent with overall design of the professions model.
- Seek advice on lessons learned and best practice from leaders of the Data, Digital and Technology profession in the UK Civil Service.
- Work with private sector, non-government and universities to build APS data and digital expertise.

Seamless services — built on trust

By 2030, Australian people and businesses should have simple and seamless interactions with 'one government' rather than individual agencies. Services should be simple and reliable, highly personalised and proactive, made available to people when they need them, and integrated across agencies and levels of government. Australians must be able to trust government services.

Advances in technology and processing power have unlocked new insights. They have created an unprecedented opportunity for improved decision-making, greater personalisation and service delivery tailored to local needs — for individuals and businesses. Technology has enabled the public to interact with the Government where and how they choose. Gone are the days where government services were benchmarked against other government services. People expect government services to be comparable with nimble, app-driven services in the private sector.[276]

The inability for successive governments to keep up has led to low levels of customer satisfaction compared to leading private sector entities and to other jurisdictions such as Service NSW (Exhibit 5.6).[277] While users of specific government services report higher satisfaction levels, globally, the loss of satisfaction leads to people trusting their governments less.[278] Keeping users satisfied is crucial if the APS is to rebuild and maintain trust. Australians who are satisfied with government services are twice as likely to trust their government.[279]

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276   T. Allas et al., *Delivering for Citizens: How to triple the success rate of government transformations,* McKinsey Center for Government, 2018; Boston Consulting Group, *Scenarios for 2030*, 2018.

277   PM&C, *The Citizen Experience Survey: Early insights from APS research conducted over 2018–19* [unpublished, full results expected to be published mid-2020]; Service NSW, *Annual Report 2018*, 2018.
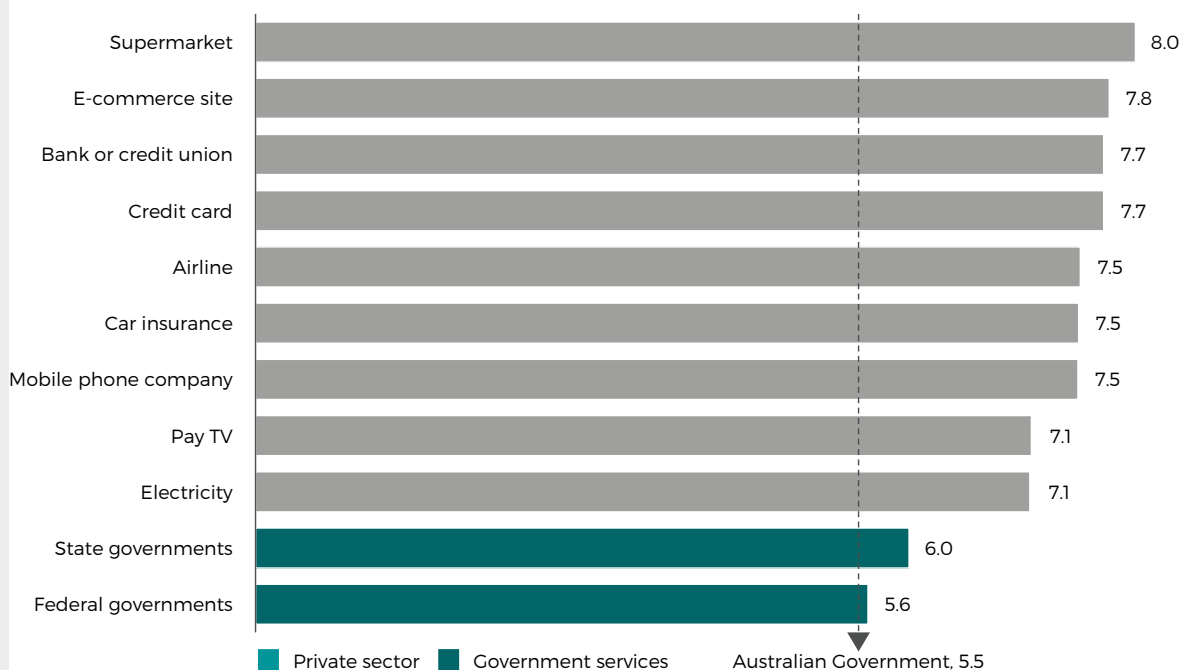
278   OECD, *Government at a Glance*, 2013, Chapter 1.

279   Analysis undertaken by McKinsey & Company for the Independent Review of the APS.

Exhibit 5.6

Australians are less satisfied with government services than with private
sector services[280]

Average customer satisfaction scores in the global index,
scale of 1 to 10 (1: extremely unsatisfied, 10: extremely satisfied)

Supermarket	8.0
E-commerce site	7.8
Bank or credit union	7.7
Credit card	7.7
Airline	7.5
Car insurance	7.5
Mobile phone company	7.5
Pay TV	7.1
Electricity	7.1
State governments	6.0
Federal governments	5.6

■ Private sector   ■ Government services   ▼ Australian Government, 5.5

Mistrust creates serious risks for government legitimacy, hampers economic activity and
undermines the impact of policies, programs and service delivery.[281] These are compounded
by missteps in analytics (for example, Robodebt) and technology (for example, the Census
outage in 2016). When it comes to data theft and cyber security, higher standards are
rightly applied to the Government than to other organisations.[282] The consequences on
service delivery is real: 2.5 million Australians opted-out of My Health Record following
42 data privacy breaches.[283] A 2019 Forrester study found that for every one-point increase
in an agency's customer experience index, 2 to 3 per cent more customers will comply with
obligations, engage proactively, and forgive mistakes.[284] Transforming today's government
services will not be easy — complexity in policy, business and technology systems has built
up over decades. However, the benefits of improving services are exponential.

280   Based on a study conducted across Australia, France, Germany, Mexico, USA and the UK (n=228,000); McKinsey & Company,
       Public Sector Journey Benchmark Survey, January 2018 – June 2019, 2019.

281   OECD, *Trust in Government [website]*, 2019, <https://www.oecd.org/gov/trust-in-government.htm>.

282   Boston Consulting Group, *Scenarios for 2030*, 2018.

283   Australian Digital Health Agency, *Annual Report 2017–18*, 2018; Commonwealth of Australia, *Official Committee Hansard –
       Senate – Community Affairs Legislation Committee – Estimates – Wednesday, 20 February 2019*, Canberra, p. 97.

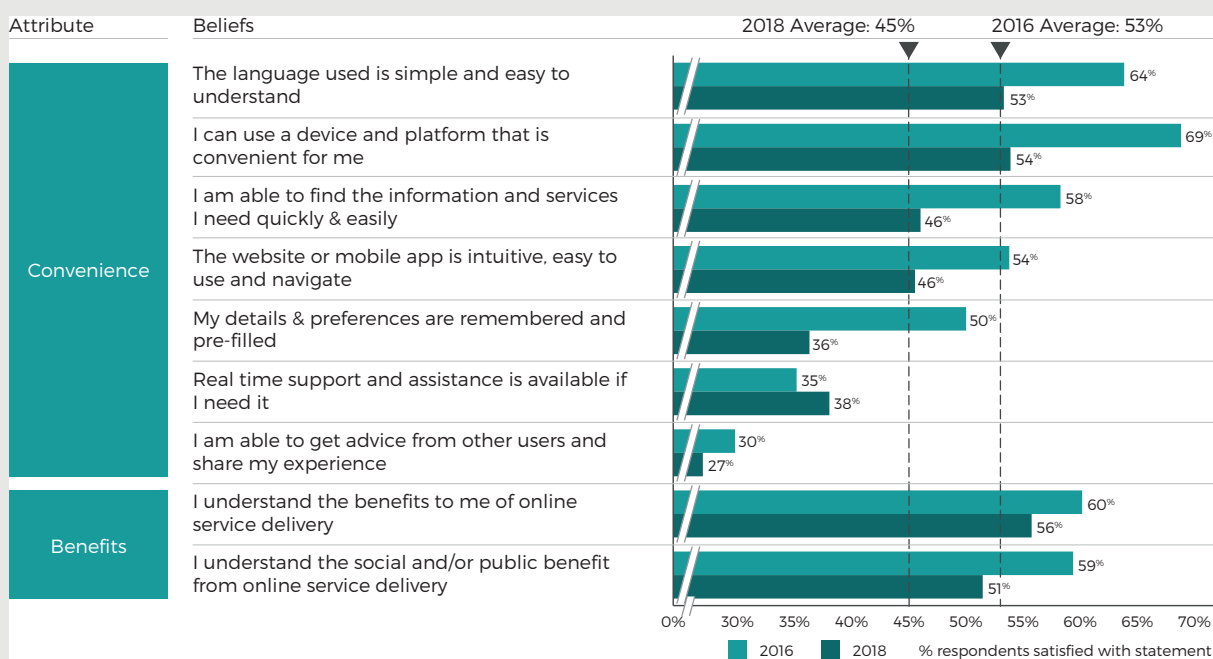284   R. Parrish, *Why and How to Improve the Government Customer Experience*, Forrester, 2019.

Transforming digital capability

The digital capability of government services needs to be transformed to meet public expectations and build trust in government. Despite a number of large domain-specific investments in service-delivery transformation, the APS is struggling to keep pace with expectations. User satisfaction in specific digital services is dropping (Exhibit 5.7). While 74 per cent of Australians agree that government services have improved since 2016, satisfaction is down 12 per cent.[285]

Exhibit 5.7

Australians are finding government services inconvenient and difficult to navigate[286]

Attribute	Beliefs	2018	2016
Convenience	The language used is simple and easy to understand	53%	64%
	I can use a device and platform that is convenient for me	54%	69%
	I am able to find the information and services I need quickly & easily	46%	58%
	The website or mobile app is intuitive, easy to use and navigate	46%	54%
	My details & preferences are remembered and pre-filled	36%	50%
	Real time support and assistance is available if I need it	38%	35%
	I am able to get advice from other users and share my experience	27%	30%
Benefits	I understand the benefits to me of online service delivery	56%	60%
	I understand the social and/or public benefit from online service delivery	51%	59%

2018 Average: 45% 2016 Average: 53%

0% 30% 35% 40% 45% 50% 55% 60% 65% 70%

■ 2016 ■ 2018   % respondents satisfied with statement

Q11. How satisfied or not are you with the following aspects? — of a specified digital government service. Response options range from 1 to 7, where 1 = Extremely dissatisfied, and 7 = Extremely satisfied. Respondents who selected 6 or 7 have been included to assess "Satisfied".

Fragmentation of services across agencies is a major pain point. The APS lacks a coherent architecture to join up services across its own agencies, and with other levels of government and other sectors.[287] While most customers want to interact digitally, they often have to

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285   Boston Consulting Group, *Global Digital Government Survey*, 2016 and 2018.

286   Boston Consulting Group, *Global Digital Government Survey*, 2018.

287   C. Althaus & C. McGregor, op. cit.

navigate multiple government sites to understand the services relevant to them.[288] Many agencies that manage discrete service delivery processes and systems do not readily integrate or share data.

Additionally, sharing of data and digital technologies is constrained by entrenched complexity in the legislation and policy underpinning government services. For example, delivery of a digital identity service has been impeded by disparate definitions of identity across agencies, and outdated policies requiring identity to be verified in person.[289] There are multiple disjointed criteria sets for cross-cutting terms, such as 'dependent child' or what it means to have a disability.[290]

This can make seeking help from the Government, at a time of need, a depersonalised process. It limits people's ability to self-serve. The 2015 McClure Review of Australia's Welfare System found that major reform of social services policy was needed to deliver better outcomes for Australians and enable service-delivery transformation.[291]

Integrated, personalised and proactive services

Increasingly, leading governments are integrating services based around the needs of people, particularly after major life events:

- New Zealand's SmartStart integrates perinatal services, reducing the time new parents spend navigating government services by up to four hours.[292]
- Canada achieved C$2.5 billion in savings over five years and increased user satisfaction from 64 to 72 per cent by redesigning services around life events.[293]

Providing this high level of personalisation and integration, across boundaries of the Government, requires a single digital identity solution where the public are able to verify to public and private service providers who they are — simply and easily. A single solution will allow government, and non-government, information to be joined up. The APS can then reliably and securely link datasets and information — and protect individual privacy.

Further, advanced analytics are being used to make services more proactive, targeted and personalised. For example, the Department of Employment, Skills, Small and Family Business is piloting a new employment-services model which uses data analytics to understand what works for whom. Based on their circumstances, jobseekers would then be offered a combination of supports, such as training or subsidies, most likely to deliver an employment outcome.[294]

288   Boston Consulting Group, *Global Digital Government Survey,* 2018.

289   Department of Social Services, *Guide to Social Policy Law: General Procedures for Confirming & Verifying Identity,* 2016.

290   *Social Security Act 1991,* Part 1.2; *A New Tax System Act 1999,* Part 3.1; *National Disability Insurance Scheme Act 2013,* Chapter 3.

291   Reference Group on Welfare Reform, *A New System for Better Employment and Social Outcomes,* 2017.

292   DIGITAL.GOVT.NZ, *SmartStart: A new type of service* [website], 2019, <www.digital.govt.nz>.

293   Boston Consulting Group, *Citizens, Are You Being Served?,* 2011.

294   Employment Services Expert Advisory Panel, *I Want to Work: 2020 Employment Services Report,* 2018.

The rules for government services could enable a more personalised approach. In the early 2000s, for example, Dutch nurses had grown dissatisfied with increasingly over-standardised public health services. They established 'Buurtzorg' (meaning neighbourhood care), a social enterprise which devolves decision-making to frontline nursing teams — allowing them to develop holistic patient solutions. Buurtzorg has helped patients regain their independence 25 per cent faster and has achieved patient satisfaction scores 30 per cent above the national average.[295] This is the kind of innovation the APS needs to encourage and develop.

The APS needs to truly place the people of Australia at the centre of design and delivery.[296] Customer-centricity builds trust through increased customer satisfaction. It deepens employee engagement by finding innovative new ways to deliver services. It reduces delivery risks and costs through creating early alignment and joint ownership. Behavioural economics can also assist with service design.

Both private and public sector data show that service-delivery costs can be reduced by 15 to 25 per cent when employing a customer-centric approach to service delivery.[297] These benefits have been replicated across industries — most are moving to put the customer in the room as they develop new services, make new products and define new strategies. Customer-centric design has been used by the APS with great success, for example, in Services Australia and the Australian Taxation Office.[298] It is, however, the exception rather than the rule, and should be done systematically on a joined-up basis across the APS.

A rare opportunity

If we change the culture to make sure we are focused on delivering the best service possible … then that permeates right through the organisation.

Victor Dominello MP, NSW Minister for Customer Service[299]

The Government's announcement in May 2019 of Services Australia as a vehicle for more integrated service delivery is an important opportunity to accelerate a new digital services and customer-oriented culture — building on work already done in service delivery.[300]

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295   Centre for Public Impact, *Buutzorg: revolutionising home care in the Netherlands,* 2018.

296   This is clearly outlined in the Department of Human Services submission to the Independent Review of the APS, 2018.

297   McKinsey & Company, *Customer experience: New capabilities, new audiences, new opportunities,* 2017.

298   E. Fuller, *Artificial intelligence transforms even the most human services*, Microsoft, 2017; CX Central, *How the Australian Tax Office is using a virtual assistant to improve self-service*, 2016.

299   A. Chanthadavong, *Dominello on new Services Australia,* InnovationAus.com, 2019.

300   Department of Human Services, submission to the independent review of the APS, 2018; R. Crozier, *Govt to set up new 'Services Australia' agency*, itnews, 2019.

It leverages the existing connection Services Australia has with the communities and people it serves, and creates a single-point of accountability for customer experience. It can develop reusable services (such as a single system for verifying identity) and strengthen digital capabilities. This is a good foundation from which to build a longer-term vision for service delivery.

Multiple governments have had similar ambitions, going back to the 1997 creation of Centrelink. Since then, increasingly complex operating environments and legacy systems have persistently slowed efficient service delivery.

Services Australia is being modelled on Service NSW — which maintained a 97 per cent customer satisfaction score in its first five years of operation.[301] Similar satisfaction rates may be difficult to achieve, as the Australian Government provides more complex services than those offered by Service NSW. Nevertheless, the Government must aim to deliver high-quality services to satisfy all Australians.

The mandate, implementation plan and measures of success for Services Australia should be based on the following principles:

- **Create a quantifiable step change** in the quality of services provided to Australians.
- **Remove user pain points** and improve customer experience for Australians, building on and accelerating the work underway.
- **Simplify.** Ensure that product simplification, implementation and service delivery are considered throughout the policy development process — breaking down silos across the APS to deliver better, seamless services for citizens.
- **Attract the best.** Strengthen the APS's ability to attract talent with strong service backgrounds (both public and private) and data literacy to accelerate an innovative and data-driven culture.
- **Streamline.** Continue to streamline a single access point for digital interactions, and ensure more complex cases are handled by those with the domain expertise.
- **Be pragmatic.** Reuse existing assets to avoid becoming burdened with ageing or outdated service delivery infrastructure.

While the focus of Services Australia is expected to be on human services, there are also opportunities to improve service delivery to businesses and in areas such as natural resource management. The same principles apply to people and businesses — users are at the heart of policy and the process and should only have to enter information once.

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301   Service NSW, op. cit.

For example, New Zealand is assigning a unique 13-digit identifier to businesses.[302] The identifier is linked to key business data such as trading names and other details — ensuring that businesses (large and small) do not need to provide this information to the Government time and again. It also means businesses will receive pre-populated forms and be assisted with e-invoicing of payments and receipts between different business entities. The business-identifier initiative is expected to save New Zealand businesses NZ$30 million a year from 2021.[303] There are other examples of how designing services around user needs, with innovation in digital delivery, can improve service quality (Box 4.3).

Box 4.3

Government services should be built around serving people and businesses, not government agencies[304]

AUSTRALIA

Australia is piloting a new employment services model which will be more

· *Digital:* Freeing up jobseekers' time to focus on finding the right role
· *Personalised:* Using technologies to enable tailored case management
· *Proactive:* Jobseekers and employers will find each other faster through targeted nudges
· *Efficient:* Optimising resources for those who need the most support

ESTONIA

In Estonia, government believes services should be so seamless that they are virtually invisible. Proactive services are tailored to key life stages. Just had a baby? No need to register. Government has done that for you.

> *The best service is something that you even didn't notice you got.*

Marten Kaevats, National Digital Advisor of Estonia

NEW ZEALAND

New Zealand was the first country to implement an end-to-end online passport renewal service.

Over half of all adult passports are now renewed online – over 2,000 people each week. It takes less than five minutes to complete and delivers passports within three days.

302   NZBN, *NZBN: More business, Less Work*, [website], 2019, <https://www.nzbn.govt.nz/>.
303   New Zealand Government, *Budget 2017: New Zealand Business Number (NZBN) Initiative*, 2017.
304   Department of Employment, Skills, Small and Family Business, *New Employment Services Model*, 2019; N. Rohaidi, *Exclusive: Estonia's vision for an invisible government*, GovInsider, 20 March 2019; New Zealand Government, *Result 10 Blueprint*, 2014.

Recommendation 16

Deliver simple and seamless government services, integrated with states, territories and other providers.

- Government to commission Secretaries Board, working with Services Australia and the DTA, to develop a 2030 roadmap for services delivery, guided by core principles:
  - people at the centre of service delivery
  - a single access point to all government services, and
  - seamless experience for all users of digital, physical or telephone services.
- Secretaries Board to support preparation of roadmap and submit it to Government by end-2020.

Implementation guidance

- Prioritise, understand and address user pain points and expectations.
- Set ambition to integrate services seamlessly with other jurisdictions and private providers, and work collaboratively to get there. Provide a single digital access point with states and territories, with integrated call centres and storefronts playing a supportive role.
- Plan for progressive roll-out, using trials and pilots.
- Focus first on simple, high-volume services then on more complex services including intensive case management. Over time integrate services for business and not-for-profit organisations, and areas such as natural resource management.
- Make product simplification part of the policy development process and use analytics to support policy and service design.
- Retain agency accountability for core systems and decision-making, with detailed boundaries defined on a portfolio basis.

Supporting staff with common, high-quality services and tools

Like many organisations, the APS operates back-office enabling services such as finance, HR, ICT, property, facilities and knowledge management systems. These services support APS employees to do their work — from delivering services and undertaking projects to providing policy advice to government and regulating industries. The cost and quality of these enabling services is critical to the APS's capability, productivity and ability to serve Australians and deliver government priorities.

The Digital First live briefing system developed by PM&C is a positive example of this.[305] The digital system has proved highly successful by enabling accurate and timely communication between ministers and the APS — supporting workflow, monitoring and prioritisation of briefs.

In the period following the Coombs *Royal Commission*, primary responsibility for providing enabling services moved from central providers to line agencies.[306] Today, each APS agency operates most of their enabling services separately. There are exceptions: some agencies share a limited number of enabling services on an *ad hoc* basis and, through the Shared Services Program, the APS is progressively standardising and automating some transactional services through six designated shared services hubs.[307]

Current arrangements for provision of APS enabling services provide two core challenges.

First, fragmented enabling systems and processes undermine a genuinely joined-up APS. Agencies cannot share data easily and have different ICT operating environments. Currently, the APS operates over separate 170 Enterprise Resource Planning systems.[308] In a survey undertaken by the review, 71 per cent of APS staff disagreed that standardised systems facilitate staff to move seamlessly between agencies.[309] There is little integrated management or systematic sharing of knowledge across the APS, weakening institutional memory and leading to less effective community interactions.[310]

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305   A. Tiernan et al., *Being a trusted and respected partner: the APS' relationship with Ministers and their offices*, ANZSOG, 2019, p. 24.

306   The extensive range of services provided centrally in the APS at the time of the Coombs Royal Commission included office accommodation and property, procurement, legal services and telecommunications: H. C. Coombs et al., op. cit., paragraph 4.3.23.

307   Finance, *Shared Services Program: Overview*, 2018.

308   Analysis undertaken by the Independent Review of the APS.

309   The Independent Review of the APS surveyed more than 900 APS staff in 2019 to help build a comprehensive picture of the current operating practices (the Operating Practices survey) of the APS.

310   C. Althaus & C McGregor, op. cit.

Second, many APS Enterprise Resource Planning ICT systems that support back-office functions are becoming obsolete. ICT devices and end-user software for employees are outdated, and industry sources estimate that as much as half of Australian Government ICT equipment is beyond its recommended shelf life.

Consultations for this review reinforce these conclusions. Workshops highlighted the need for better internal systems and technology to support cross-APS collaboration and address frustrations with current enabling services. Participants proposed the APS develop 'a unified communications, technology and data platform that serves the whole APS and enables collaboration, employee services and access to data'.[311] The review's online discussion forum echoed that current enabling services are undermining APS productivity and collaboration, and supported improvements.

The current state of APS enabling services, both their quality and fragmentation, undermines collaboration and APS productivity. This undermines the employee experience. Like the public, employees value experiences that are personalised, proactive and integrated.[312] This is a critical factor in attracting and retaining talent (including for critical data and digital skillsets) and in lifting engagement.[313] In the private sector, companies that invest in the employee experience are over four times as profitable as those that do not.[314]

The APS will need, in coming years, to replace ageing ICT platforms for its enabling services. Automation and digital transformation of these services offers significant benefits as demonstrated by contemporary case studies:

- Bots have been used to automate the new employee onboarding process, including creating employee IDs, allocating workspaces, updating distribution lists and creating employment contracts. This has reduced turnaround time by more than 90 per cent while simultaneously improving accuracy.[315]
- Finance's Service Delivery Office is using robotic process automation to calculate fortnightly superannuation entitlements — a process that once averaged 17 minutes now takes two to three minutes.[316]

311   Inside Policy, *An Independent Review of the Australian Public Service: A detailed consultation report*, 2018, p. 5.
312   Accenture, *Improve the employee experience* [website], 2019, <https://www.accenture.com/au-en/insight-improve-employee-experience>.
313   Deloitte, *Winning over the next generation of leaders,* 2016.
314   J. Morgan, *The Employee Experience Advantage, John Wiley & Sons,* 2017.
315   Boston Consulting Group, *What's Holding Back Digital Shared Services?,* 2018.
316   Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4,* 2019, p. 9.

The review concludes that the APS needs to be more joined-up to meet the challenges of a complex, connected world. Enabling systems need to support this — facilitating mobility, data and knowledge sharing across the service, and more dynamic and responsive ways of working. To meet this need, the APS needs to establish a common foundation of high-quality enabling services, supported by modern and interoperable ICT systems.

The process will require upfront investment to enable long-term efficiencies that come from better and automated services. This will bring broader productivity returns, including by:

- freeing HR and finance staff from data processing functions to more strategic, value-add functions
- enabling staff to access different buildings on a single security pass
- providing contemporary office tools that support new ways of working, and
- supporting seamless knowledge and data sharing, allowing staff across agencies to work simultaneously on common documents and access common knowledge and data repositories.

Through the Shared Services Program, the APS has already commenced consolidation and standardisation of the delivery of HR and financial services through designated Provider Hubs and by introducing common enterprise resource planning systems across the APS. Provider Hubs have started to coordinate their investment in these systems. This provides a good platform for the APS to ambitiously develop and invest in contemporary whole-of-service enabling systems and tools.[317]

The value of common and interoperable ICT systems was demonstrated during the transformation of the Scottish civil service. Whole-of-government ICT infrastructure, common processes and shared systems were implemented, making it easier for agencies to share information and collaborate.[318]

The review is conscious of the challenges in moving to more centrally-supported enabling services.[319] It is important to cater for the needs of different agencies and deliver long-term value for money. The experience of public and private sector organisations offers crucial lessons that will help establish and provide high-quality, digital enabling services for the APS (Exhibit 5.8).

317   Information provided by Finance.

318   Digital Scotland, *Realising Scotland's full potential in a digital world: A digital strategy for Scotland, 2017; Audit Scotland, Enabling digital government,* 2019.

319   Finance, *Shared Common Services Discussion Paper,* 2015, p. 3.

Exhibit 5.8

Lessons in establishing and providing high-quality common enabling services[320]

Set the foundations	1. ***Define a streamlined, unified operating model for support functions,*** with an activist governance body responsible for transforming enabling services and a clear roadmap on which practices and responsibilities will be centralised
	2. ***Simplify and standardise policies and processes*** across agencies to the greatest extent possible, with prioritisation based on a 'top-down' view of the greatest opportunity areas
Treat employees the same way you treat customers	3. ***Co-design end-to-end employee journeys*** that address the frictions of dealing with multiple functions, with an emphasis on the moments that matter (e.g. returning from parental leave)
	4. ***Focus on an excellent employee experience,*** using design methods centred on users, and less on savings to follow
	5. ***Create processes that are so simple*** that employees don't need to ask for help or clarification
	6. ***Empower employees to be able to use devices*** for most of their back-office work
Make use of next-generation technology, but understand how it fits within a broader digital agenda	7. ***First lay the groundwork*** to understand the changes to policy and data required for simplicity, consistency and new technologies such as robotic process automation and artificial intelligence to work (e.g. standardising and digitising invoices across agencies to take advantage of robotic process automation)
	8. ***Implement new technologies as part of an integrated program,*** allowing processes and data environments to be re-engineered for multiple-use cases, not just one specific technology
	9. ***Take a data-driven approach***, including building fast feedback loops enabled by analytics
	10. ***Consider a multi-vendor strategy*** that identifies the best offerings for specific functions, uses a modular architecture to reduce reliance on large multi-purpose systems, and takes advantage of cloud-based solutions
Build teams that are highly skilled in data and digital with critical mass	11. ***Attract and build talent*** with the skills to solve for process standardisation, design excellent customer experiences and embed new technology such as artificial intelligence and robotic process automation
	12. ***Create central highly skilled teams with critical mass*** to set policies and standards for digital services, be deployed across initiatives as needed, and meet the needs of different locations and agencies
	13. ***Run lighthouse projects*** to generate quick lessons, start to change the status quo, and address any scepticism

320   Boston Consulting Group publications: *What's Holding Back Digital Shared Services,* 2018; *Taking Shared-Service Organizations to the Next Level,* 2015; *A Radical Redesign for Support Functions in the Digital Age,* 2019; *What to Do When Support Functions Aren't Ready for Digital,* 2018; *How Digital Can Turbocharge Shared Services,* 2017.

Recommendation 17

Adopt common enabling tools and services to support efficiency, mobility, and collaboration.

• Agency heads to provide common enabling tools for APS employees and use common or interoperable enabling services.

• Transformation leader and Finance to lead introduction of common enabling tools and services, with investment priorities approved by Secretaries Board in accordance with government-agreed criteria.

Implementation guidance

- At a minimum common or interoperable internal ICT systems need to meet the basic needs of a medium-sized agency to fulfil its corporate (non-policy) functions.

- Design and prioritise investment in enabling tools and services to improve efficiency, mobility and collaboration among APS employees.

- Begin with enabling tools (such as a real-time collaborative suite of products used to PROTECTED/Cabinet level), and HR, ICT, finance and data enabling systems. Over time extend to records management, customer-relationship management, case management, property management, asset management, security and other functions.

- Provide a federated Cabinet-level document-editing suite that enables sharing and co-authoring of Cabinet classified documents in real time.

- Standardise and optimise internal agency business policies and practices to support common enabling systems.

- Trial and scale-up across the APS the use of artificial intelligence, automation, data analytics and other technologies to deliver better and more efficient enabling services and tools.

Making better use of data

To most effectively support successive governments and Australians, the APS needs to use integrated datasets and advanced analytics, including machine learning. Better use of data to support policy decisions, improve and tailor services, facilitate risk-based regulation and conduct targeted evaluations will be one of the most significant changes to effect the APS in coming decades.[321] This will allow the APS to model, measure and improve policies, service delivery and efficiency. Data will need to flow securely between agencies, and Australians will need to trust the Government to collect and use data about them. Non-sensitive data, research and analysis held by the Government should also be made open to the public, leading to greater commercial, research and public purpose innovation.

The value of data is increasingly being recognised in the APS and other governments. Internationally, governments are increasingly exploring ways to use data to improve services, inform policy-making, provide more effective regulatory oversight, and fuel private sector innovation (Exhibit 5.9).

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321   Department of Home Affairs, submission to the Independent Review of the APS, 2018. See also Australian Taxation Office, submission to the Independent Review of the APS, 2018, among others.

Exhibit 5.9

International examples highlight new ways to put government-held data to good use[322]

The UK and Google are using machine-learning algorithms to diagnose common eye diseases by analysing optic nerve scans faster and more accurately

Singapore are using artificial intelligence to reduce procurement fraud by alerting officials to suspected suppliers and employees involved in suspicious deals

Mexico is using data to improve distribution of social services by identifying individuals who qualify for particular programs and those who need assistance

Chicago is piloting a new job-seeker system that can match potential applicants with job descriptions, recognising multiple terms for the same skill and identifying skills gaps

Qatar is using an artificial intelligence-model to correlate tweets about infrastructure damage or human casualties with hard data about natural disasters to deliver a faster and more targeted response

Japan is using artificial intelligence to draft responses used in policy-making by mining past opinions on policy issues

322 M. Basu, *Exclusive: Singapore trialling AI to predict procurement fraud*, GovInsider, 2016; C. Chin, *Japan trials AI for parliament use*, GovInsider, 2016; D.T. Ngyuen, et al., *Damage Assessment from Social Media Imagery Data During Disasters, IEEE/ACM International Conference on Advances in Social Networks Analysis and Mining*, 2017; Secretaría de Desarrollo Social (Mexico), *Enhancing the distribution of social services in Mexico*, 2016; D.S.W. Ting, et al., *Artificial intelligence and deep learning in ophthalmology*, British Journal of Ophthalmology, Volume 103, Issue 2, 2018.

A data-driven culture

To better harness the value of the data it holds, the APS needs to treat data as a national strategic asset. This needs to be underpinned by a data-driven culture.

APS employees need to appreciate the value of data. Ongoing effort and investment in data integration and analytical capability is required in order to realise APS potential. This requires a data-driven culture where leaders and staff care about data quality and usability, and are meticulous when collecting, buying and handling data — reducing the risk that data needs to be cleansed or remediated later on.

A data-driven culture means continually finding new ways to use data — encouraging curiosity and critical thinking and building on intuition and experience to inform evidence-based decisions. Staff must use data to test hypotheses, prompt critical questions, measure the progress of outcomes and inform future spending decisions. They must be motivated to maximise the value of data and seek opportunities to make high-value data easy for others to discover and use.

Building a data-driven culture will require overcoming the culture of risk aversion and legislative barriers that prevail in the APS. Today, government agencies hold vast amounts of data which delivers immense value. But despite the clear benefits, sharing of data between agencies, and with the public more broadly, remains restricted.

Evidence examined in the Productivity Commission's inquiry into data use pointed to data being systematically siloed in the public sector, with little sharing between agencies or beyond.[323] This is, in part, driven by a complex web of legislation and burdensome approval processes which reinforce a culture of risk aversion.[324]

When data are exchanged, it is largely point-to-point through bilateral Memorandum of Understanding agreements. In one example, an agency had up to 11 Memorandum of Understanding agreements with the same department.[325] This distracts employees from making data a part of the everyday work of the agency and is compounded by a deficit of data and digital skills and capability.[326]

As part of the required step change, senior leaders of the APS must be held accountable for the quality of their data assets.

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323   Productivity Commission, *Data Availability and Use: Inquiry Report,* No. 82, 2017, p. 145.

324   ibid., p. 138.

325   PM&C, *Public Sector Data Management,* 2015.

326   APSC, *State of the Service Report 2017–18,* 2018, p. 93.

Integrated datasets

The APS must extend the use of data to inform policy-making and increase the effectiveness of regulation. Integrated datasets can be used to rigorously develop and improve policies. For example, analytics are being used to increase the effectiveness and lower the cost of government services by identifying early interventions for people at risk. The New Zealand Treasury uses data collected about the same individuals over decades to identify youth at risk of poor outcomes in adulthood, providing valuable insight into the effectiveness of policies.[327]

Data can be better used to streamline and improve the effectiveness of regulation. For example, the US Food and Drug Administration and the European Medicines Agency have worked together to harmonise data standards for regulatory submissions, reducing duplicate efforts for pharmaceutical businesses when submitting data for drug applications or manufacturing audits.[328]

The secure and automated exchange of data between agencies is a critical enabler for more proactive, efficient and personalised government services. For example, Estonia's 'once only' policy mandates that the state is not allowed to ask the public for the same information twice. People can access hundreds of digital services through a central portal to find what they need, such as their medical prescription or personal incapacity benefit.[329] To achieve this, Estonia has developed whole-of-government data-sharing infrastructure, known as X-Roads, to share information securely between agencies.[330] This is the type of innovation and customer-centric approach that the APS needs.

Increased innovation

Open sharing of government-held data can enhance the transparency of governments which, for example, encourages service-delivery agencies to provide higher-quality and more efficient services. Not only does more open data lead to public uses that could not have otherwise been conceived, it improves community-wide trust. It can lead to a more engaged and empowered public, resulting in greater participation and improved public debate. Open data stimulates innovation in the private, academic and non-government sectors, with businesses improving or introducing new products and services.[331] The APS could increase transparency and make data available to fuel this type of private sector innovation.

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327   Productivity Commission, *Data Availability and Use: Inquiry Report*, No. 82, 2017, p. 112.

328   Enigma, *Whitepaper on Using Analytics Transform the Regulatory Compliance Ecosystem for a more innovative U.S. Economy,* 2017, p. 7.

329   J. Tito*, Ever evolving, e-Estonia,* Centre for Public Impact, 2017.

330   e-estonia, *Interoperability services,* [website], 2019, <https://e-estonia.com/solutions/interoperability-services/x-road/>.

331   B. Marr, *Starbucks: Using Big Data, Analytics And Artificial Intelligence To Boost Performance*, Forbes, 2018; L. Read & L. Korenda, *How do consumers navigate the health care frontier?*, Deloitte Insights, 2018.
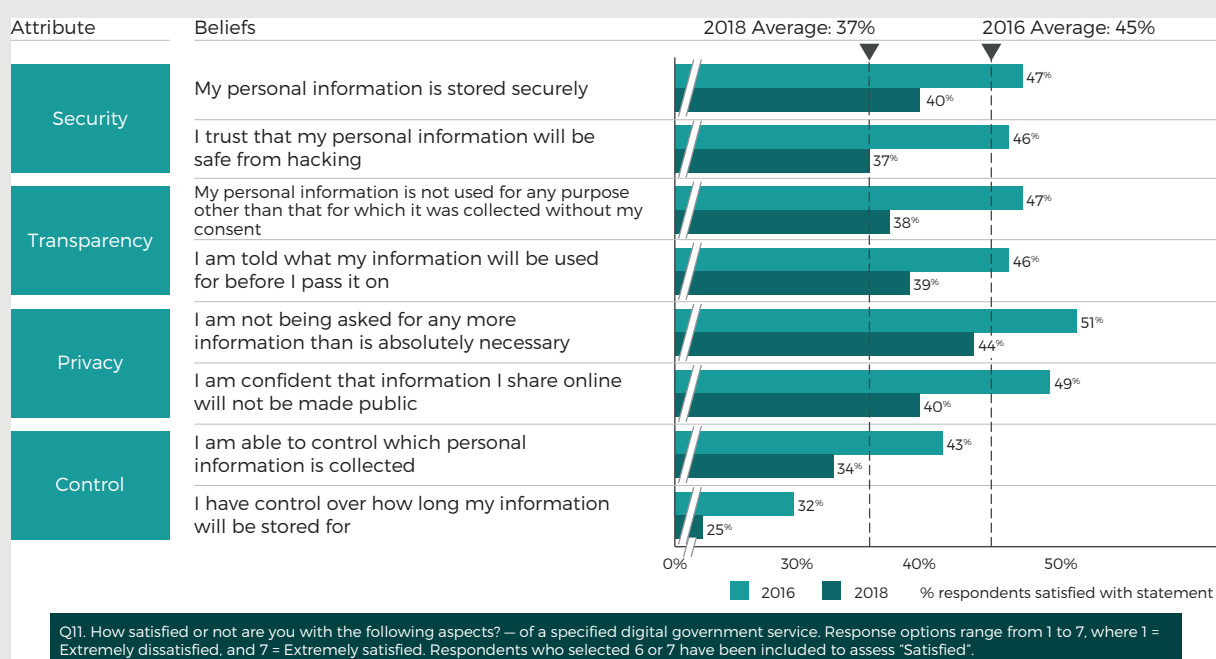
Data control

The Government's ability to make better use of data relies on the trust and consent of Australians to capture and use data about them. People are more willing to allow data about themselves to be used when they understand what the data are used for, can see tangible benefits, and have control over the use of data about them.

Most Australians believe that the Government should use the data it holds to improve services, evaluate program effectiveness, and ensure that people are receiving the right entitlements.[332] However, confidence in the APS's ability to manage and protect government data is low. Most Australians believe their information is not secure, that they are asked for unnecessary personal information, and that they lack control over data about them (Exhibit 5.10), regardless of whether those perceptions are based on reality.[333]

Exhibit 5.10

Australians are losing confidence in the Government's ability to manage and protect their data[334]

Attribute	Beliefs	2016	2018
Security	My personal information is stored securely	47%	40%
Security	I trust that my personal information will be safe from hacking	46%	37%
Transparency	My personal information is not used for any purpose other than that for which it was collected without my consent	47%	38%
Transparency	I am told what my information will be used for before I pass it on	46%	39%
Privacy	I am not being asked for any more information than is absolutely necessary	51%	44%
Privacy	I am confident that information I share online will not be made public	49%	40%
Control	I am able to control which personal information is collected	43%	34%
Control	I have control over how long my information will be stored for	32%	25%

2018 Average: 37% · 2016 Average: 45%

% respondents satisfied with statement

Q11. How satisfied or not are you with the following aspects? — of a specified digital government service. Response options range from 1 to 7, where 1 = Extremely dissatisfied, and 7 = Extremely satisfied. Respondents who selected 6 or 7 have been included to assess "Satisfied".

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332   Australian National University Centre for Social Research & Methods, *Public Attitudes Towards Data Governance in Australia*, 2019, p. 4.

333   Boston Consulting Group, Global Digital Government Survey, 2018.

334   Boston Consulting Group, *Digital Government Satisfaction Survey*, 2016 and 2018.

More can be done

The Government has stepped up efforts to make better use of data, but more can be done.

In 2015, the Government acknowledged that the data it holds is a strategic national asset. In doing so, it committed to optimising the re-use of data and releasing non-sensitive data as open by default.[335] Since then progress has been made. The Data Integration Partnership for Australia was established in 2017, and its work on integrating and analysing government datasets yields new insights into critical and complex policy questions.[336]

An interim National Data Commissioner position has been created and, subject to the passing of necessary legislation, will be responsible for implementing a new Data Sharing and Release Framework. This framework will be a critical step in streamlining the process of sharing public sector data, addressing the risk averse data-sharing culture, and improving data safeguards across the public sector.[337]

The Government must build on this momentum by further strengthening data and analytics capabilities, embedding the use of data in ways of working and establishing technical governance and whole-of-government data infrastructure to support seamless data-sharing between agencies, trusted partners and Australians.

335 PM&C, *Australian Government Public Data Policy Statement,* 2015.

336 PM&C, *Data Integration Partnership for Australia,* [website], 2019, <https://pmc.gov.au/public-data/data-integration-partnership-australia>.

337 PM&C, *Data Sharing and Release Discussion Paper,* September 2019.

Recommendation 18

Share and protect data for better services and policies, and make data open by default.

- Legislate a data sharing and release framework to enable data-sharing across the APS and with trusted partners (including states and territories), with strong privacy and security protections.
- Government to prioritise investment in the Office of the National Data Commissioner and Data Integration Partnership for Australia to support effective and contemporary data governance and infrastructure and build data analytics capability.
- DTA to prioritise APS data integration and protection architecture in developing the whole-of-government ICT blueprint (recommendation 14).
- Agencies to make all non-sensitive data open by default consistent with the Australian Government Public Data Statement 2015.

Implementation guidance

- Enable a tell-us-once requirement for user data in data sharing and release legislation.
- Ensure Australians have easy, digital access to information the Government holds about them (with appropriate restrictions).
- Focus data investment on supporting simple and seamless government services, research and development, and strong and effective policy design.
- Ensure APS-wide data can be compared, analysed and benchmarked.
- Develop agency capabilities to use and analyse data to improve service and policy design — empowering teams to evaluate policy impacts across dimensions (such as geography and demographics) and optimise and model interventions.
- Deploy data-visualisation tools to support ministers to easily access APS data.
- PM&C and the Australian Information Commissioner to work with agencies to showcase best practice in open data.
- Prioritise cleansing and publication of datasets through channels such as data.gov.au to support the social and economic outcomes of open data.

SIX

INVEST IN PEOPLE TO STRENGTHEN CAPABILITY

Melbourne, Victoria

Chapter in brief

- ***A strong foundation.*** The APS's people are talented and driven to serve others, but there is concern the APS has lost core capability. The APS should invest in, and better manage, its people.

- ***A strategic approach.*** Develop a data-driven, whole-of-service workforce strategy to enable the APS to plan for change, match the right people to tasks and priorities and define core capabilities. This is particularly important for meeting the challenges posed by automation.

  Recommendation 19

- ***Successful roles, successful careers.*** Invest in attracting and developing high-performing employees. Develop an APS professions model and invest in developing people to build expertise. Improve cross-agency and external mobility to build APS capability and perspectives. Adopt a consistent approach to performance management that holds individuals accountable. Identify and nurture current leaders and those with potential.

  Recommendations 20—23

- ***Getting recruitment right.*** Develop an effective recruitment strategy and improve APS induction to attract and retain a skilled and diverse workforce.

  Recommendation 24

- ***Diversity and inclusion.*** Harness the talents, views and perspectives of people from all corners of life, with ambitious targets and a clear goal: an APS that reflects and understands the people and communities it serves.

  Recommendation 25

- ***Deep expertise, stronger advice.*** Rebuild APS research and evaluation expertise. High-quality research and analysis need to underpin evidence-based policy and delivery.

  Recommendations 26—28

A strong foundation

More than any other factor, the quality of the people in the APS will determine how well the APS meets the challenges of the future.

Sandra McPhee AM[338]

The people of the APS are its core asset. They are talented:

> … the Australian Public Service delivers enormous value for taxpayers. It is comprised of thousands of talented, dedicated public policy experts, who collectively produce most of the policies and services delivered by government.[339]

They are driven to serve others:

> Serving the public and the nation was the overwhelming purpose for participants choosing to work in the APS. This includes directly helping others, influencing policy to improve the nation and to provide a better future for the next generation …[340]

They are ready to help the APS succeed — 91 per cent of employees agree that they are happy to go the extra mile at work when required.[341]

This valuable asset, if invested in and managed strategically, will provide a return many times over to government and the people of Australia. Yet there is much work to do in nurturing the APS's people and unlocking their true value. The review's consultations and submissions to it highlighted concerns that the capability of the public service has declined. In addition, the APS must prepare for major change in the years ahead as technology redefines the jobs its people perform, the services they provide and the outcomes they deliver.

This chapter sets out five major workforce management challenges for the APS in coming years, alongside actions to address these:

- adopt a strategic approach to workforce management (recommendation 19)
- provide employees with the opportunities and support to succeed in their roles and careers (recommendations 20–23)
- get recruitment right — both the who and the how (recommendation 24)
- strengthen inclusion to unlock the value of diversity (recommendation 25), and
- rebuild expertise in evaluation, research and integrated social, economic and security policy advice (recommendations 26–28).

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338   S. McPhee, *Unlocking Potential*, 2015, p. 5.
339   L. Tanner MP, *Speech at Government 2.0 Conference*, CeBIT Australia, Canberra, 19 October 2009.
340   Inside Policy, *An Independent Review of the Australian Public Service: A detailed consultation report*, 2018, p. 10.
341   APSC, *State of the Service Report 2017–18*, 2018, p. 163.

What's happened to APS expertise?

I have observed a gradual erosion of specialist expertise. This affects the ability of the APS to provide quality policy advice, regulatory oversight and services.

APS employee[342]

What's happened to APS expertise? This question is asked often but, despite best efforts, cannot be comprehensively answered because the APS does not collect sufficient data on the capability of its workforce. This lack of data reflects the widespread underinvestment in the foundations of good workforce management.

Despite the lack of data, members, observers and partners of the APS expressed credible concerns to the review that APS capability has declined. The decline has been observed across key areas of responsibility — policy advice, regulatory oversight, and delivery of services and support to the public, as well as internal enabling functions.

The greatest concern has focused on the hollowing out of strategic policy skills — the ability to understand the forces at play in the world, what is needed to position the nation to meet challenges and opportunities, and to develop, analyse and provide incisive advice to the Government. This has come through in consultations, submissions and past reviews.[343] Research undertaken for this review also states:

> Ministers are not alone in expressing concern about the public service's policy-making capacity … scholars and practitioners alike have raised serious questions (and doubts) about the APS's capacity to support policy decision-making.[344]

The ability to support government decision-making through the provision of high-quality strategic advice is a core and enduring capability required of the APS. This capability is critical to the APS effectively serving government and the people of Australia.

The gradual erosion of the APS's strategic policy capability and the importance of rebuilding it have been highlighted in numerous reviews over the past decade. In 2010, *Ahead of the Game* recommended that the APS strengthen its capacity to provide strategic policy and delivery advice. The Productivity Commission observed in *Shifting the Dial* (2017) that, despite repeated identification of the need to strengthen the APS's

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342   APS employee, submission to the Independent Review of the APS, 2018.

343   Inside Policy, *An Independent Review of the Australian Public Service: A detailed consultation report*, 2018, p. 10; Advisory Group on Reform of Australian Government Administration, op. cit., p. 41; see, for example, submissions from the Department of Agriculture and Water Resources, 2018, p. 9; Community and Public Sector Union, 2018, p. 44.

344   A. Tiernan et al., op. cit., p. 13.

policy-advising capacity, it was difficult to discern any significant change.[345] A year later, in June 2018, recognising the need to improve the way policy is done across the APS, Secretaries Board commissioned a cross-agency initiative to coordinate efforts to enhance policy capability. A cross-agency project team, supported by 15 agencies, has been established to lift APS policy capability. (Box 6.1).

Box 6.1

Case study, Enhancing policy capability across the APS[346]

CASE STUDY

ENHANCING POLICY CAPABILITY ACROSS THE APS

Skilled advisers, effective organisations. The APS Policy Capability Project aims to support policy makers to be the best that they can be — so that they can deliver great policy advice consistently. Policy capability is not just about the skills of individual advisers, it also reflects the effectiveness of organisations and systems of government to commission, generate, integrate and deliver advice over time.

Enhancing APS-wide policy capability requires sustained focus on three reinforcing areas:

- a stronger authorising environment
- collective ownership, and
- common tools to support professional development.

Work is underway to implement these priorities. A website brings together the best policy-development resources in one place to assist policy makers to develop great policy advice. It aims to raise awareness of good practice, share lessons learned and foster collaboration across the APS policy community.

Cross-agency, multi-disciplinary. A cross-agency project team, established with the support of 15 agencies, is working to co-design a common model of 'great policy' with APS policy makers. This model will establish a common standard for policy makers to aspire to, guide future work on capability and underpin measurement of progress. In the longer term, the project will focus on building practical tools for continuous improvement, skills development, career pathways and mobility.

policyhub.pmc.gov.au

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345   Productivity Commission, *Shifting the Dial: 5 year productivity review*, 2017.

346   Australian Government, *APS Policy Capability Project* [website], 2019, <http://policyhub.pmc.gov.au/>, accessed 14 February 2019.

Four reasons have been identified for the decline in capability across the APS:

- The APS prioritises short-term responsiveness at the expense of long-term thinking. When short-term reactive work dominates, APS policy advisers lose out on developing broader skills. And if ministers do not continue to demand long-term thinking, this also risks weakening the rigour and quality of APS policy advice.[347]

- Employees' potential is not always being realised. The APS's culture and operating environment do not consistently provide individuals with the opportunity to fully utilise their skills. For example, research commissioned for this review found that deficiency in the approach to evaluation is not necessarily due to a lack of skills, but 'rather it is a product of cultural practices that have evolved within the APS, and of the environment in which the APS operates'.[348]

- Staffing-level caps have made it difficult for agency heads to retain some functions or to maintain them at the same size and strength as previous years. Some agencies reported that the caps have made it difficult to maintain long-term strategic policy functions, which has led to a divestment in analytical capability.[349] While the caps have undoubtedly achieved efficiencies across the service as intended, they now risk the unintended consequence of reducing capability across the service.[350]

- Labour contractors and consultants are increasingly being used to perform work that has previously been core in-house capability, such as program management.[351] Over the past five years, spending on contractors and consultants has significantly increased while spending on APS employee expenses has remained steady.[352]

The use of labour contractors and consultancy services warrants specific discussion. About a quarter of the submissions commented on their use. Most expressed concern about the growing size of the APS's external workforce and the negative effect on in-house capability. Data on this topic, as is the case with many APS-wide workforce matters, are not gathered or analysed centrally and are often inadequate. For example, the number of contractors and consultants working for the APS is not counted and data on expenditure are inconsistently collected across the service. Data insights that would shed light on whether contractors or consultants met objectives are not routinely aggregated. This makes it difficult to assess the value of external providers relative to in-house employees or to infer the effect on APS capability. The following evidence provides some insight.

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347 R. Bray et al., *Evaluation and learning from failure and success*, ANZSOG, 2019, p. 11; A. Tiernan et al., op. cit.; Australian Government, *APS Policy Capability Project Insights Report*, 2019.

348 R. Bray et al., op. cit., p. 8.

349 See submissions to the Independent Review of the APS from the Department of Agriculture and Water Resources, p. 9; the Department of Infrastructure, Regional Development and Cities, p. 5.

350 See example submissions to the Independent Review of the APS from the Department of Infrastructure, Regional Development and Cities, p. 5; the Australian Institute of Aboriginal and Torres Strait Islander Studies, 2018, p. 2; the Department of Home Affairs, 2018, p. 3; the Office of the Registrar of Indigenous Corporations, 2018, p. 4; the Australian Council of Trade Unions, 2018, p. 1.
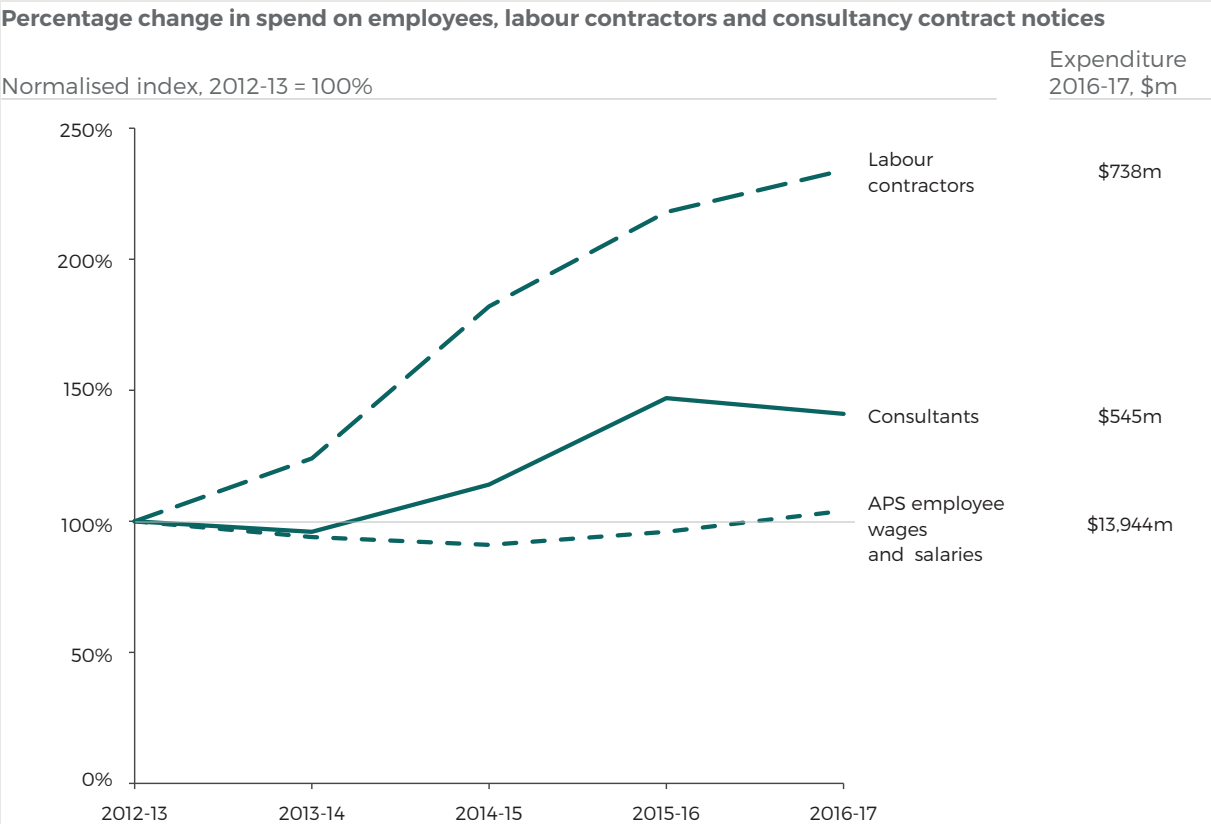
351 Joint Committee of Public Accounts and Audit, *Inquiry into Australian Government Contract Reporting – Inquiry based on Auditor-General's report No. 19 (2017–18)* [website], 2019, <https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/AGReport19>.

352 Finance, Historical Australian Government Contract Data, *2019* [available on data.gov.au]; Information provided by the Finance.

In 2018, the Parliament initiated an inquiry into labour contracting in the Australian Government. Submissions to the inquiry revealed that spend on contractors more than doubled across a sample of 24 agencies between 2012–13 and 2016–17.[353] AusTender data show a similar increase in the total value of consultancy contracts across the APS, over the same four years, from $386 million in 2012–13 to $545 million in 2016–17 (Exhibit 6.1).[354]

Exhibit 6.1

Contractor and consultancy spend has increased significantly since 2012, while APS wages and salaries have remained largely flat[355]

Percentage change in spend on employees, labour contractors and consultancy contract notices

Normalised index, 2012-13 = 100%

Expenditure 2016-17, $m

Labour contractors — $738m

Consultants — $545m

APS employee wages and salaries — $13,944m

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353   Joint Committee of Public Accounts and Audit, op. cit.

354   Information provided by the Finance; Finance, *Historical Australian Government Contract Data*, 2019 [available on data.gov.au].

355   Labour contractors based on a sample from 24 agencies who provided costings in their submission to the *Australian Government Contract Reporting - Inquiry based on Auditor-General's report No. 19*, 2017-18, 2019; Finance, *Historical Australian Government Contract Data*, 2019 [available on data.gov.au]; Estimated APS wages and salaries is calculated as total general government-sector wages and salaries, less Australian Defence Force personnel and parliamentarians and their staff. Wages and salaries exclude employment benefits, including superannuation and other entitlements.

These increases have occurred against the backdrop of a significant increase in the size of programs administered by the APS but almost no increase in departmental budgets.[356] The review has heard, and data suggest, that contractors and consultants are being used to meet the increased burden of program delivery — work traditionally done by APS employees — as well as policy design and implementation.[357]

> *I left the APS to come back as a contractor. Now I work with permanent APS staff doing the same job as them … I gain the corporate knowledge and then leave to do my next contract.*
>
> *APS contractor[358]*

There is clearly benefit in the APS leveraging the best external capability. It is not possible to have expertise in everything in-house and external providers can be the most efficient way of delivering the best advice, services or support. But the use of external capability needs to be strategic and well-informed, meaning that the APS:

- makes decisions on the use of external capability by reference to a whole-of-service workforce strategy that identifies the core capabilities the APS should invest in building in-house – with external capability used to perform non-core or variable work activity
- manages use of external capability closely, from the contract design stage through to performance of the prescribed tasks, and
- ensures that all arrangements lead to a transfer of knowledge to the APS.

At all stages the APS should be focused on achieving value for money and better outcomes.

The APS needs to find the right balance between retaining and developing core in-house capability and leveraging external capability to ensure a sustainable and efficient operating model for the decades ahead. To do this effectively, two traditionally autonomous parts of agencies — HR and procurement — must work closely together.

The range of reasons cited for the decline in capability across the APS highlight that there is no silver bullet to rebuilding capability. This task will take concerted and coordinated effort from all involved. Ministers, through their actions, not just words, will need to reiterate that deep expertise is important. Agencies will need to maintain and invest in core in-house capabilities. Managers will need to cultivate deep expertise in target areas.

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356   Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4, 2019*, p. 16.

357   Centre for Policy Development, submission to the Joint Committee of Public Accounts and Audit's inquiry into Australian Government Contract Reporting, 2018.

358   APS contractor, comment to the Independent Review of the APS online forum, 2019.

A strategic approach

The foundation of good workforce management is knowledge — knowing your business requirements, the capabilities of your staff, and the ways in which your business and workforce are likely to change in the years ahead. The APS has startlingly little knowledge of its workforce, especially at the whole-of-service level. There is no whole-of-service workforce strategy and no consolidated view of current skills or skills required in the future. Only 54 per cent of agencies have their own workforce plans.[359]

This has serious consequences. First, it makes it difficult for the APS to plan for change. Second, the skills people possess are not fully utilised as people are mismatched to tasks and priorities.

Ahead of the Game noted that capability gaps across the APS have been exacerbated by sporadic workforce planning and lack of clarity about capability requirements.[360] This was reflected in *Unlocking Potential* which observed that, taken as a whole, the APS HR function is not sufficiently focused on high-value activities such as strategic workforce planning.[361] In addition, only 36 per cent of APS staff believe that the workforce is managed well in their agencies. Workforce planning was identified as a serious concern by 76 per cent of APS capability reviews conducted between 2011 and 2015.[362]

Past reviews recommended that the APS improve its workforce management approach — from reactive to strategic, fragmented to holistic, and neglected to prioritised. But these recommendations experienced the same fate as many past attempts to reform the public service — a lack of accountability, lack of investment and lack of strategic HR ability to make them happen.

The APS should not be deterred by these experiences. It is critical for its long-term effectiveness to develop, as a priority, a whole-of-service workforce strategy. This should be the bedrock of strengthening APS capability systematically. Best-practice workforce strategies are data-driven, take an integrated and holistic view of an organisation, inform workforce policies, and are regularly monitored.[363] A strategy will provide a comprehensive and in-depth understanding of the APS's work and its workforce. It will help the APS define its core capabilities for investment; anticipate and manage changes in workforce needs arising from automation, digitisation, and geopolitical complexity; and underpin service-wide and agency-specific workforce policies and initiatives.

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359   APSC, *2018 APS agency survey data* [unpublished].

360   Advisory Group on Reform of Australian Government Administration, op. cit.

361   S. McPhee, op. cit., p. 70.

362   APSC, *2018 Australian Public Service Employee Census*, 2018 [data available at data.gov.au]; S. McPhee, op. cit., p. 71.

363   M. Clarke et al., *How can public sector organisations in Australia develop competencies and capabilities in predicting and meeting future public service needs?*, ANZSOG, 2017, p. 10.

Developing a whole-of-service workforce strategy may not be considered a priority if the APS is conceived as a loose affiliation of agencies with occasional shared interests. But if it is conceived, as recommended by this review, as an integrated organisation with a common purpose across its constituent parts, this approach is essential.

This will not be easy and the APS will need to build in-house capability and data collection practices to do it well. The quality of the workforce strategy and the extent to which it drives an enhanced approach to workforce management will depend on the willingness of secretaries and other APS leaders to do things differently and a commitment to work together to ensure that the APS has the capability needed to succeed in the decades ahead. It will also require leaders to speak honestly with their workforce about how APS roles will likely evolve over time, and the implications for individuals and agencies.

The APS, like most Australian and international workforces, is facing major change. One of the key drivers of change is automation. Powerful new automation technologies such as machine learning, artificial intelligence and advanced robotics are already transforming the Australian economy, workplaces, education systems and communities. These technologies present an enormous opportunity for the APS's capacity to serve Australians. Modelling conducted for this review on the opportunities and challenges presented by automation found the following:

- Approximately 40 per cent of APS employee time is currently spent on highly automatable tasks such as data collection and processing (Exhibit 6.2). By 2030, assuming reasonable adoption of automation, 18 per cent of tasks will be automated. Such tasks include reviewing licence or permit applications; collecting deposits; payments or fees; maintaining financial or account records; and preparing documentation for contracts, transactions or regulatory compliance.
- Although many tasks within service delivery are likely to be automated by 2030, there is a clear opportunity to improve service delivery standards by refocusing employees from back-office to frontline roles, for example from payroll to complex case management.
- As automation and other trends significantly re-shape APS tasks over the next decade, the APS will need to embrace a culture of lifelong learning. Even employees in high-growth technological roles (for example, business analysts) will need to retrain to maintain relevant skills.
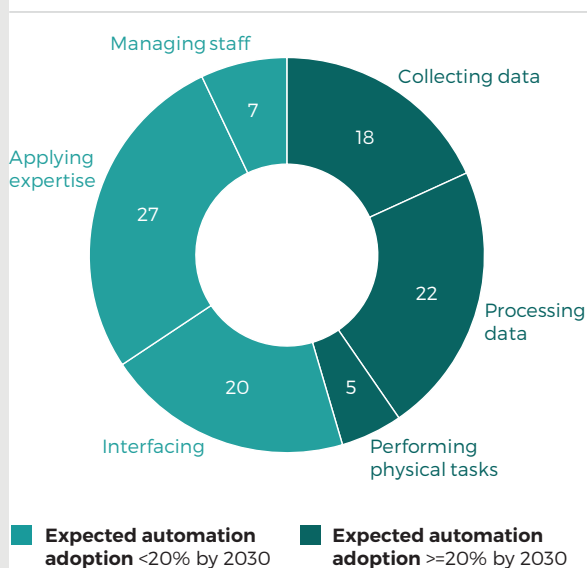
Overall, there will be a greater need for social, emotional and technological skills to reflect the changing nature of all jobs and the shifting mix of roles.[364]

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364   Analysis undertaken by McKinsey & Company for the Independent Review of the APS.

Exhibit 6.2

In the APS today, approximately 40 per cent of time is spent on highly automatable tasks[365]
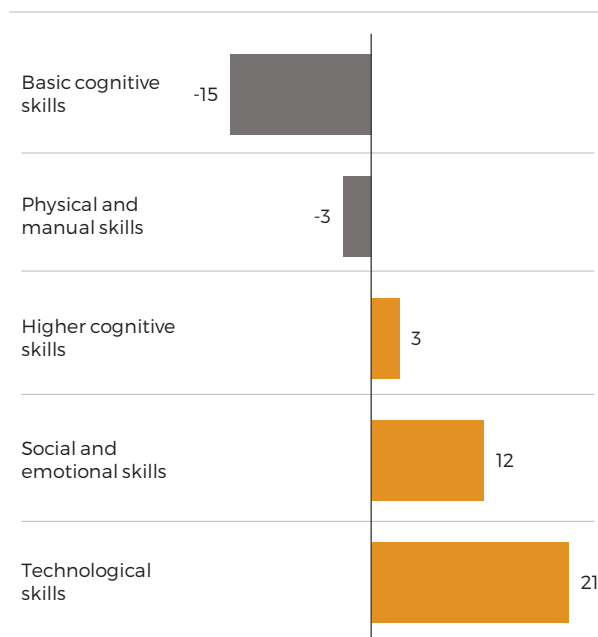
In the APS today ~40 per cent of time is spent on highly automatable tasks such as data collection and processing

Estimated distribution of time on tasks, 2017% of total hours spent

Managing staff 7
Collecting data 18
Applying expertise 27
Processing data 22
Interfacing 20
Performing physical tasks 5

■ **Expected automation adoption** <20% by 2030   ■ **Expected automation adoption** >=20% by 2030

Capturing the opportunities for improved services through automation will change the skills needed in the APS

Estimated shift in skills in the APS 2017-2030%

Basic cognitive skills -15
Physical and manual skills -3
Higher cognitive skills 3
Social and emotional skills 12
Technological skills 21

These changes present compelling opportunities for the APS to deliver better services for all Australians. Leading organisations globally and in Australia are taking advantage of opportunities like this by developing proactive reskilling programs for their employees. For example, Westpac has launched an internal technology university to help employees upskill in future technologies such as cloud computing and agile ways of working.[366] After finding that more than half of their 250,000 employees lacked essential skills required for their future workforce, the US telecommunications giant AT&T invested US$1 billion in *Future Ready*, a global reskilling program which includes online courses, a career centre and a portal that matches employees' current skills to future roles.[367]

365   McKinsey Global Institute automation impact model; Information provided by the APSC.
366   A. Coyne, *Why Westpac built an internal tech university*, IT News, 2017.
367   S. Caminiti, *AT&T's $1billion gambit: Retraining nearly half its workforce for jobs of the future*, CNBC, 2018.

The APS is already automating current functions. The Department of Home Affairs reported that automation has improved operational effectiveness and efficiency (especially in high volume transactions such as border-related activities), while emphasising the broader importance of planning to develop and upskill the workforce the APS will need.[368]

Despite such work, most APS leaders feel that the public service is ill-equipped for the changes associated with automation. A survey of SES conducted for the review, found that 80 per cent of SES believe that the APS is unprepared for the rise of emerging technology.[369]

This review agrees. The APS, however, can prepare. It can turn future challenges into opportunities. To do so it must invest in its people and understand and organise its workforce at the service-wide level, guided by an APSC-led workforce strategy. The APSC will need additional capability and resources for this work (recommendation 40) and high-level support, engagement and direction from Secretaries Board. Shaping the whole-of-service workforce strategy as the first step to strengthening capability across the APS should be a first-order, collective responsibility of Secretaries Board.

This much-needed, more sophisticated approach to workforce management, at both service-wide and agency-specific levels, will help obviate the need for Government to impose staffing caps on agencies. Fiscal discipline and efficiency are critically important in public sector organisations but the Average Staffing Level rule is not essential to realising this objective. All agency heads should be accountable for managing their workforce and delivering government priorities within allocated budgets, not for adhering to a cap. Removing the caps will force agency heads to take decisions on staffing resources, whether APS employees, contractors or consultants, based on capability needs, the most efficient use of resources, return on investment, best use of skills and other sensible criteria.

Getting the basics of workforce management right — starting with a whole-of-service strategy — is an essential first step towards strengthening capability across the APS for the decades ahead.

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368   Department of Home Affairs, submission to the Independent Review of the APS, 2018.
369   Boston Consulting Group, *Scenarios for 2030*, 2018, p. 39.

Recommendation 19

Develop a whole-of-service workforce strategy to build and sustain the way the APS attracts, develops and utilises its people, to ensure that it can perform its functions.

- APSC to develop a whole-of-service workforce strategy for Secretaries Board endorsement and implementation by all agencies.
- APSC to monitor progress and update the strategy regularly.
- Government to abolish the Average Staffing Level rule after the APS has demonstrated its workforce planning capability through the strategy.

Implementation guidance

- Take a 5 to 10 year horizon strategy in developing the strategy. Base it on a clear understanding of current APS capability, future of work modelling and core in-house needs.
- Use the strategy to guide APS-wide workforce planning, including implementing recommendations 20 to 25.
- APSC to work with the transformation leader and the Department of Employment, Skills, Small and Family Business in developing the strategy.
- Include in the workforce strategy:
  - targeted initiatives to develop and attract needed expertise such as digital and data skills
  - a framework for reskilling or redeploying employees whose roles will be significantly impacted by automation, and
  - guidance on the selective use of external expertise.
- Use the workforce strategy to underpin agency workforce planning and inform performance expectations of agency heads and heads of professions.
- Agency heads to retain accountability for managing their workforce within allocated budgets and in line with the strategy.
- Collect comprehensive service-wide workforce data to strengthen workforce planning and evaluation. Develop infrastructure and policies to enable sharing of workforce data between agencies.

Successful roles, successful careers

A high-performing organisation is only possible with high-performing employees. For the APS there has been some reluctance to embrace this truth and invest sufficiently in attracting and developing high-performing employees. This stems from the relative lack of priority and investment given to professional development and mobility, learning and development, performance management, and talent and leadership development.

Professional development

> *[We are] self-taught leaders with little formal leadership development and little supportive feedback from managers.*
>
> State of the Service report 2017–18[370]

There is insufficient structured support for career development in the APS. This affects retention, especially of specialists, and contributes to a loss of expertise. In 2018, 53 per cent of respondents to the APS Employee Census cited reasons related to career opportunities as their primary reason for wanting to leave the APS.[371]

Other knowledge professions, such as lawyers, accountants, management consultants and technology developers, have well-developed skills, experience and role requirements for career advancement. The APS lags behind these professions. By not delineating career paths, a single track largely prevails in senior levels of the APS, that of generalist management. Acknowledging the inadequacy of this approach, and the multitude of specialisations that contribute to an effective public service, other public sectors are establishing specialist professional tracks to attract and develop talent (Box 6.2).

The review recommends that the APS develop an APS professions model, led by the APSC, to lift its core expertise, meet long-term capability needs, and provide rewarding careers. The model should offer professional development, learning and development programs and networking opportunities for APS staff.

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370   APSC, *State of the Service Report 2017–18*, 2018, p. 127.

371   ibid., p. 166. Includes 'There is a lack of future career opportunities in my agency' (25.9%), 'I want to try a different type of work or I'm seeking a career change' (14.2%), 'I am not satisfied with the work' (6.7%), 'My expectations for work in my agency have not been met' (3.6%) and 'I have achieved all I can in my agency' (2.1%).

Box 6.2

Case study, UK Professions model[372]

CASE STUDY

UK PROFESSIONS MODEL

Connected professionals. Designed to professionalise the way the UK Civil Service works, make departments more effective and standardise the approach to skills development, and take a more joined-up approach to the way that specialist areas are organised.

Twenty-eight professions, including HR, policy, commercial, finance and digital (the policy profession, for example, consists of 18,300 civil servants and has its own professional standards and learning curriculum).

Externally accredited courses, available only to UK civil servants, delivered in partnership with internationally recognised business schools, such as the Executive Master in Public Policy from the London School of Economics.

Led by a Head of Profession, who operates across the service, developing standards and qualification requirements, and assessing the capability of those within their profession. Workshops, events, and communities of practices provide opportunities for professionals to share experiences and lessons learned.

EARLY DAYS … POSITIVE PROGRESS

The civil service has a better picture of its total stock of skills, where and how they are used, and it can more easily and rapidly deploy specialists from one department to another to respond to urgent needs.

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372   C. Wormald, *Policy Profession: Prospectus 2018/19*, 2018, p. 2; Government Statistical Service (UK), *Roles and Responsibilities of Heads of Profession*, 2015; Policy Profession Board (UK), *Looking back to look forward: from 'Twelve Actions' to 'Policy Profession 2025'*, The Mandarin, 2019; House of Commons Public Administration and Constitutional Affairs Committee (UK), *The Minister and the Officials: The Fulcrum of Whitehall Effectiveness*, 2018, p. 15; J. McCrae & J. Gold, *Professionalising Whitehall*, 2017, p. 6.

Domestic and global experience can inform design of the model, particularly the professions framework in the UK civil service and the policy profession in the New Zealand public service. Drawing on lessons from these jurisdictions, the model should not attempt a one-size-fits-all approach to strengthening capability across the service. The design of each profession should be tailored to the needs of that discipline and informed by future service-wide business needs. The model can build on strong professional networks already established across the APS, such as the Australian Government Legal Network, the APS Policy Capability Project, and existing public sector accredited learning courses, such as the Graduate Certificate in Public Policy and Finance.[373] Collaboration across professions and integration of different perspectives can be incorporated into the design of the model.

The professions model provides a single focus, a frame and a discipline within which to think about how best to deepen expertise across the board. This review has deliberately not undertaken detailed design work on the professions model. This needs to be done and owned by people with relevant expertise and in close consultation with agency heads and HR areas in individual agencies.

HR and digital and data professions are immediate priorities, given the significant demands that review implementation will place on the HR profession and the urgent need to build stronger digital and data capability. Specialist development opportunities are particularly important for attracting and developing digital talent (for example, data scientists, cyber security specialists, and software engineers). Leading tech companies such as Google, Spotify and Facebook all offer such specialist career pathways. The Department of Agriculture and Water Resources' (now Department of Agriculture) submission to the review highlighted the need to build regulatory capabilities across government, and it would be valuable to establish a regulatory profession.[374] Recommendation 2b calls for an evaluation profession.

373   Attorney-General's Department, *Australian Government Legal Network* [website], 2019, <https://www.ag.gov.au/ LegalSystem/LegalServicesCoordination/Pages/ConnectingGovernmentlawyers.aspx>, accessed 25 July 2019; Australian Government, *APS Policy Capability Project – lifting policy skills in the APS* [website], 2018 <https://www.publicsectorreform. gov.au/aps-policy-capability-project-lifting-policy-skills-aps>, accessed 15 May 2019; Institute for Governance and Policy Analysis, *Graduate Certificate in Public Policy and Finance for the Australian Public Sector* [website], 2019, <https://www. governanceinstitute.edu.au/study-with-us/graduate-certificate-program/graduate-certificate-in-public-policy-and-finance-for-the-australian-public-sector>.

374   Department of Agriculture and Water Resource, submission to the Independent Review of the APS, 2018.

Learning and development

APS performance is undermined by a fragmented approach to learning and development across the service. This key aspect of workforce strategy is largely devolved to agencies and sometimes further devolved within agencies. A broad range of educational programs are offered within agencies, across agencies and by external providers. The APSC Centre for Leadership and Learning delivers respected development programs at all levels. ANZSOG was jointly established by Australian federal, state and territory governments and the New Zealand government in 2002. It has a unique role in providing education and development opportunities for people in the public sector, and a unique mission to create value by lifting the quality of public sector leadership in Australia and New Zealand.[375] The challenge for the APS is not in the availability of good in-house and external sources of training and professional development but in a system-wide understanding of what development is needed, what is available and what works. There is also little guidance on what is essential or core to being a great public servant.

Alongside increased education opportunities for the APS, there is a growing parallel need in the not-for-profit sector. Many government programs now rely on third party providers, so the national approach to education pioneered by ANZSOG for public services can be explored for application to the large and growing for-purpose economy.

Total expenditure across the APS on learning and development is unknown and the overall impact of the investment is not measured or consistently defined. Agencies have flexibility about how they present such information in annual reports and are not required to report specifically on learning and development expenditure.

In the absence of whole-of-service data, the review assessed the learning and development investment of six agencies, based on information provided to the review or published in 2017–18 annual reports (Exhibit 6.3). The six agencies represent 50 per cent of the total APS workforce. The results are worrying. Only three agencies provided their total spend on learning and development (Agencies A, B and C). The three remaining agencies (Agencies D, E and F) provided spends on external programs and either did not or could not provide expenditure on internal programs. The review estimated total spend on learning and development for agencies D, E and F by assuming the ratio of external and internal spend to be equivalent to that of the one agency where this breakdown was available. This exercise suggests the APS's spend on learning and development is at, or below, the lowest global benchmark for spending on learning and development in large private sector organisations.[376] This analysis reinforces many submissions that suggest that the APS does not prioritise learning and development.
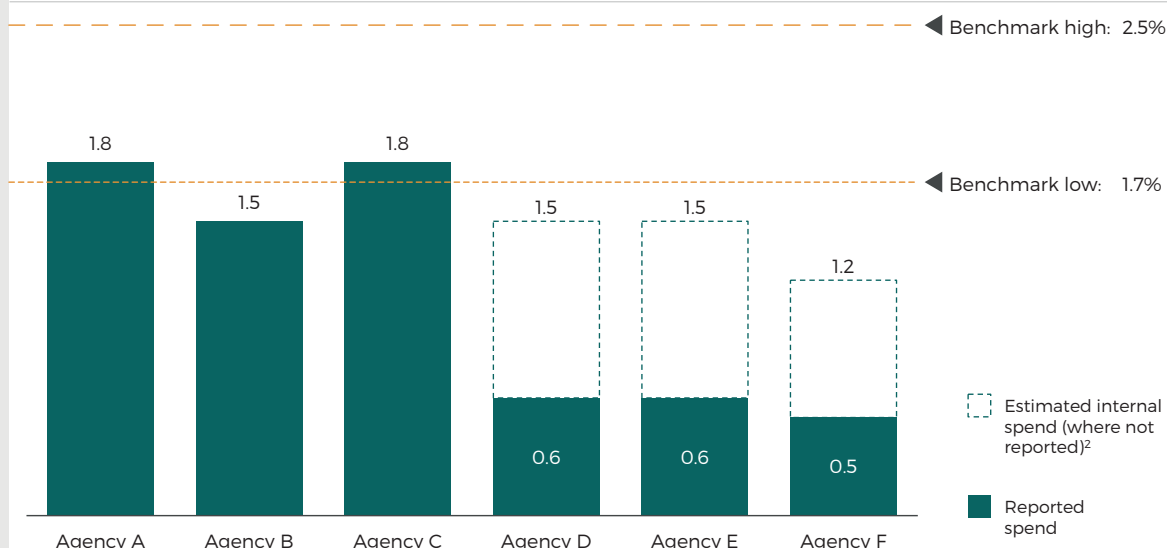
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375   ANZSOG, *About us* [website], 2019, <https://www.anzsog.edu.au/>, accessed 1 July 2019.

376   Association for Talent Development (US), *State of the Industry Report,* 2015; Association for Talent Development (US), *State of the Industry Report,* 2018.

Exhibit 6.3

Total APS expenditure on learning and development is below global benchmarks[377]

Learning and development expenditure by agency

Sample of six agencies, expenditure as a % of employee benefits, estimated, 2018

◀ Benchmark high: 2.5%

◀ Benchmark low: 1.7%

Agency	Value
Agency A	1.8
Agency B	1.5
Agency C	1.8
Agency D	1.5 / 0.6
Agency E	1.5 / 0.6
Agency F	1.2 / 0.5

Estimated internal spend (where not reported)[2]

Reported spend

In addition to not measuring expenditure, the APS does not systematically measure the effectiveness of learning and development initiatives. Each year, about 1,170 different vendors provide education and training services to the APS.[378] Approaches to assessing the effectiveness of these services vary widely. One large department advised that return on investment of training is 'informally assessed through regular performance conversations' while another said it uses 'a variety of tools including questionnaires, surveys, learner and manager interviews, and analysis of pre- and post-training business metrics data'.[379] Agency evaluations of providers are mixed, and there is no APS-wide process to ensure that the best providers are used widely and that poor providers do not end up serving other agencies.

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377 The six agencies sampled make up 50% of the total APS workforce; Estimates for internal spending on L&D estimated for Agencies A , B and C based on extrapolation of ratio of external:internal spend for the one agency that reported this directly; Agency submissions to the Independent Review of the APS; Agency Annual Reports; analysis of capability, learning and development undertaken by the Independent Review of the APS; Association for Talent Development (US), *State of the Industry Report,* 2015; Association for Talent Development (US), *State of the Industry Report,* 2018.

378 Analysis undertaken by the Independent Review of the APS using AusTender contract data [available at tenders.gov.au].

379 Analysis of capability, learning and development undertaken by the Independent Review of the APS.

Unlocking Potential concluded that the APS learning and development model allows agencies to duplicate spending on similar products, resulting in inconsistent products of varying quality for common topics. This also results in over- and under-servicing, with some employees getting access to high-quality development and others getting very little.[380] The devolved approach also makes it difficult to build specific service-wide capabilities, such as greater global awareness, in particular Asia-relevant capabilities (Box 6.3). Widespread employee dissatisfaction with the model persists — submissions from APS employees to the review highlighted that many do not feel they are valued or reaching their full potential.

> **We have many ambitious, capable people not reaching their full potential. They are frustrated and bored.**
>
> *APS employee[381]*

Access to formal learning and development solutions is not the only failing reported by employees. Only 59 per cent of APS staff agree that their immediate supervisor coaches them as part of their development.[382]

Learning and development in all forms is integral to professional development. Employees who are satisfied with their learning and development opportunities are more positive about engagement, job satisfaction and career opportunities. They are also more likely to stay at their current organisation for the next two years.[383] Regular access to high-quality learning and development initiatives will increasingly be a determinant in people's choice of employers. Millennials, for example, are more interested in career and development opportunities than other generations.[384]

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380   S. McPhee, op. cit., p. 76.

381   APS employee, submission to the Independent Review of the APS, 2018.

382   APSC, *2018 Australian Public Service Employee Census*, 2018 [data available at data.gov.au].

383   Deloitte Australia, Deloitte Global Human Capital Trends, 2019.

384   SEEK, *Attracting Millennials*, SEEK Laws of Attraction Data Lab [website], 2019, <https://insightsresources.seek.com.au/page/data-lab>, accessed 5 April 2019.

High-quality, targeted learning and development opportunities are needed to realise the potential of APS people. A first step is a whole-of-service learning and development strategy developed by the APSC. This will provide visibility of total learning and development investment and its subsequent return, and enable development of a coherent whole-of-service approach to learning and development. It will enable well-planned engagement with educational institutions and development of the right mix of training in-house, to equip APS employees with the skills they need.[385] Priorities will be guided by the new whole-of-service workforce plan, which complements the professions model. The experience of other public sectors that provide established dedicated public sector academies, including the NSW Leadership Academy and the Canada School of Public Service, will provide useful guidance.

Box 6.3

Asia-relevant capabilities[386]

ASIA-RELEVANT CAPABILITIES

The ongoing shift in global economic weight to Asia presents tremendous opportunities for Australia, along with risks and significant challenges.

The APS has a critical role to play in helping the Government to engage with the region, to collaborate with nations in Asia on policy issues of mutual interest, and to link domestic and international aspects of policy advice and program delivery.

To do this well, the APS must deepen its experience in, and knowledge of, Asia. Policy officers will require a more sophisticated understanding of the region, as well as Asian language proficiency. This has been a longstanding goal of the APS. It was a focus of the 2012 Australia in the Asian Century White Paper. Coordinated and sustained action to deepen Asia-relevant capabilities was not taken then, and it remains a skills gap across the APS.

The APSC, with the Department of Foreign Affairs and Trade's Diplomatic Academy, must support agencies to develop the fundamental skills that will underpin an Asia-capable APS.

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385   Department of Home Affairs, submission to the Independent Review of the APS, 2018.

386   Australian Government, *Australia in the Asian Century: White Paper*, 2012.

Recommendation 20

Establish an APS professions model and a learning and development strategy to deepen capability and expertise.

- APSC to support APS to develop its capability through a professions model for core delivery, regulatory and policy roles, enabling functions and specialist areas.
- APSC to develop a whole-of-service learning and development strategy and undertake quality assurance to ensure programs deliver value and meets objectives.
- Secretaries Board to endorse and drive implementation of the professions model and APS learning and development strategy.

Implementation guidance

- APS Commissioner to be Head of Professions. Secretaries Board to appoint senior officials to lead each profession — appointing individuals for their experience and personal qualities, rather than seniority or position.
- Heads of professions to develop, with APSC support, core competencies at different levels of the profession and learning and development frameworks.
- First establish professions for critical skill gaps (HR, digital and data) and to build on existing momentum (such as Secretaries Board's APS Policy Capability Project and the Australian Government Legal Network). Draw various disciplines (e.g., economics and science) into the policy profession.
- Define generalist and specialist career paths through the professions model, valuing technical expertise and leadership and management capability.
- Base APS learning and development strategy on core principles:
    - provide learning and development for all employees (and in some cases labour contractors and external service providers)
    - build core public service skills and knowledge through a common APS curriculum, and
    - determine individual and agency-specific learning and development needs at agency-level.
- Use best-practice benchmarks to guide decisions on APS learning and development investment.
- Build a workforce with deep experience in and knowledge of Asia and the Pacific.

Career mobility

… how can we be confident that we are providing well-informed and integrated advice to government … if the bulk of the APS has only worked in one department?

Dr Heather Smith PSM, Secretary, Department of Industry, Innovation and Science[387]

Career paths that include appropriate levels of mobility are critical to the success of the APS. Moving around is a key avenue of professional development for individual public servants — and also benefits the organisation. It allows the APS to draw on a broad base of experience when developing programs, designing and delivering services for the public, and providing advice to government. But it is a careful balance. Too much mobility is expensive and disruptive, and can lead to a loss of subject matter expertise.[388] Too little can impede innovation and collaboration.[389]

The APS would benefit from more porous boundaries — more staff movement between agencies as well as between the public service and other jurisdictions and sectors. The APS interagency mobility rate, which measures movement of employees between agencies in a year, is currently 2.5 per cent.[390] This means in practice that 72 per cent of APS employees today have only ever worked in one agency.[391] At SES levels, that number is 37 per cent.[392] APS mobility within Canberra is significantly higher than elsewhere. Despite the fact most APS employees work outside Canberra (62 per cent), 79 per cent of total movements occur within Canberra, most often between policy agencies.[393]

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387   H. Smith, *Doing Policy Differently: Challenges and Insights*, speech delivered as part of IPAA ACT Thinking Ahead series, Canberra, 22 March 2018.

388   Both the UK and Canadian public services have been struggling with excessive mobility and turnover. Several London-based departments consistently lose 20–25% of staff each year. T. Sasse & E. Norris, *The cost of high staff turnover in the civil service*, Institute for Government, 2019.

389   C. Leddy, *The benefits and challenges of job rotation*, Forbes, 2017.

390   APSC, *State of the Service Report 2017–18*, 2018, p. 102.

391   ibid.

392   APSC, *Australian Public Service Employment Database, 31 December 2018 release*, 2018.

393   APSC, *State of the Service Report 2017–18*, 2018 p. 102.

It is important to note this low mobility is not a new challenge for the APS. The interagency mobility rate has remained constant at or around 2.5 per cent over the past 15 years. Mobility within the APS has been identified as an issue across numerous reviews, all the way back to the *Royal Commission into Public Administration* in 1920, which identified the services culture as impeding interagency mobility.[394] Respondents to the 2017 APS Employee Census cited barriers related to communication of opportunities as the primary reason they have not sought a mobility opportunity (Exhibit 6.4).

From June 2017 to May 2018, the APSC piloted an initiative designed to help understand employee mobility within the APS — *Operation Free Range*. The APSC designed it collaboratively with six agencies, which then opted to participate. All employees in those agencies were invited to participate, either through registering their interest in undertaking a mobility placement on a mobility register, or by advertising a mobility opportunity on a central jobs board. While there was a high level of interest through jobs posted (330) and employees registered (452), the actual number of movements was low (15). A key finding from *Operation Free Range* was that location was a barrier to applying for temporary mobility opportunities — of the 330 jobs advertised on the jobs board, 271 were located in Canberra, while 221 of the 452 employees on the mobility register were from outside Canberra.[395]

These findings suggest that increasing mobility across the APS will take more than a standalone program. A range of strategies will be required — beginning with embracing the need to facilitate greater movement of staff across the service. At a minimum, there should be specific and separate mobility targets and strategies for two regions — Canberra, and outside Canberra — in recognition of the different circumstances and needs in these two regions. This tailored approach could in time be taken further, as there is scope to differentiate between agency types and classification level.

394   D. McLachlan, *Royal Commission on Public Service Administration*, 1920, p. 49.
395   APSC, *Mobility Discussion Paper for Independent Review of the APS*, [unpublished].

Most APS employees have only ever worked in one agency and barriers to movement are high[396]
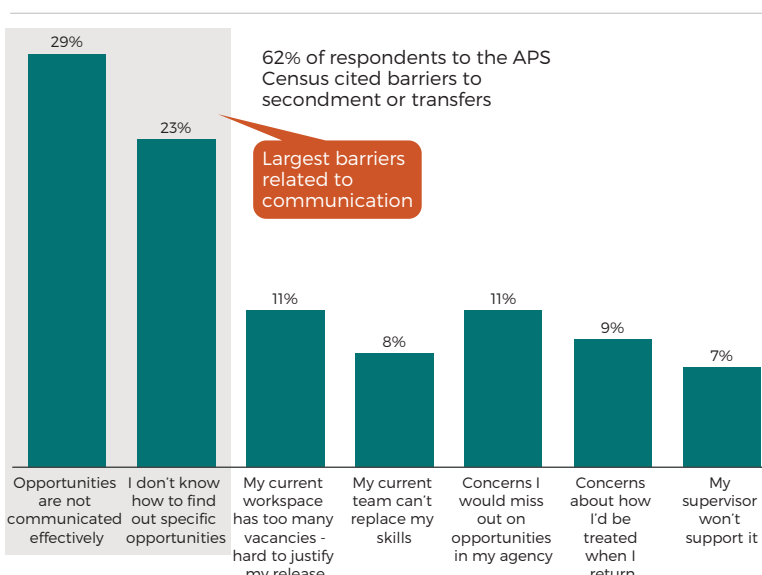

Mobility in the APS
% of staff working in one, two or more agencies

70%

70% of APS employees have only worked in one agency

19%

11%

One agency | Two agencies | Three or more agencies
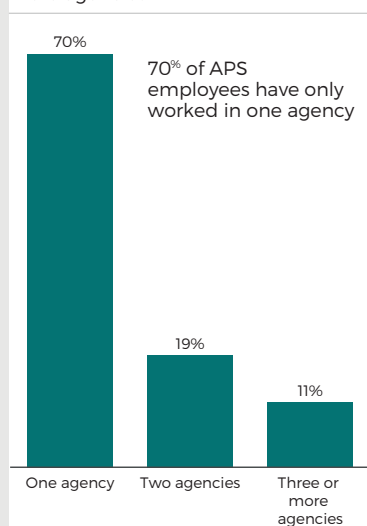
Barriers to seeking a secondment or temporary transfer
% choosing this reason, APS Census 2017

29%

23%

62% of respondents to the APS Census cited barriers to secondment or transfers

Largest barriers related to communication

11%

8%

11%

9%

7%

Opportunities are not communicated effectively | I don't know how to find out specific opportunities | My current workspace has too many vacancies - hard to justify my release | My current team can't replace my skills | Concerns I would miss out on opportunities in my agency | Concerns about how I'd be treated when I return | My supervisor won't support it

Secondments and other movements into, and out of, the APS are even more limited and variable. This is of serious concern. Mobility of this type ensures that public servants have insight into the pressures shaping other sectors, including the impact of policy and regulation.[397] It also gives people from other sectors an insight into how decisions are made and implemented in the public sector. There is strong support for secondments. Submissions from the ANZ Bank, the Business Council of Australia and Innovation and Science Australia reinforced the need for a more coordinated and systematic approach to mobility.[398]

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396   2017 data is used as the question was not asked in the 2018 APS employee census; results sum to more than 62% as respondents could select multiple barriers;: APSC, *Australian Public Service Employment Database, 31 December 2018 release*, 2018; APSC, *Australian Public Service Employee census*, 2018.

397   S. McPhee, op. cit., p. 55.

398   ANZ Bank, submission to the Independent Review of the APS, 2018; Business Council of Australia, submission to the Independent Review of the APS, 2018; Innovation and Science Australia, submission to the Independent Review of the APS, 2018.

We support change that will increase the ability to exchange skills between the Government, business and the not-for-profit sectors.

ANZ Bank[399]

Initiatives to move people temporarily between APS agencies and between the APS and other sectors and jurisdictions need to be centrally coordinated and centrally resourced — by the APSC. The mobility framework already being piloted by the APSC provides a useful starting point.[400] This will make it easier for other sectors and jurisdictions to partner with the APS on mobility initiatives, make access to such opportunities more equitable across the APS and incentivising agencies to embrace mobility as a means of developing their employees and bringing in fresh perspectives.

While diversity of experience is widely recognised as highly desirable, particularly for those in leadership positions, the APS lacks incentives to encourage it. One simple way to tackle this would be to introduce a requirement that applicants have experience in two or more portfolios or sectors in order to be eligible for appointment to the SES. This would reflect the stated intent of many SES recruitment rounds — but provide a harder edge to drive behavioural change. Critically, it would reinforce an important attribute of leaders expected to deal with increasingly integrated and multidisciplinary policy and delivery issues.

International experience and expertise are essential parts of the APS skillset. Much of that expertise resides in Australia's foreign service, which is rightly considered world-class. Its people are highly skilled and motivated and its networks of overseas posts and partnerships have supported successive governments to influence and shape international outcomes that advance Australia's interests. As our international and domestic interests become more entwined, it will be increasingly important that the APS attracts and develops employees, across the service, who understand the connections between these policy frameworks in thinking about Australia's place in the world.

Of course this does not mean all employees must be posted overseas at some stage in their career. There are many ways to broaden and deepen the understanding of these issues across the service, including through a revamped approach to learning and development and in designing and deploying the professions model. The aim should be to ensure that APS employees have opportunities to pursue secondments, attend conferences and undertake courses that broaden and deepen their skills and understanding of international issues. This should be a priority.

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399   ANZ Bank, op. cit.

400   Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4, 2019*, p. 11.

A number of agencies have employees based in international locations, performing a wide variety of tasks. DFAT is foremost among these, employing 68 per cent of APS staff posted overseas.[401] These roles are extraordinary opportunities for those chosen to fill them, both in representing our nation on the international stage and in gaining the unique, on-the-ground insights that come with this. It is therefore worth ensuring the full benefits of these insights and practical experiences are more broadly realised across the APS — and to help embed the integration of international and domestic expertise. And it is important for DFAT officers to build experience in other parts of the public service, to broaden their skills and understanding of public policy. The panel heard that DFAT's requirement that candidates for DFAT postings be DFAT officers has constrained some officers from taking positions in other agencies for fear of losing their place in the posting list. This is counterproductive to building a broader whole-of-government understanding of public policy.

One way to help encourage this is to create more opportunities for high-performing and high-potential staff from across the service, regardless of agency, to be considered for overseas postings, such that a prerequisite for posting would be that the person be an APS employee. This would enable highly skilled officers with domestic policy experience to broaden their horizons by working overseas, learning more about international frameworks and relationships. Similarly, it would encourage highly skilled international policy experts to broaden their experience by working elsewhere in the APS without the concern that they will forgo the opportunity to apply for overseas postings.

Such a change would need to be implemented carefully, mindful of the need to protect and advance the reputation of Australia's foreign service. For example, final decisions about who is selected for positions based overseas should remain with the responsible agency. And comprehensive training and induction on the intricacies of working overseas should remain a priority. Australia's relatively new and promising Diplomatic Academy — a DFAT initiative — is well placed to lead on this. A leading-edge learning and development hub for all APS staff working to advance Australia's interests internationally, its curriculum is focused on sharing best practice in modern diplomacy. It is an ideal focal point to help ensure employees posted overseas have the requisite skills and attributes to represent Australia.

Increasing mobility into, out of and across the APS will foster diversity of thinking and contestability of ideas. It will assist in lifting overall APS and individual capability. The APS has been grappling with insufficient mobility for over 100 years. Therefore the change must be driven from the top. APS leaders should encourage and support staff, especially those likely to go on to senior roles, to get experience in multiple agencies or ministerial offices, or outside the APS. They should welcome and support individuals from other sectors and jurisdictions into the APS and harness the benefits of these people's experience. Increasing mobility will make the APS a stronger, more effective organisation.

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401   The Australian Public Service Statistical Bulletin reports that as at 31 December 2018, 1,376 APS staff were posted overseas of which 932 were employed by the Department of Foreign Affairs and Trade. This figure excludes ADF uniformed personnel, locally engaged staff and other non-Public Service Act staff.

Recommendation 21

Improve mobility, support professional development, and forge strong linkages with other jurisdictions and sectors.

- Secretaries Board to set targets to double interagency mobility rates by 2025.
- APSC to agree with Secretaries Board a framework for mobility, including coordinating and resourcing initiatives to support movement:
  – across the APS, including between Canberra and regional offices,
  – between internationally and domestically focused parts of the APS, and
  – between the APS and state and territory public services, comparable overseas services, and the private and not-for-profit sectors.
- APSC to consider introducing a requirement that experience in two or more portfolios or sectors is a pre-requisite for appointment to the SES.

Implementation guidance

- Measure movement of people between agencies in Canberra, and between agencies outside Canberra.
- Agree mobility framework for Canberra- and non-Canberra-based public servants by mid-2020.
- Enable officers in internationally focused agencies to work in domestically focused agencies and vice versa, including providing open access across the service to overseas postings as well as secondments, exchanges, courses and conferences.
- Retain responsibility for final decisions about overseas postings with affected agencies.
- Plan targeted mobility initiatives to account for regional differences, create value for agencies as well as individuals, and ensure agencies maintain continuity and build expertise.

Performance management

The initiatives recommended earlier in this chapter provide a framework to deepen expertise and thereby strengthen the performance of the APS. They will only be successful if reinforced by an enhanced approach to performance management which holds individuals genuinely accountable for their performance and is applied consistently across the service. Organisations with highly effective performance management systems — ones that provide frequent feedback to employees and also focus on assessing performance and the future objectives and development plans of employees — are three times more likely to report that they outperform their peers.[402]

It has been consistently observed that the APS does not do performance management well. The skills to do it well are not taught widely, the time dedicated to it is minimal, and the results generally do not translate directly into rewards or opportunities. Ultimately, performance management is not sufficiently valued in the APS.

Based on a series of interviews with SES in late 2018 and other data on SES capability, the APSC concluded that 'officers in SES roles have been promoted for their ability to deliver'.[403] Current public service leaders are largely incentivised towards 'results at all costs' and 'right first time'.[404] Positive outcomes of such incentives include rapid response to ministerial needs and fewer backflips on previously stated positions. But the focus on delivery to the exclusion of other performance benchmarks is problematic. Among other things, it discourages managers from spending time and effort developing people. Evidence shows that this is felt across the service. The 2018 APS census reported that only:

- 45 per cent of respondents agreed that their SES manager gave their time to identify and develop talented people
- 48 per cent of respondents agreed that their experience of performance management had been useful for their development
- 54 per cent agreed that their managers were reluctant to have difficult conversations, and
- 53 per cent agreed that their agency simply moved underperformers to different work groups.[405]

These data are consistent with sentiments expressed to the review.

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402   S. Chowdhury et al., *Harnessing the power of performance management*, McKinsey & Company, 2018.

403   APSC, *The Senior Executive Service and APS Reform* [unpublished].

404   ibid.

405   APSC, *2018 Australian Public Service Employee Census*, 2018 [data available at data.gov.au].

More damaging is the reality that underperforming staff are more commonly 'moved sideways' or 'promoted out' as an alternative to performance management.

Andrew Halliday[406]

Long-term, widespread weaknesses in performance management across the APS undermine the APS's effectiveness and must be addressed.

Performance management in the APS is devolved to agencies. They have considerable variability in their approaches. This model is suited to an era in which agencies operated relatively autonomously, but is not fit for purpose for a future APS working as one. To vary performance management so considerably across the service is not efficient or useful.

A single, inflexible performance-management system is not the answer. But a common framework that sets out the basic, core expectations for performance management across the APS would be valuable. Reflecting the reorientation recommended throughout this report towards a more outcomes-focused, collaborative style of working, the panel recommends that the framework mandates use of 360-degree feedback and external stakeholders' views on an employee's performance. It should require an assessment of potential as well as performance for all EL and SES employees to underpin talent-development initiatives.

The premise needs to be that managers must dedicate a significant amount of time to performance management and agencies need to give it a high priority. The framework will set out best practice including the need for managers to devote significant time to developing and mentoring staff and teams. Managers, with training and support from HR, will be as accountable for developing staff as they are for delivery. As the system matures, the outcomes of performance assessments should directly influence promotions and other opportunities, as well as learning and development needs.

To reinforce the existing legislated concept of the SES as a united, service-wide cohort, the SES performance-management framework should be common across the service, with only limited variation at the agency level. The APS Commissioner, as Head of People (chapter eight), should lead in ensuring ensure a robust and consistent approach to SES performance management across the APS, including ensuring that the approach rewards outcomes and behaviours consistent with the transformation program recommended by this review. Sharing results of SES performance assessments with the APSC for moderation will inform a repository of data on the performance and potential of the SES cohort. The APS Commissioner should use these insights to support agency heads make decisions on appointing, moving or terminating SES employees.

The new performance-management policy should be underpinned by a common HR ICT system. It should capture service-wide data on the capability of employees and allow agencies to share the results of employee performance assessments.

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406   A. Halliday, submission to the Independent Review of the APS, 2018.

Recommendation 22

Standardise and systematise performance management to drive a culture of high achievement.

- Secretaries Board to agree a framework for consistent and high-quality performance management and development across the APS.
- APS Commissioner to drive a robust and consistent approach to SES performance management and development.
- Transformation leader and Finance to ensure new common HR enabling system and tools supports the performance management framework.

Implementation guidance

- Build performance management on the supervisor-employee relationship, with all managers expected and supported to invest in developing their staff.
- Through the framework for APS performance management:
  - allow for different needs and circumstances of agencies
  - mandate use of 360-degree feedback, views of external partners and performance data
  - link career and development to performance and potential, and
  - support identification of high potential employees and under-performers, and apply probation requirements rigorously.
- Reflect desired behaviours and initiatives to support APS transformation and culture change in performance expectations for employees (recommendation 4).
- APS Commissioner to moderate SES performance evaluations.
- To inform APS workforce planning, ensure interoperable HR system (recommendation 17) can share appropriate results across the APS and capture metrics, such as development needs.

Leadership and talent development

Strengthening the approach to performance management will provide the opportunity to enhance talent development across the APS. Effective talent development will ensure that the APS has current and future leaders with the right combination of capabilities to lead the APS through a period of transition and renewal. Specifically, the APS needs current and future leaders with the skills and confidence to navigate an uncertain, rapidly changing and complex future, including, as set out in chapter two, to help lead the transformation of the APS.[407]

To begin, the APSC should oversee a process to independently assess the capability of all SES officers, starting with Band 3s and progressively encompassing Band 2s and Band 1s. Secretaries Board has already agreed to start this process at the Band 3 level. These assessments should be used to identify SES talent for participation in Secretaries Board Talent Councils and professional development needs.

Two Talent Councils oversee SES talent development. Their establishment and support signify the commitment of secretaries to formalise and strengthen talent development across the service. This is a positive step — but the work is embryonic. It encompasses a small number of current SES leaders and occurs relatively late in these employees' careers. Below the SES level, talent processes are managed by individual agencies, though only one-quarter of agencies report having a formal strategy in place.[408]

Given the size of the EL cohort and the degree to which their performance expectations are set by the local areas, talent development of EL staff should remain the responsibility of individual agencies, but guided by EL talent development advice from the APSC and supported by centrally designed programs and initiatives to stretch and develop EL talent.

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407   APSC, *The Senior Executive Service and APS Reform* [unpublished].

408   APSC, *State of the Service Report 2017–18*, 2018, p. 128.

Recommendation 23

Identify and nurture current leaders and staff with potential to become future APS leaders.

- APSC to oversee an independent process to assess the capability of all SES, starting with SES Band 3s and progressively including Band 2s and Band 1s.
- Secretaries Board to agree new approach to identify and develop high-performing and high-potential EL employees.
- APSC to provide annual advice to Secretaries Board on capability and development of current and future APS leaders.

Implementation guidance

- Provide targeted and significant development to all high-performing and high-potential employees — including support for interagency moves, external secondments, international opportunities and placement in ministerial offices.
- Use SES capability assessments to inform APS workforce planning, talent management (including participation in Secretaries Board Talent Councils) and other development and management actions.
- Retain responsibility of agencies for development for high-performing and high-potential EL staff, with APSC to provide guidance and support in doing so.
- In annual advice to Secretaries Board, consider diversity and skills mix of APS leaders and effectiveness of current arrangements for their development.

Getting recruitment right

Theoretically, the APS is in an enviable position to attract future employees. Employees work for the greater good. They directly affect the lives of Australians. Millennials in other countries have consistently cited this type of purpose-driven work as what they most want from a job.[409]

Yet the APS is failing to recruit people with diverse skill sets and external experience. The APS employee value proposition is intrinsically strong, but is underutilised and poorly articulated. Those with skills in high demand, for example emerging technologies, do not look at the APS as a potential employer.[410] This is problematic, given the shortages in digital talent across Australia. Australia will require 100,000 extra technology-skilled workers by 2023, yet there are fewer than 5,000 local graduates from relevant fields each year.[411]

Using its strong value proposition, the APS needs to work harder to attract the best minds and most dedicated people. An effective recruitment strategy will ensure that the APS has the necessary skills, knowledge and attributes to meet current and future operational requirements. To build such a strategy the APS can draw on advice and experience from international and domestic public sectors, as well as the private sector.

The review recommends that the APSC progressively coordinate aspects of APS-wide recruitment. In particular, trialling and establishing a targeted program to recruit external mid-career and senior professionals, with a carefully designed program to support the injection of new skills and thinking in areas of need identified by the APS workforce strategy. This could be modelled on graduate recruitment and be complemented by strong induction, learning and development and careful agency placement to deliver value and lift retention.

In 2015, the NSW Public Service Commission launched a service-wide employee value proposition under the *I work for NSW* brand.[412] This rebranding has attracted cross-jurisdictional attention for its effectiveness.

APS recruitment processes must be improved. They are slow and unsophisticated. Over 50 per cent of jobs are advertised exclusively on *APSjobs* — an outdated website that is neither user-friendly nor mobile-device optimised.[413] Many agencies have been slow to use other advertising methods, such as social media. Public-sector roles receive fewer applications than those in the private sector, while the process takes much longer.[414] A pilot study using a sample of advertised positions over two years indicated that the median time to start

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409   R. Wolf et al., *Millennials: Work, Life and* Satisfaction, Allianz, 2017, p. 10.

410   Boston Consulting Group, *Scenarios for 2030*, 2018, p. 36.

411   Deloitte Access Economics, *ACS Australia's Digital Pulse*, 2018, p. 3.

412   NSW Government, *Employee Value Proposition: I work for NSW* [website], 2019, <https://www.psc.nsw.gov.au/workplace-culture---diversity/workplace-culture/employee-value-proposition>.

413   SEEK, submission to the Independent Review of the APS, 2018, p. 5.

414   ibid., p. 6.

(from job advertisement to commencement) is 144 days, ranging from 37 to 235 days between agencies.[415] One proposal is to make clear that many jobs in the APS can be performed almost anywhere. The default assumption, within and outside the service, that certain roles must be performed in Canberra is outdated and unhelpful. The APS must change that impression to attract capable and interested people whose lives are firmly established in other cities and regions.

Selection processes themselves can be improved by using contemporary tools to provide alternative insights in performance and potential, such as psychometric testing and data analytics. All recruitment and selection processes need to recruit for potential, and seek to address inevitable selection biases.

Another factor impeding recruitment and mobility across the APS is security vetting. In 2017, the *Independent Intelligence Review* noted that the length of time taken by the Australian Government Security Vetting Agency to complete Top Secret (Positive Vetting) security clearances — at the peak of its backlog, more than 18 months on average — exacerbated the intelligence community's existing workforce challenges.[416] The time it can take to reprocess clearances when staff move between agencies causes delays which restrict timely ICT and building access and constrain the APS's ability to pull together teams of staff quickly from across the service to work short-term on complex, cross-portfolio issues. These factors deter or delay highly skilled and capable people from working across the APS where and when they are needed.

Whether it is a cause or an effect of poor recruitment practices, agencies nearly always appoint or promote from within. Of 9,564 promotions of ongoing employees across the APS in 2017–18, 90 per cent were awarded to someone already within the agency.[417] Currently, graduate recruitment is the only time the APS systematically searches externally for employees. A similar model could be used to externally recruit mid-career professionals.

Research shows that, once external applicants have agreed to join an organisation, effective induction reduces the risk of early turnover and helps them to thrive quickly. This is especially the case with information and interaction-heavy jobs like those in the APS.[418] Failure to provide fit-for-purpose induction results in new employees being left to sink or swim. In the case of senior external recruits to the APS (SES level), 28 per cent sink — that is, leave the APS within two years of commencing (Exhibit 6.5).[419]

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415   Median time in days from the time a job advertised on *APS Jobs* to the time the employee commences in the position, 1 July 2016 to 30 June 2018. Not all agencies comprehensively report the outcomes of positions they have advertised on *APS Jobs*. Hence, the 'time to fill' data is based on a large sample rather than a complete census. Information provided by the APSC.

416   M. L'Estrange & S. Merchant, *Independent Intelligence Review*, 2017, p. 77.

417   APSC, *State of the Service Report 2017–18*, 2018, p. 104.

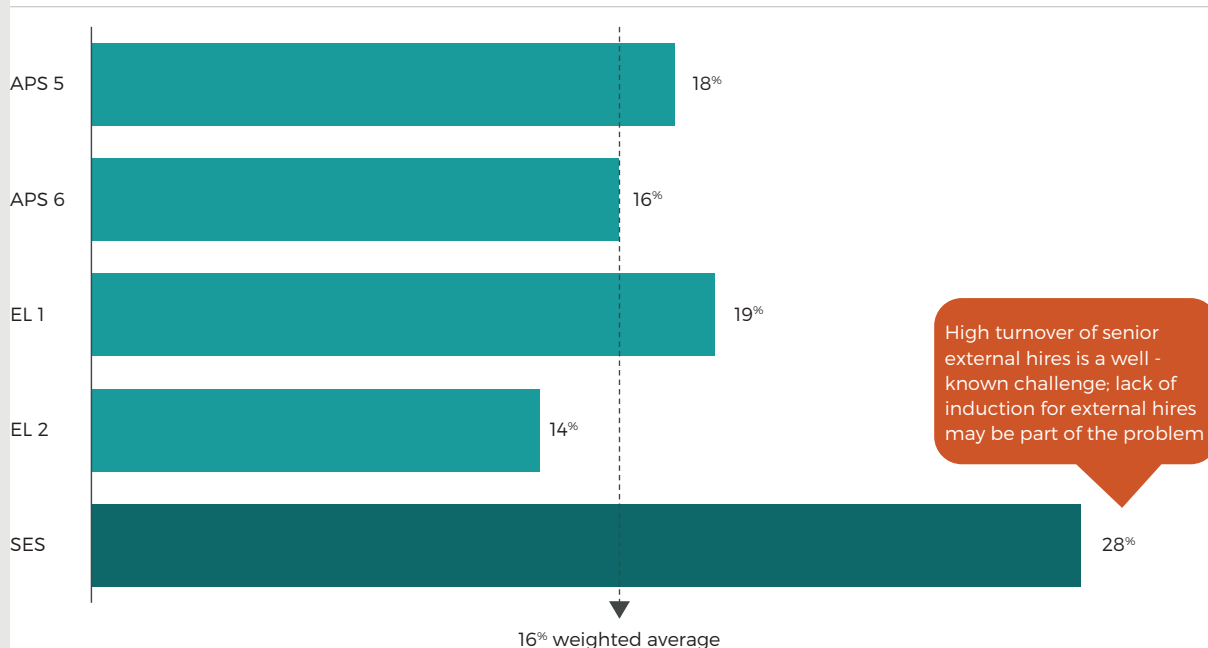418   S. Keller & M. Meaney, *Leading Organisations: Ten Timeless Truths*, London: Bloomsbury Publishing, 2017.

419   Information provided by the APSC.

Exhibit 6.5

Sixteen per cent of external hires and 28 per cent of external SES hires leave within 2 years[420]

Retention of external hires
% leaving less than 2 years after hired into each classification

APS 5 — 18%
APS 6 — 16%
EL 1 — 19%
EL 2 — 14%
SES — 28%

High turnover of senior external hires is a well - known challenge; lack of induction for external hires may be part of the problem

16% weighted average

This is not new news. In 2015, *Unlocking Potential* highlighted that agencies were failing to induct and prepare new employees properly.[421] It recommended an enhanced approach to APS induction. This review reaffirms this recommendation. A centrally-designed APS induction module should be developed, covering APS-wide matters such as the role of the APS and its relationship to the Government and Parliament, the APS Values, Code of Conduct, parliamentary processes, briefing ministers and accountabilities. The induction should highlight the important and enduring role of the APS, its shared purpose, principles and values, and the features which unite all public servants in collective endeavour.

An overhaul of the APS's recruitment and induction practices is needed urgently. The changes recommended by this review will assist the APS to attract and quickly on-board a diverse workforce. A new service-wide induction program will then improve the new starter experience across the APS. This is especially relevant for more senior employees coming in from other sectors and will help build the diverse and experienced workforce the APS needs for the decades ahead.

420   Information provided by the APSC.
421   S. McPhee, *op. cit.*, p. 31.

Recommendation 24

Overhaul recruitment and induction to reflect best practice, use APS's employee value proposition and target mid-career and senior talent outside the APS.

- Secretaries Board to agree a distinct APS brand and employee value proposition to underpin service-wide recruitment.
- APS Commissioner to provide guidelines on best-practice recruitment.
- Secretaries Board to instigate annual APS-wide recruitment rounds targeted at mid-career and senior professionals from other sectors, coordinated by APSC.
- APSC to progressively coordinate aspects of APS-wide recruitment, commencing with centralised pre-qualification checks for graduates.
- Attorney-General's Department, working with relevant agencies, to streamline and standardise security clearance processes.
- APSC to deliver whole-of-service induction on essential knowledge required for public servants, with participation required to pass probation.

Implementation guidance

- Reflect diversity, impact and lived experience in employee value proposition — use it in branding (alongside existing agency brands where proven effective).
- To support better recruitment, use tools such as psychometric testing, data analytics, upwards feedback and performance assessments. Recognise behavioural and technical skills, potential, and proven capability.
- Recruit external mid-career and senior professionals at EL and SES levels:
  - Provide central funding for annual APS-wide recruitment rounds.
  - Provide full support to recruits, including induction, careful placement in different roles, mentoring and professional development.
  - Ensure all departments and large agencies participate in the annual rounds (unless exempted by APS Commissioner).
  - Focus on skills shortages identified by APS workforce strategy.
- Retain responsibility of agencies to make final decisions to employ staff identified in all APS-wide recruitment processes coordinated by the APSC.
- Use APSC induction to complement agency induction and include: the functions and interactions between the APS, Ministers and their advisers and Parliament; integrity; inclusion; protective security; and common ways of working.

Diversity and inclusion

We in DFAT cannot possibly provide the advice that we provide to our government, or be effective internationally unless we are broadly representative of the Australian people, unless we can draw on a wide range of experiences, and thoughts from our own workforce.

Frances Adamson, DFAT Secretary [422]

There is overwhelming evidence that diverse and inclusive organisations perform better and have happier people.[423] Diversity — of background and life experience as well as in expertise and view points — creates challenge, provokes thought and encourages change. It provides different insights, which are especially valuable in tackling the complex and ambiguous problems faced by government each day. It produces better advice to ministers and better decisions, as they are more attuned to the needs and interests of all groups.[424]

To be fit for purpose for the coming decades, the APS must ensure a diverse and inclusive environment that accepts individuals' differences, embraces their strengths and provides opportunities for all employees to achieve their potential.

Alongside professional diversity, the APS needs people with a diversity of backgrounds. At first glance the APS is performing well — it is more socially diverse than ever before. Women occupy 46 per cent of senior leadership positions, up from 26 per cent in 2000, and in 2017–18 gender parity at the secretary-level was achieved for the first time.[425] As at 31 December 2018, the APS recorded the highest-ever proportion of Indigenous employees at 3.5 per cent, which is higher than the proportion of Australian people who identify as Indigenous (2.8 per cent).[426]

But there is more to the story. Gender diversity does not necessarily mean gender equity.[427] And the public service struggles to attract and retain employees with diverse backgrounds at senior levels. People from diverse backgrounds are overrepresented at the lower classification levels (Exhibit 6.6). Over the past ten years, the APS has made little progress

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422   F. Adamson, *Thinking Big*, speech delivered at IPAA ACT Conference, Canberra, 10 November 2016.

423   S. Hewlett et al., How Diversity Can Drive Innovation, *Harvard Business Review,* 2013; V. Hunt et al., *Delivering through Diversity*, McKinsey & Company, 2018; Forbes Insights, *Global Diversity and Inclusion: Fostering Innovation through a Diverse Workforce*, 2011.

424   J. Heywood, *Diversity + Inclusion = A Brilliant Civil Service,* Civil Service Quarterly, 2017, p. 4.

425   APSC, *Australian Public Service Employment Database, 31 December 2018 release*, 2018; Australian Public Service Commission, *State of the Service Report 2017–18*, 2018, p. 54.

426   APSC, *2018 Australian Public Service Employee Census*, 2018 [data available at data.gov.au]; APSC, *State of the Service Report 2017–18*, 2018, p. 58.

427   See S. Williamson, submission to the Independent Review of the APS, 2018.
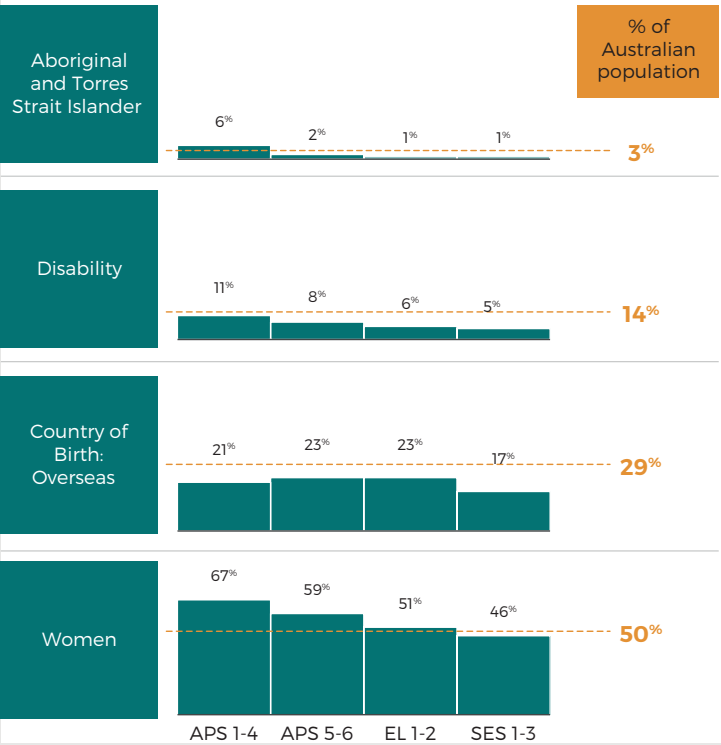
in lifting the proportion of employees with a disability. At all classification levels the APS is not as culturally diverse as the Australian population, as measured by the percentage of employees who were born overseas. Even if the percentage remains steady over the years ahead, the implications will worsen as the APS will increasingly need to be globally aware and sensitive with strong relationships with Asian countries. Internally, employees from diverse backgrounds continue to report higher levels of bullying, harassment and discrimination. This is not acceptable.

Exhibit 6.6

The APS struggles with diversity and inclusion[428]

Diversity by classification
% of classification by diversity group, 2018

Aboriginal and Torres Strait Islander: 6%, 2%, 1%, 1% — % of Australian population: 3%

Disability: 11%, 8%, 6%, 5% — 14%

Country of Birth: Overseas: 21%, 23%, 23%, 17% — 29%

Women: 67%, 59%, 51%, 46% — 50%

APS 1-4   APS 5-6   EL 1-2   SES 1-3

Inclusion and discrimination by group
2018

The perceived rate of bullying, harassment and discrimination in the APS remains much higher for employees who identify as part of a diversity group:

2X Aboriginal and Torres Strait Islander employees and staff with a disability are more than twice as likely to perceive discrimination

2X People with a disability are twice as likely to perceive bullying and harassment

1.3X Women and LGBTI+ staff are 1.3 times as likely to perceive bullying and harassment

428   APSC, *Australian Public Service Employment Database, 31 December 2018 release*, 2018; Australian Bureau of Statistics, *2071.0 – Census of Population and Housing: Reflecting Australia – Stories from the Census,* 2016; Australian Bureau of Statistics, *3101.0 – Australian Demographic Statistics*, December 2018; Australian Bureau of Statistics,*3412.0 – Migration, Australia 2017-18*, 2018.

Not acting will have serious consequences. If the representation of diverse groups remains in the lower classification levels, and automation continues to increase, there is a risk that the diverse workforce will be disproportionately affected. Investment in readying low-classification workers to adapt to new opportunities presented by new technologies must be made now.

The challenge for the APS is multifaceted — it needs to do better at attracting, recruiting, retaining and progressing people from diverse backgrounds while addressing unconscious biases and promoting flexible work options across the service.[429] As noted in a joint submission from blind and vision impaired persons working in the APS, 'representation matters, not the numbers. By assuming diversity is present and planning and implementing, people of diversity can come and go as people'.[430]

The APS should develop a whole-of-service diversity and inclusion strategy to ensure the service harnesses the talents of people from all corners of life. This will support different views and perspectives and unlock the talents and potential of more employees. The strategy should include ambitious and meaningful targets, baseline metrics upon which to measure improvements, and a suite of initiatives to drive improvements. The targets must reflect specific areas for improvement. As the APS Indigenous SES Steering Committee said:

> An overall single percentage target is not precise enough to drive behaviour to where it is needed e.g., if the current target can [be] met by expanding entry-level programs — what incentive is there to change?[431]

Targets alone will not deliver the change the APS needs. Every member of the APS has a role to play in creating an inclusive culture. The Secretaries Equality and Diversity Council agreed in late 2018 to focus its future work program on the following four ways in which departments could reshape inclusive work practices across the APS:

- identify and share best-practice initiatives across departments
- ensure that senior leaders meaningfully role-model inclusive work practices
- improve local team routines by codifying inclusive work practices at the EL2 level, and
- address core organisational processes that can be inhibited by exclusive practices built up over time.

The Council also agreed that departments would consider undertaking specific actions to promote inclusive work practices relevant to their local context. These are good signs, but could be taken even further, by locking in the tangible actions and assigning clear accountability. Only when agencies and senior individuals are committed and accountable will the APS fully realise the value of diversity and inclusion.

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429 S. Williamson et al., submission to the Independent Review of the APS. July 2018.

430 Blind and vision impaired persons working in the APS, submission to the Independent Review of the APS, 2018, p. 14.

431 Australian Public Service Indigenous SES Steering Committee, op. cit.

Strengthen the APS by recruiting, developing and promoting more people with diverse views and backgrounds.

- Secretaries Board to set a 2030 diversity goal: the APS to reflect and understand the people and communities it serves.
- Secretaries Board to set ambitious diversity and inclusion targets, with milestones and reporting schedule, in an APS Diversity and Inclusion Strategy.
- APS 200 to be collectively and individually responsible for helping achieve targets, supported by relevant training and other initiatives.
- Secretaries Board to instigate regular merit-based special-measures recruitment rounds and mid-career development for diverse groups, coordinated by the APSC — starting with Aboriginal and Torres Strait Islander peoples and people with a disability.

Implementation guidance

- Build on the work of Secretaries Board's Equality and Diversity Council.
- Set targets for:
  – a transformational lift in representation of people from diverse backgrounds at the EL and SES levels
  – proactive professional development for people from diverse backgrounds (for example, through representation in talent and performance programs), and
  – greater inclusion of people and views (measured by engagement and sense of inclusion among people from diverse backgrounds).
- APS 200 members to trial Diversity and Inclusion Mentors or immersive experiences to 'walk in other shoes' and share learnings across the APS.
- Consider amending the *Public Service Act 1999* to strengthen the employment principle on diversity.

Deep expertise, stronger advice

The APS has lost its analytical capacity, ... applied research functions and resources have significantly declined (CSIRO, BITRE, ABARES, BREE, etc).[432]

Current secretary[433]

If the APS is to be a trusted and valued source of strategic policy advice to the Government, its advice needs to be informed by the best available evidence and expert analysis. For that, the APS needs to reverse the long-term decline in research and evaluation expertise and build integrated policy capability.

Rebuilding research and evaluation expertise

The APS must provide successive governments with rigorous and innovative advice as the policy-making environment becomes increasingly complex and challenging. This will require a much stronger focus on research and evaluation in order to identify emerging issues and evaluate what works and why.

Any agency that is serious about encouraging an evidence-based approach needs to develop a 'research culture'. Establishing dedicated evaluation units, achieving a critical mass of researchers, strengthening links with academic and other research bodies, are all integral ...

Professor Gary Banks, Professorial FellowMelbourne Institute of Applied Economic and Social Research[434]

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432 The acronyms are as follows: CSIRO – Commonwealth Scientific and Industrial Research Organisation, BITRE – Bureau of Infrastructure, Transport and Regional Economics, ABARES – Australian Bureau of Agricultural and Resources Economics and Sciences, and BREE – Bureau of Resources and Energy Economics.

433 Interview conducted as part of the Independent Review of the APS.

434 G. Banks, *Evidence-based policy-making: What is it? How do we get it?*, ANZSOG/Australian National University Lecture Series, 4 February 2009, p. 21.

APS in-house research and evaluation capabilities and processes have fallen. Multiple sources indicated that in-house capability has declined in these areas.[435] The Department of Agriculture and Water Resources (now Department of Agriculture) said that one of the reasons for a decline in policy capability within the department has been the 'very large reduction in specialist expertise, evidenced for example by the reduction in size and capability of the Australian Bureau of Agricultural and Resource Economics and Sciences, which has lost more than half its staff over the last decade'.[436]

Research commissioned for the review found that the APS's 'approach to evaluation is piecemeal in both scope and quality, and that this diminishes accountability and is a significant barrier to evidence-based policy-making'.[437] This is consistent with views from within the service. In a private submission to the review, one APS leader said, 'While there are some areas in the APS where evaluation is done well, its actual execution is uneven and, in some areas, non-existent.'

The National Commission of Audit identified Australia's Aid Program as an exemplar of comprehensive and effective evaluation programs.[438] The annual *Performance of Australian Aid* reports deliver analysis and evaluation at the whole of program, bilateral and global program, and individual aid investment levels. Findings are subject to peer review and quality assurance assessments.[439] The Department of Industry, Innovation and Science's Evaluation Strategy, prepared by its Chief Economist, is another example. The strategy provides a framework to guide the performance measurement of programs and policies at the department. This provides assurance that policies and programs are delivering outcomes as intended, performance is tracked — allowing for corrections to occur — and informs future policy and program design. The strategy includes an ambition to publish evaluation findings wherever possible. This promotes transparency and rigour and allows for external review and feedback to improve methods.[440]

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435   Australasian Evaluation Society, submission to the Independent Review of the APS, July 2018; R. Bray et al., *Evaluation and learning from failure and success*, ANZSOG, 2019.

436   Department of Agriculture and Water Resources, submission to the Independent Review of the APS, 2018.

437   R. Bray et al., op. cit., p. 8.

438   National Commission of Audit, *Towards Responsible Government*: Appendix to the Report of the National Commission of Audit, Vol. 3, 2014, p. 58.

439   Department of Foreign Affairs and Trade, *Performance of Australian Aid 2017–18*, 2019, p. 2.

440   Department of Industry, Innovation and Science, *Evaluation Strategy 2017–2021*, Office of the Chief Economist, 2017; Department of Industry, Innovation and Science, submission to the Independent Review of the APS, 2019.

The review proposes that a central enabling evaluation function be established to drive a service-wide approach to evaluation and to uphold minimum standards of evaluation. The main responsibility for evaluations will continue to reside with individual agencies. But the central function should provide guidance and support for agencies on best-practice approaches. It should also develop, for the Government's consideration, a new strategic approach to evaluation of past, present and proposed programs and policies, with advice on how best to embed mandatory requirements for formal evaluation in Cabinet process and budget rules. Such changes will strengthen the basis on which government decisions are considered and made — and help with explanations when activities cease or change, and when new strategies are pursued.[441]

One challenge to reversing the decline in evaluation work across the APS is the risk of failures (or at least failure to meet all expectations) being exposed. The counterpart, as one former secretary put it, is that 'successes can also be celebrated and hopefully people's trust in government will also be enhanced by greater honesty in making available objective and rigorous assessments of performance'.[442]

The greater transparency of performance that will flow from a new approach to evaluation must be welcomed, not disparaged, by all affected parties. It will support better budget prioritisation (recommendation 36). A willingness to acknowledge lessons learned and areas for improvement is key to the APS of 2030. Such a culture can only be realised with the backing of secretaries, ministers, the Government and the broader public.

441   R. Bray et al, op. cit., p. 9.

442   M. Keating, submission to the Independent Review of the APS, 2018, pp. 8–9.

Embed a culture of evaluation and learning from experience to underpin evidence-based policy and delivery.

- Finance to develop, for Secretaries Board agreement, an APS-wide approach to build evaluation capability and ensure systematic evaluation of programs and policies.
- Finance to establish a central enabling evaluation function to support APS evaluation practices and expertise.
- Agencies to establish in-house evaluation functions and annual plans, and publish evaluations, unless exempt by the Cabinet.
- Government to amend Cabinet and budget requirements to establish a systematic approach for formal evaluations.

Implementation guidance

- APS-wide approach to:
  - plan evaluations of present and proposed programs and policies (including spending, revenue and regulation), and
  - provide guidance and support for agencies in best practice, building capability and the effective use of external experts.
- Finance Minister and Secretaries of PM&C and Finance to settle work program for deep-dive evaluations on cross-cutting topics — such as distributional or regional impacts of policies or programs against desired outcomes.
- Finance and PM&C to ensure agencies meet new Cabinet and budget process requirements.
- Draw on and support existing evaluation capabilities and expertise in agencies as much as possible. Finance may support major evaluations.
- Establish an evaluation profession.

To help reverse the long-term decline in research capability, the APS needs to embed high-quality research practices into its regular program of work. Reflecting a major theme of this review, research can be conducted and commissioned around problems or opportunities, including what have been described as missions, rather than typically being undertaken separately by agencies.[443]

Secretaries of like portfolios (such as industry, social or natural resources) could prepare joint proposals on boosting and entrenching research and analytical skills and resources within their clusters, including to establish or strengthen in-house research units or undertake particular projects. This could include proposals for funding as part as the transformation program, such as:

- establishing or strengthening in-house research units within departments, such as the Australian Bureau of Agricultural and Resource Economics and Sciences and the Bureau of Infrastructure, Transport and Regional Economics
- establishing or strengthening entities outside departmental structures, such as CSIRO and the National Health and Medical Research Council
- developing in-house capability to commission external research and other evidence-gathering tools, such as longitudinal studies, expertise from universities and other research institutions, and
- building digital tools to gather data rapidly to provide real-time insights and simulate impacts of potential policy interventions.

An immediate priority is to establish strong policy-research capability in the social cluster (social and human services, health and education) to complement the data-analytic capability of the Australian Institute of Health and Welfare.

Traditional forms of research and evaluation are not the only ways to gain insights into effective policy-making. Newer methodologies and approaches, for example Bayesian analysis, behavioural economics and citizen-centred design, need to be a core part of policy and program design processes across the APS. Yet senior APS leaders continue to be risk averse and reluctant to embrace new ways of working. Excessive risk aversion has been identified in past reviews and in submissions to this review.[444] It reflects a culture that rejects experimentation, innovation and learning from successes and failures. Research commissioned for this review found that:

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443   T. Moran., *The next long wave reform — where will the ideas come from?*, Jim Carlton Integrity lecture, 25 March 2019.

444   Advisory Group on Reform of Australian Government Administration, op. cit., p. 45; P. Shergold, *Learning from Failure*, 2015, p. 67; see example submissions to the Independent Review of the APS from Anglicare Australia, 2018; Australian Council of Trade Unions, 2018; Australian Human Rights Commission, 2018.

> ... departments and agencies are often more concerned with reputational risk, seeking to pre-empt or divert criticism rather than learning from experience and feedback.[445]

Recognising this, Secretaries Board commissioned a report in 2018 on lessons from the private sector on risk tolerance and innovation.[446] Guided by this study, the review proposes the establishment of a public service innovation incubator to encourage widespread adoption of innovative approaches to developing evidence-based advice. The incubator should provide guidance and tools to assist all areas of the APS: to understand and apply new methodologies, provide specialist advice to agencies, and lead efforts to build skills and confidence across the APS (including outside of Canberra) in engaging with innovation and risk. There are good examples of innovation teams (for example, the Department of Industry, Innovation and Science's BizLab Academy teaching human-centred design principles, and Services Australia's Design Hubs gathering customer insights). Centrally mapping the work underway would support agencies to share lessons learned and fast-track adoption of such methodologies at scale across the APS.

Using traditional and innovative approaches to develop evidence-based advice is core APS work and must be prioritised and invested in. It needs to be embedded in ways of working across the APS and not ignored in favour of immediate, responsive work. Evidence-based advice necessarily take months to develop. Making the organisational changes recommended above will strengthen the quality of the APS's advice to the Government and the basis on which decisions that affect all Australians are made.

Research is of interest and value to the APS and governments, as well as the broader public. Publishing research, and public debate on it, strengthens the quality of work. The panel recognises that, at times, the publication of research can be sensitive, and proposes that Secretaries Board agrees protocols with the minister responsible for the public service on timely publication of research, after an appropriate period for the Government's consideration. This must preserve the independence of the research itself.

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445   R. Bray et al., op. cit., p. 8.

446   Department of Industry, Innovation and Science (BizLab), *Risky Business: lessons from the private sector – a systems approach to managing innovation risk*, prepared for the APS Reform Committee [unpublished].

Recommendation 27

Embed high-quality research and analysis and a culture of innovation and experimentation to underpin evidence-based policy and delivery.

- Agencies to publish research plans and completed research by default. Report on research underway and capability in annual reports.
- Secretaries and other relevant agency heads to work together to boost joint research and analysis capability and output:
    - develop proposals, for Government consideration, to establish or strengthen research units (either in-house or outside departments)
    - jointly undertake in-house and commission external research, and
    - build digital tools to help share and jointly undertake research.
- Secretaries Board to establish protocols to support timely research publication.
- Secretaries Board to trial a public service innovation incubator to drive innovative approaches to policy-making.
- PM&C and APSC to formalise regular collaboration between the APS and academia on research in better public administration.

Implementation guidance

- Work in portfolio clusters to boost research and analysis capability and output.
- Consider funding research capability proposals in the transformation program.
- In collaboration with universities and research institutions, build capacity to integrate and analyse data to provide real-time insights and simulate impacts of potential policy interventions.
- As an immediate priority, establish strong research capability in the social cluster (social and human services, health and education) similar to the data-analytic capability of the Australian Institute of Health and Welfare.
- Agree protocols for publishing research with the minister responsible for the public service — ensure research independent and published in a timely manner, following ministerial consideration.
- Embed research and researchers in policy and delivery teams. License teams to trial new approaches and methods and use best practice for designing and implementing policies.

Building integrated policy skills

Integration cannot be left to chance, it needs to be informed by policy, practiced in education, training and interagency exercises and recognised as high-profile career opportunity.

Dr Alan Ryan[447]

The world has become more interconnected, diverse, and complex in the face of advances in technology, and societal and geopolitical shifts. As this is happening, the connections between Australia's social, economic and security interests are becoming more entwined. This context demands something new and different of the APS. It is now critically important that, in advising the Government, the APS not only excels at each of these policy disciplines, but frames challenges, identifies ways to manage risks broadly, and balances these interests to provide truly integrated advice to ministers.

Internationally, this need for an integrated approach to policy advice has been recognised and is being tackled. For example, in 2018, the UK civil service adopted the Fusion Doctrine to integrate capabilities across economic, security and social policy areas to drive strategic policy and planning.[448] While it is still early days, commentators have observed that the effects of the Fusion Doctrine are promising.[449] Similarly, the Singapore civil service uses regular service-wide scenario-planning to help navigate emerging strategic challenges and harness potential opportunities, to support discussion by ministers.[450]

447   A. Ryan, submission to the Independent Review of the APS, 2018.

448   W. McKeran, *Fusion Doctrine: One Year On*, Royal United Services Institute, 2019.

449   ibid.; M. Coats, *How the Civil Service has prepared for EU Exit*, Civil Service Quarterly, 2019.

450   Interview with Peter Ong Boon Kwee conducted as part of the Independent Review of the APS, March 2019.

The APS's approach to whole-of-government advice needs to be more robust in the face of emerging pressures. Ways of thinking in social, economic and security policy are different: in crude terms, social policy is centred on people, economic policy on principles, and security policy on power. Establishment of the Home Affairs portfolio in 2017 reflects the growing complexity and prominence of security agencies and security advice. As this model matures, it will be important that central agencies, especially PM&C, improve their ability to drive an integrated approach to policy across the service and provide balanced advice to government.

Given the entrenched ways of working within the APS, the review considers that a structural solution is needed to stimulate a change in culture. The panel recommends establishing an Integrated Strategy Office to drive and support service-wide efforts to provide integrated advice to the Government on complex policy issues. It will facilitate regular whole-of-government exercises, bringing different streams together to develop plausible scenarios about the way the world might look tomorrow and trigger thinking about long-term strategies on how Australia could, and should, be positioned in that world. The APS's approach to developing and providing advice that integrates and balances social, economic and security pressures can learn from approaches in jurisdictions like the UK and Singapore while being adapted to suit Australia's particular circumstances and needs.

Recommendation 28

Provide robust advice to the Government that integrates and balances the social, economic and security pressures facing Australians.

- PM&C to coordinate regular whole-of-government scenario planning exercises to identify social, economic and security pressures and possible approaches and actions.
- PM&C to establish a cross-disciplinary Integrated Strategy Office to provide integrated advice on complex policy issues.
- Secretaries Board to establish a Committee on Integrated Strategy to support Cabinet consideration of cross-portfolio issues.

Implementation guidance

- Involve staff and agencies from across the APS in the scenario exercises.
- Integrated Strategy Office to support Secretaries Board prepare the national outlook for inclusion in incoming government briefs (recommendation 37).

DEVELOP A DYNAMIC AND RESPONSIVE ORGANISATION

Ocean Pool, New South Wales

Chapter in brief

- **A new operating model.** In a complex, changing world, with rising citizen expectations, the APS needs to mobilise resources quickly to priorities. It needs empowered teams, sustainable capital funding, and the tools to provide robust advice on investments and budget decisions.

- **The need to transform.** Today, the APS is siloed. There are too many roadblocks to mobilise APS resources and deliver government priorities — whether through providing seamless services to citizens or robust, integrated advice on cross-cutting issues. Outcomes are undermined by long-term under-investment in public capital.

- **Clear priorities, rapid alignment.** Support governments to set clear priorities, with Secretaries Board to mobilise the APS to achieve them — including establishing portfolio clusters. Guide MoG changes with clear priorities. Ensure governance arrangements for undertaking the different work of government are fit for purpose.

  Recommendations 29—31

- **Empowered teams.** Reduce hierarchy to encourage innovation and speed up decision-making. Adopt dynamic and agile ways of working and move, over time, to more consistent pay and conditions to reduce complexity and support mobility.

  Recommendations 32—33

- **Long-term investment and better contracting and commissioning.** Provide sustainable funding for public capital to enable the APS to deliver better outcomes for Australians. Deliver better outcomes from public spending through coordinated procurement and a strategic APS approach to commissioning and contracting — working better with external providers.

  Recommendations 34—35

- **Robust budget prioritisation and reporting.** Resources should follow priorities. Use flexible funding models. Support robust scrutiny of APS spend for regular budget prioritisation.

  Recommendation 36

A new operating model

Building an operating model that is stable at the core and flexible around the edges is critical to ensure that the APS remains nimble and responsive to change.

Austrade[451]

In a complex, changing world, the APS needs to work flexibly and nimbly across organisational boundaries. It needs to respond dynamically to change, and to harness the right APS expertise, perspectives and resources to deliver seamless services and solve problems. It needs to empower people and teams to deliver outcomes, not deal with process and hierarchy. And in an era of continued fiscal pressure, the APS needs carefully prioritised investment in capital, including digital transformation, and needs to provide robust, evidence-based advice to inform government budget decisions.

Clear priorities, rapid alignment

More than ever we need to ensure we use … effective tools to facilitate cross-portfolio, cross-agency cooperation and collaboration.

Senator the Hon Mathias Cormann, Minister for Finance[452]

A range of existing mechanisms support collaboration across the APS. Australia's Cabinet system is well regarded and the foundation for policy coordination.[453] Supporting the Cabinet, Secretaries Board, interdepartmental committees, central agencies, and day-to-day engagement across agencies all enable cross-service collaboration. MoG changes enable the Government to move functions between agencies to deliver priorities better — although, as outlined below, MoG changes also incur costs. Joint agency taskforces, such as Operation Sovereign Borders and the taskforce established in 2018 in response to the drought crisis, often work well. This reflects the urgency of the problem and the clear political imperative to solve it. Australia is ranked fifth globally for its ability to respond in a crisis, according to the 2019 InCise index.[454]

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451   Austrade, submission to the Independent Review of the APS, 2019.
452   M. Cormann, *Address to the Australian Public Service*, APSWide Canberra Conference, 10 October 2018.
453   A. Podger, submission to the Independent Review of the APS, July 2018, p. 13.
454   The International Civil Service Effectiveness (InCiSE) Index, op. cit., p. 30.

These mechanisms provide scope and flexibility to effectively deliver a range of government functions, including cross-portfolio priorities.[455] Nonetheless, the review has heard repeatedly that too often the APS works in silos, prioritising an 'agency-first' mindset. Nearly ten per cent of submissions to this review raised APS 'silos' as an issue (using this term specifically). The issue was also raised frequently in private interviews, survey responses, the online discussion forum, and in other review engagement activities.[456] The issue is in part cultural. When leaders at the APS 200 forum were asked to describe the APS today, the words 'fragmented', 'siloed' and 'disparate' were among the most frequently used terms. These leaders also identified the current authorising environment as a primary constraint to collaboration across portfolio boundaries.[457]

> *Co-design and working with others is extremely important for leaders; it's not just a hierarchy. In the hierarchy, as leaders at the senior level, it's leadership that we should all be displaying in terms of helping each other and empowering our staff.*
>
> *Glenys Beauchamp PSM, Secretary, Department of Health[458]*

Coordination and collaboration are perennial issues in public administration. In 1976, the Coombs *Royal Commission* made recommendations for more effective coordinated action between APS departments.[459] It suggested experimenting with 'sectoral groupings' of functionally related departments — under the responsibility of one senior Cabinet minister, who would be in charge of one of the departments in the group, or under a Policy Board of relevant ministers with support from their senior advisers. The need for improved coordination has been an ongoing theme for the APS over the last 15 years.[460] Challenges in cross-agency coordination may now be reinforced by the devolution that characterised new public management reforms of the 1980s and 1990s.[461] As the Secretaries' Management Advisory Committee report *Connecting Government* observed in 2004, 'there is some risk that devolution of authority to agency heads and a clear vertical accountability for agency outcomes may make collaboration across organisational boundaries more difficult'.[462]

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455   As highlighted, for example, by M. Keating, submission to the Independent Review of the APS, 2018.

456   For example, see submissions to the Independent Review of the APS from Innovation and Science Australia, op. cit.; Anglicare Australia, 2018, p. 3; The Smith Family, 2019, p. 5; Telstra, 2018, p. 3.

457   Independent Review of the APS, *APS 200 April 2019: In conversation with the APS Review* [website], 2019, <https://www.apsreview.gov.au/sites/default/files/files/senior-leaders-implementing-change.pdf>.

458   G. Beauchamp, *The Role of Government of Innovation*, speech delivered at IPAA ACT Conference, Canberra, 10 November 2016.

459   H. C. Coombs et al., op. cit.

460   A. Podger & H. Williams, submission to the Independent Review of the APS, 2019.

461   P. Aucoin, *The Political-Administrative Design of NPM*, The Ashgate Research Companion to New Public Management, Routledge, 2010, p. 43. It is worth noting that Dr Michael Keating, former Cabinet Secretary and Secretary of PM&C and other departments, highlighted in a submission to the review that a strong 'silo' mentality preceded the introduction of new public management changes and largely disappeared as the APS's culture changed in the 1980s and 1990s, including because of greater mobility (including at Secretary level) across the service. M. Keating, submission to the Independent Review of the APS, 2018.

462   Management Advisory Committee, op. cit., p. 6.

Legislative changes to counter these strong vertical accountabilities have not delivered the required changes in behaviour. Changes to the *Public Service Act 1999* in 2011 made explicit the function of the SES to carry out service-wide leadership. Yet 45 per cent of SES continue to align themselves more with their agency than with the APS.[463] In 2013, the *Public Governance, Performance and Accountability Act 2013* introduced a positive duty on officials to think beyond agency boundaries and cooperate to achieve common objectives.[464] Yet only 40 per cent of APS staff agree that daily work at their agency is guided by outcomes that advance whole-of-APS priorities.[465]

Many APS outputs can be delivered effectively by agencies operating independently of each other. But single agencies operating in silos will not consistently deliver robust, innovative policy advice on Australia's most pressing and complex challenges in the decades ahead. They will not be in a position to meet the public's expectations of seamless, personalised access to Australian Government services, which requires services to be designed and delivered according to the needs of Australians, rather than bureaucratic convenience.

The review has not made any specific recommendation for the creation or amalgamation of specific agencies. Instead, the review recommends mechanisms to ensure the APS itself is better able to respond to government priorities, ensuring that agency silos do not undermine the APS's collective capacity to serve Australians.

This section sets out the need to set clear priorities and to ensure clear accountability for achievement (recommendation 29) as well as to ensure MoG changes, where necessary, are well planned and evaluated (recommendation 30) and functions are allocated to the body best suited to deliver them (recommendation 31). Additionally, in this section, the panel suggests continued public discussion of the opportunity to enable better public administration and policy reform, by establishing longer parliamentary terms.

Clear accountability

Clear priorities and accountability for delivery of them can lead to achieving better outcomes — this is a basic principle of high-performing organisations.[466] Clear priorities provide a reason for employees to rally together to achieve shared goals. Well-defined outcomes, ambitious targets and agreed metrics are critical components for delivering priorities successfully.

In addition, governments in Australia and abroad have seen positive outcomes from explicitly setting and publishing priorities that cross traditional portfolio boundaries, with shared interagency performance targets. This has the effect of cutting through

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463   APSC, *2016 Australian Public Service Employee Census,* 2016 [data available at data.gov.au].

464   E. Alexander & D. Thodey, op. cit., p. 43.

465   The Independent Review of the APS's operating practices survey (n=900).

466   D. Ariely, *You are what you measure,* Harvard Business Review, 2010.

organisational politics and breaking down silos because there is a job to do. This approach has helped overcome the challenges of collaborating across organisational boundaries to deliver solutions for complex, multifaceted issues in other jurisdictions (Boxes 7.1 and 7.2).

Box 7.1

Case study, New Zealand Better Public Service Results program[467]

CASE STUDY

NEW ZEALAND BETTER PUBLIC SERVICE RESULTS PROGRAM

Focused priorities. From 2012 to 2017, New Zealand implemented a Better Public Services Results program — to drive better outcomes for New Zealanders. The program focused on ten key results, including reducing welfare dependence, protecting vulnerable children, boosting skills and employment, reducing crime and improving interaction with the Government.

Measurable targets. Ministers set a challenging five-year target for each result, and a metric for assessing change. Leaders of relevant government agencies were collectively responsible for achieving the targets and progress was reported publicly every six months. The program bore dramatic improvements for all ten results, despite some targets not being reached.

Increased participation. In one key result, the program saw an increase in participation in early childhood education from 94.7% in 2012 to 98% in 2017.

Collective responsibility for success. Four departments contributed to achieving the target, the Ministry of Education, Ministry of Social Development, Te Puni Kokiri (Ministry for Maori Affairs), and the Ministry for Pacific People.

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467   IBM Center for the Business of Government, Interagency Performance Targets: A Case Study of New Zealand's Results Programme, 2017; New Zealand State Services Commission, Better Public Services 2012–17 [archived] [website], 2017, <http://www.ssc.govt.nz/better-public-services>; OECD, OECD Best Practices for Performance Budgeting (draft), Public Governance Committee Working Party of Senior Budget Officials, 2018, p. 41.

Box 7.2

Case study, NSW Premier's Priorities[468]

CASE STUDY

NSW PREMIER'S PRIORITIES

The NSW Premier, the Hon Gladys Berejiklian, has identified 30 key State Priorities, including 12 'Premier's Priorities', continuing a model adopted by former Premier the Hon Mike Baird in 2015. Each priority has a performance target and a lead agency and Minister responsible for achieving the target. The Premier's Implementation Unit helps drive delivery of targets. In the 2018 Priorities update, the Premier reported strong progress.

Examples of NSW Premier's Priorities and targets 2015–2019

Priority: improving service levels in hospitals

- Target: 81 per cent of patients through emergency departments within four hours by 2019.

Priority: protecting our kids

- Target: Decrease the percentage of children and young people re-reported at risk of significant harm by 15 per cent by 2020 (based on the 2019 cohort of children).

Priority: reducing domestic violence reoffending

- Target: Reduce the proportion of domestic violence perpetrators reoffending by 25 per cent by 2021 (based on the 2019 cohort of perpetrators).

Priority: improving education results

- Target: Increase the proportion of NSW students in the top two NAPLAN bands by eight per cent by 2019.

The APS is already heading in this direction. Prime Minister Morrison has indicated the Government's intention to set performance targets for policy delivery, with a clear focus on outcomes rather than processes. This approach could provide the clarity of purpose and necessary incentives to underpin the dynamic orientation of APS resources and effort to deliver better outcomes through better collaboration and coordination.

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468   Audit Office of NSW, *Progress and measurement of the Premier's Priorities*, NSW Auditor-General's Report: Performance Audit, 2018.

The review recommends that the APS proactively support the Government to set clear priorities for action — and ensure that the priorities are met. PM&C has established a Priorities and Delivery Unit to help set and drive progress towards targets and the APS should maintain this, or a similar dedicated delivery unit, to support successive governments to develop clear targets and drive delivery of agreed government priorities. Experience suggests that delivery units are most effective when focused on a small number of whole-of-government priorities, like the NSW Premier's Priorities.[469]

To strengthen the effectiveness of this approach, the review suggests that successive governments consider publishing periodic statements of key priorities and objectives under section 34 of the *Public Governance, Performance and Accountability Act 2013*. Doing so would require relevant agencies to identify how their activities would contribute to achieving these priorities, including how they would work with other agencies (where multiple agencies are responsible), and to set in place public performance-reporting requirements.[470] The 2018 review of the *Public Governance, Performance and Accountability Act 2013* and Rule also recommended publication of priorities and objectives under the Act, observing that, in not doing so, 'the Government is missing an opportunity to drive better cooperation across the Commonwealth … [doing so] could help with implementation of identified whole-of-government initiatives'.[471]

Whether or not successive governments choose to use the mechanism provided in section 34 of the *Public Governance, Performance and Accountability Act 2013*, the underlying point is that clear priorities and targets, with effective mechanisms to fund delivery and ensure clear accountability for outcomes, will help ensure that the APS uses its combined resources most effectively to deliver important priorities.

Portfolio clusters

One mechanism to support better collaboration in achieving outcomes is for Secretaries Board to cluster relevant portfolios in delivering government priorities. The Board could agree clusters as practical means to coordinate policy and better use resources. Clusters could also involve agreement to clear secretary accountabilities for delivering specific priorities.

New Zealand — as part of its State Sector Act Reform process — has advocated new innovative structuring mechanisms to deliver outcomes. For example, under changes announced on 26 June 2019, New Zealand will establish boards, made up of chief executives from relevant government agencies, to tackle their most pressing issues. These boards, or joint ventures, would be accountable to a single minister and receive direct budget

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469   M. Hoffman, submission to the Independent Review of the APS, 2019.
470   *Public Governance, Performance and Accountability Act 2013*, s.35.
471   E. Alexander & D. Thodey, op.cit., p. 46.

appropriations. Public servants from across the system will be deployed as required.[472] The Minister for State Services commented:

> When it comes to the really big and complex challenges it doesn't work anymore to put a single agency on the job. These reforms will make groups of chief executives jointly accountable for delivering on complex government priorities.[473]

The APS needs to develop and adapt effective clustering arrangements according to the priorities of governments and what arrangements will best deliver them. Respective secretaries responsible for a cross-portfolio priority could form a subject-specific oversight committee or working group. This would identify shared outcomes, applicable targets and metrics. There needs to be clear lines of accountability, including where a target is shared among agencies. Resources may need to be pooled to achieve intended outcomes — either through agencies providing these resources, or through a quasi-joint-venture arrangement (as proposed in New Zealand). For best effect, clusters may match Cabinet committees.

While Secretaries Board may already form clusters, share resources and agree accountability arrangements to deliver priorities, the Government could consider providing additional legislative authority to ensure effective funding and accountability mechanisms for the delivery of cross-portfolio priorities. Secretaries Board should advise Government on this as required.

Mechanisms to support cross-portfolio priorities, whether through portfolio clusters or other arrangements, will enable the APS to operationalise the success of one-off taskforces, replicating the same clarity of mission and accountability for delivering outcomes. While mechanisms need to be adapted (based on the nature of priorities and what will best deliver them), common success factors will include clear goals, clear accountability and, where required, pooled or dedicated funding and other resourcing.

It may be useful to commence such work in the APS by trialling the use of a portfolio cluster to deliver a high-profile government priority — with clear and, as appropriate, shared accountability for delivery and an innovative funding mechanism agreed with the Government.

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472   New Zealand Government, *Cabinet Paper: Public Service Legislation: Paper 6 – organisations of the public service*, 2019.

473   C. Hipkins, *Announcement of Public Service Reforms*, speech, 26 June 2019.

Recommendation 29

Establish dynamic portfolio clusters to deliver government outcomes.

- PM&C and Secretaries Board to support the Government to set clear priorities.
- Secretaries Board to mobilise the APS to deliver priorities, including through portfolio clusters, with outcomes and accountability agreed with the Government.
- PM&C delivery unit to support the Government set quantifiable targets for priorities and help and measure progress to achieving them.

Implementation guidance

- Consider using the *Public Governance, Performance and Accountability Act 2013* provisions for the Government to publish key priorities and objectives.
- Consider legislating any additional authority required for clusters or other mechanisms to enable effective delivery of government priorities.
- Develop and adjust cluster arrangements in light of government priorities — where possible reflect ministerial responsibilities and Cabinet committees. Clusters could reflect economic, social, natural resource management and security outcomes, and the strategic integration of these.
- Consider starting by trialling the use of a portfolio cluster, with clear shared accountabilities and appropriate funding mechanisms, to deliver a significant and cross-portfolio government priority.
- Coordinate service delivery across clusters to ensure a joined-up approach to achieving outcomes, with dynamic feedback to monitor progress.
- Secretaries within a cluster to have agreed commitments identifying where shared action and accountability is needed to deliver outcomes. Individual secretaries to be accountable to ministers under existing portfolio arrangements and for shared outcomes.
- Consider adopting the joint-ventures model being trialled in New Zealand. A senior public servant is given operational and funding responsibility, and reports to a group of chief executives, the responsible minister and others.
- Delivery unit to advise the Government and Secretaries Board on progress in delivering government priorities and advise Cabinet on mechanisms to support implementation of new policy proposals.

Machinery of Government changes

Successive governments make regular MoG changes, that is, changes in how government responsibilities are managed that can involve the movement of functions, resources and people between agencies and the creation or closure of an agency or portfolio. While MoG changes have a role in assisting joined-up policy design and service delivery, they also have costs. Recommendations in this review are designed to support the APS to respond flexibly to changing circumstances and priorities, limiting the need for MoG changes. As recommended in this section, the adoption of principles to guide and evaluate MoG changes will help ensure they are used when needed and that benefits outweigh the costs.

The ability to shape how government responsibilities are managed is an important mechanism, for the Prime Minister to ensure the APS is best structured to deliver government priorities and serve Australians. Within a single portfolio, relevant areas can more easily work together, with aligned leadership under a single accountable secretary.[474] MoG changes can deliver efficiencies for the Government and the APS. For example, the ANAO found that the merger of the Australian Agency for International Development with DFAT resulted in $397 million in savings.[475]

But MoG changes come with other costs, and can inadvertently undermine the APS's ability to deliver for the Government and the people.[476] They have been frequent: there were over 200 changes to APS structures between 1994 and 2015 — an average of more than ten a year.[477] The current Department of Industry, Innovation and Science alone has experienced 21 MoG changes since 2010–11 (Exhibit 7.1).
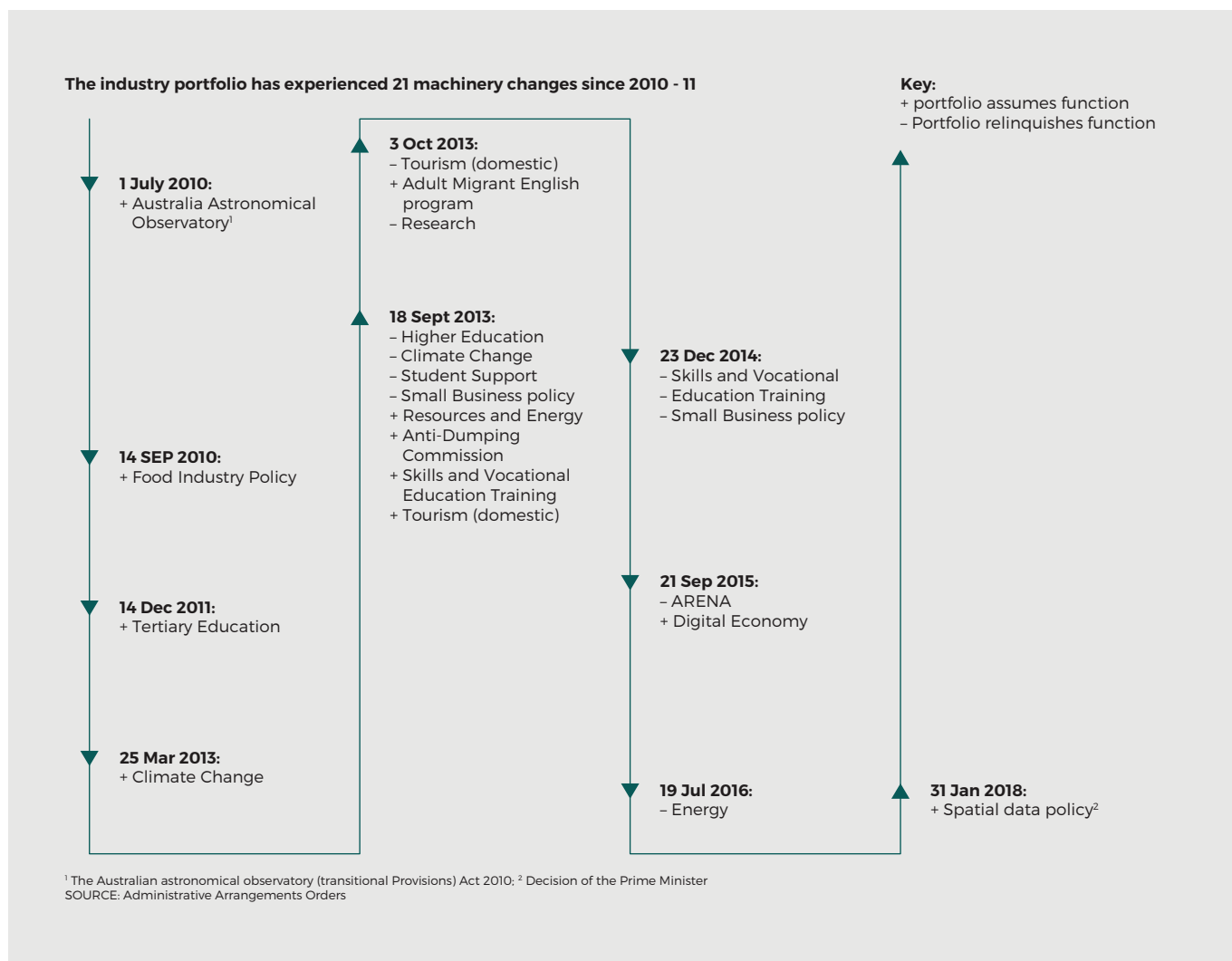
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474   In conversation with senior APS leaders with responsibility for corporate matters (e.g. chief financial and chief operating officers), 2019.

475   ANAO, *Machinery of Government Changes: Across Entities,* The Auditor-General ANAO Report No. 3 2016–17 Performance Audit, 2016, p. 19.

476   Senior APS leaders with responsibility for corporate matters, op. cit.

477   ANAO, *Machinery of Government Changes: Across Entities,* The Auditor-General ANAO Report No. 3 2016–17 Performance Audit, 2016, p. 7.

Exhibit 7.1

The Industry department has experienced 21 MoG changes since 2010–11[478]

The industry portfolio has experienced 21 machinery changes since 2010 - 11

Key:
+ portfolio assumes function
– Portfolio relinquishes function

1 July 2010:
+ Australia Astronomical Observatory[1]

3 Oct 2013:
– Tourism (domestic)
+ Adult Migrant English program
– Research

18 Sept 2013:
– Higher Education
– Climate Change
– Student Support
– Small Business policy
+ Resources and Energy
+ Anti-Dumping Commission
+ Skills and Vocational Education Training
+ Tourism (domestic)

23 Dec 2014:
– Skills and Vocational
– Education Training
– Small Business policy

14 SEP 2010:
+ Food Industry Policy

14 Dec 2011:
+ Tertiary Education

21 Sep 2015:
– ARENA
+ Digital Economy

25 Mar 2013:
+ Climate Change

19 Jul 2016:
– Energy

31 Jan 2018:
+ Spatial data policy[2]

[1] The Australian astronomical observatory (transitional Provisions) Act 2010; [2] Decision of the Prime Minister
SOURCE: Administrative Arrangements Orders

Of nine departments that experienced a MoG change in 2013, the ANAO found an average cost of $200,000 for simple transfers, and an average cost of $19.4 million for larger, more complex program transfers. Principal costs calculated included redundancies, accommodation and ICT integration.[479] They come with other personnel, operational and opportunity costs.[480] And research shows that the potential gains of MoG changes can be lost when there is a lack of effective change management and support for overcoming cultural barriers.[481]

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478   Australian Government, *Administrative Arrangements Order*, 2019.

479   ibid., p. 20.

480   In conversation with senior APS leaders with responsibility for corporate matters, op. cit.

481   F. Buick et al., *Structural Changes to the Public Sector and Cultural Incompatibility: The Consequences of Inadequate Cultural Integration*, Australian Journal of Public Administration, Vol. 77, No. 1, 2017, p. 51.

Input to the review also highlighted costs from MoG changes:

> Our research into Machinery of Government changes suggests that they are frequently enacted but poorly implemented and ... highly disruptive.[482]

> Why do we have to rely on Machinery of Governments to align priorities? Can't ... we work across agencies to deliver government priorities?[483]

> Machinery of Government changes are generally a recipe for chaos and inefficiency.[484]

> Frequent Machinery of Government ... changes are highly disruptive, with considerable, negative impacts on departments — and therefore on the operations of government.[485]

Past experience is often overlooked. Costs to the taxpayer are generally unquantified and the outcomes of MoG changes are not formally evaluated. There are limited readily available lessons and guidance to inform decisions about MoGs, their impact and their successful implementation.

Above all, MoG changes do not solve issues of coordination and collaboration between agencies permanently. They simply shift the point at which coordination occurs. It would be impossible to reconfigure APS structures to reflect how many cross-portfolio priorities there can be at any one time.

Prime Ministers should be able to structure the APS as they see fit. The review recognises that various factors will influence a Prime Minister's choices. But a set of core principles helping to inform deliberations is a good way to help achieve desired outcomes. These principles include being clear about the desired objectives, minimising structural changes, prioritising long-term alignment of functions, drawing on lessons of the past, and giving full consideration to alternative solutions.

A more dynamic and responsive APS will also reduce the need for MoG changes by enabling the APS to deliver government priorities nimbly without restructuring. The establishment of common enabling systems and processes across the APS and more common conditions and pay scales (recommendations 17 and 33) and other measures in this review will, if implemented, reduce the cost of implementing MoG changes.

482   D. Blackman et al, University of New South Wales: Public Service Research Group, submission to the Independent Review of the APS, 2018.

483   Anonymous, comment to the Independent Review of the APS online forum, 2019.

484   In conversation with current APS leaders, 2018.

485   ibid.

Ensure that Machinery of Government changes are well planned and evaluated, enabling a dynamic and flexible APS that responds swiftly to government priorities

- Government to adopt principles to inform the Prime Minister's deliberations on MoG changes.
- PM&C to publish evaluations of MoG changes, within 12 months to two years, to inform continuous improvement and ensure changes achieve objectives.

Implementation guidance

- APS to respond dynamically and responsively to government priorities — to serve the Government better, minimise the cost and impact of change, and reduce the need for MoG changes.
- The Prime Minister to retain role in making recommendations to the Governor-General on MoG changes.
- Through MoG principles ensure changes are transparent and are considered against the following principles:
    - Keep structural changes to a minimum and focus on delivery of Government priorities and commitments.
    - Group like roles and related functions together.
    - Consider the impact of changes on delivering outcomes, APS capability and productivity.
    - Cross-swear ministers to departments to deliver outcomes (often avoiding the need for MoG changes).
- Exhaust other options (such as clustering around priorities) before considering a MoG change.

Allocating activities to the right entities

It is important to ensure that the activities and functions of the Government are allocated to the type of Commonwealth government body best suited to deliver them effectively. That is, deciding whether an activity — such as providing a payment, regulating an industry, delivering projects or programs or advising on policy — is best undertaken by a department, statutory agency, executive agency or another type of government body. This is particularly relevant in a world where the functions of government are frequently more cross-cutting and complex, and increasingly delivered across multiple portfolios or multiple entities within portfolios.

The current Commonwealth Governance Structures Policy provides a good foundation to ensure fit-for-purpose and appropriate governance structures.[486] The Policy was adopted in 2014 and guided significant consolidation of Commonwealth government bodies after its introduction. Additional bodies have been established since adoption of the Policy. [487]

There were 1,277 Commonwealth government bodies as at 1 July 2019.[488] All these bodies should be regularly reviewed against the Policy and it should be used to guide the establishment of all new entities. It is timely to conduct a targeted stocktake, pursuant to the Policy, of the appropriateness of governance arrangements for current Commonwealth government bodies to deliver the different activities and functions of government. The panel recommends that secretaries lead this stocktake and advise the Government on whether functions undertaken by bodies within their portfolios (including by their departments) have fit-for-purpose governance arrangements. The stocktake should ensure governance arrangements are suited to deliver the best outcomes.

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486   Finance, *Governance policy* [website], 2017, <https://www.finance.gov.au/resource-management/governance/policy/>, accessed 30 April 2019.

487   181 new bodies were created between 1 July 2016 and 1 July 2019. Finance, Australian Government Organisations Register [website], 2019, <https://www.finance.gov.au/resource-management/governance/australian-government-organisations-register/>.

488   ibid.

The panel was presented with various options to consolidate or alter arrangements for various government bodies during the review. Without commenting on the merits of these, the stocktake will be an opportunity to consider such proposals.

Andrew Podger AO, former APS Commissioner, highlighted in a submission to the review the importance of ensuring the appropriate degree of independence from government for different activities undertaken by the Government.[489] For example, policy advising and some funding and purchasing functions may generally be best undertaken by departments, working closely with ministers, while noting there is also a role for independent policy advice by bodies such as the Productivity Commission. A greater degree of independence can be warranted for service delivery, regulation, integrity and government business functions.

The review endorses this assessment. While the current Policy refers to independence as a consideration guiding different governance structures, the panel recommends that the Policy provide explicit guidance on the appropriate level of independence for different functions. Finance has advised that it has recently reviewed the Policy and is intending to finalise and publish an update. This will provide a useful opportunity to include guidance on the appropriate levels of independence for different government functions.

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489   A. Podger, submission to the Independent Review of the APS, December 2018, p. 4.

Recommendation 31

Review form, function and number of government bodies to make sure they remain fit for purpose.

- Finance to amend the Commonwealth Governance Structures Policy to include explicit guidance on the appropriate level of independence best suited to deliver different types of government functions.
- Secretaries Board to instigate a targeted stocktake of existing Commonwealth government bodies and in-house departmental functions against the Policy.
- Secretaries to undertake the stocktake within their portfolios and provide advice to ministers on potential changes where the principles are not met.

Implementation guidance

- Ensure the Policy is applied in considering establishment of all new Commonwealth government bodies.
- Set timelines for periodically reviewing Commonwealth government bodies against the Policy, to ensure its consistent and appropriate application over time.
- In undertaking stocktake, consider whether in-house departmental functions could be more appropriately performed under an alternative governance arrangement, or whether there is scope for consolidation of similar entities or like functions.

Longer parliamentary terms

The length of parliamentary terms influences the certainty and stability of the APS operating environment. It affects some of the most central aspects driving APS operations — government priorities, ministerial leadership and portfolio structures.

Australia has relatively short maximum terms of three years for the lower house. In practice, three-year terms have only been reached on eight occasions since Federation,[490] and the average actual term of government is just 2.5 years.[491] By contrast, 95 per cent of countries with bicameral systems have parliamentary terms of 4.5 or more years; only 5 per cent have terms up to three years.[492] Every state and territory government has four year terms, which is a fixed term in each jurisdiction except Tasmania.

Short parliamentary terms reduce the certainty and stability of the environment in which the APS operates. This can undermine policy development — it has been claimed, for example, that governments struggle to take 'more responsible, long-term views' because the next election is often likely to be less than two years away.[493] The partnership between agencies and ministers can be weakened when there is only a brief window of stability before the next re-shuffle or election.[494] More frequent elections can mean MoG changes, with potentially disruptive impacts, are more likely.

Fixed and/or increased terms for the House of Representatives have long been considered.[495] Two attempts to amend the Constitution to fix longer terms were made during the 1980s — including in 1988 when a proposal for fixed four-year terms was rejected in a referendum as part of a broader package of changes.[496] More recently, political leaders of both sides have publicly raised the merit of four-year terms.[497]

Former senior ministers on both sides of politics, at state and Commonwealth levels, have pointed out to the panel that longer or fixed federal terms could significantly improve the APS's capacity to support governments and achieves long-term outcomes for Australians. The review notes the UK Political and Constitutional Reform Committee's conclusion, in 2011, that longer parliamentary terms could enable the civil service to more effectively

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490   Analysis undertaken by the Independent Review of the APS using Australian Electoral Commission data.

491   ibid., as provided for in *Commonwealth of Australia Constitution Act,* s. 28, each term commences from the first post-election meeting of the House of Representatives.

492   Inter-Parliamentary Union, *Parliamentary Terms* [website], 2017, <https://data.ipu.org/compare?field=chamber%3A%3Afield_parliamentary_term&structure=bicameral__lower_chamber#bar>, accessed 13 August 2019. Apart from Australia, lower houses in only Poland, Mexico and the United States have terms up to three years.

493   S. Bennett, *Four-year Terms for the House of Representatives*, Research Paper No.4 2000–01, Department of the Parliamentary Library, 2000, p. i; C. Harper, *Australia needs fixed four-year parliamentary terms*, Election Watch, The University of Melbourne, 2019.

494   A. Tiernan et al., *Being a trusted and respected partner: the APS' relationship with Ministers and their offices*, ANZSOG, 2019.

495   ibid.

496   S. Bennett, op. cit., p. 6.

497   M. Grattan, *Shorten and Turnbull to talk on four-year terms*, The Conversation, 2017.

forecast and prioritise, supporting greater consistency and clarity of strategy.[498]
Longer terms may have broader benefits for Australia, increasing stability and confidence in Australia's political system, encouraging long-term reform and business certainty.

While the matter is beyond the panel's terms of reference, the review encourages continued public discussion on the merits of longer parliamentary terms for the House of Representatives. Parliament may wish to consider the issue. Appropriate models such as whether to set a longer fixed or maximum term for the House of Representatives (and the corresponding term for the Senate) could be explored.

Empowered teams

The APS is currently structured around 20th century organisational structures, a hierarchical model of command and control that suits solving complicated technical problems, and not the adaptive problems we face today.

Anonymous submission[499]

Globally, large organisations are changing their team structures and their day-to-day operating models to better anticipate and respond to the disruptive trends of their operating environments.[500] Many are adopting agile ways of working, encouraging innovation and experimentation, reducing hierarchy, and delegating more decision-making authority and control to front-line and project managers. They are doing so to foster innovation, encourage more rapid and informed decision-making, and enable greater flexibility to adapt and respond to shifting priorities.[501]

These moves reflect dissatisfaction with more traditional hierarchical organisational models. A 2017 Deloitte survey on Global Human Capital Trends, of over 10,000 business and HR leaders, found that only 14 per cent believed that the traditional organisational model — with hierarchical job levels based on expertise in a specific area — made their organisation highly effective.[502]

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498   UK Political and Constitutional Reform Committee, *The Role and Powers of the Prime Minister: The impact of the Fixed-term Parliaments Act 2011 on Government*, 4th Report of Session 2013–14, House of Commons, 2013, p. 4.

499   Anonymous, submission to the Independent Review of the APS, 2018.

500   W. Aghina et al, *The Five Trademarks of Agile Organisations*, McKinsey & Company, 2018.

501   Boston Consulting Group, *Scenarios for 2030*, 2018, p. 38.

502   Deloitte, *Rewriting the rules for the digital age*, *Global Human Capital Trends*, 2017, p. 20.

The hierarchy stifles innovation and complicates things.

Anonymous submission[503]

While APS agencies adopt a range of organisational models to deliver different outcomes, most primarily adopt a traditional hierarchical model for team structures and workplaces. This is characterised by pyramid-like structures with embedded lines of accountability supporting senior leaders and ministers. This model is well suited to particular types of work — particularly those that require high levels of accountability and where the consequences of failure are high. The evidence before the panel makes clear that many current organisational arrangements in the APS are ineffective today, and insufficiently flexible and responsive for an increasingly connected and changing world:

- up to 72 per cent of Australian Government public servants agree or strongly agree that 'the public service is too hierarchical'[504]
- only 28 per cent of APS employees agree that 'decision-making processes at my agency are timely and efficient'[505]
- only 27 per cent APS employees agree that 'appropriate risk taking is rewarded in my agency', and[506]
- nearly one in two APS employees — 44 per cent of the total — feel they have 'insufficient time to develop and implement innovations'.[507]

This conclusion was supported by the overwhelming weight of opinion in submissions to the review, online consultations, and feedback from one-on-one meetings.[508] Futures research undertaken for the review confirmed that, like other large organisations, the APS needs to adopt fundamental changes to its organisational structures and hierarchies to best respond to the different scenarios that may play out by 2030.[509] The review also received consistent feedback that disparity in pay and conditions creates administrative burden and barriers to mobility, impeding APS flexibility and dynamism.

The panel's recommendations in this section are designed to reduce layers in APS agencies, broaden spans of control and foster new ways of working (recommendation 32), as well as to move over time to simple, standardised pay ranges and conditions (recommendation 33).

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503   Anonymous, submission to the Independent Review of the APS, 2018.

504   P. Shergold, *Australia's Public Sector: Fit for Purpose?*, speech delivered at the IPAA National Conference, Melbourne, 17 October 2018 [survey findings, n=817].

505   The Independent Review of the APS's operating practices survey (n=900).

506   ibid.

507   APSC, *2018 Australian Public Service Employee Census*, 2018 [data available at data.gov.au].

508   Independent Review of the APS, online discussion forum and operating practices survey responses, 2019.

509   ibid., p. 39.

Fewer layers, broader spans

[The APS] … has created an environment of over-engineered processes, approvals and flies in the face of the spans of control and accountabilities work that has been done in the past.

APS employee[510]

In 2014, the National Commission of Audit found that spans of control in the APS tended to be well short of the best-practice ranges for the vast majority of agencies surveyed.[511] In practice this means that many leaders in the APS were managing fewer staff than best-practice standards. Findings from the APSC's 2018 APS Agency Survey show that best-practice span of control targets are still not being met across three out of four different types of work.[512] Notably, 1.9 per cent of the APS are now SES, compared to 1.2 per cent in 1984. Since 2011, the proportion of SES has increased by 0.2 percentage points.[513]

Consistent feedback to the review from current public servants highlighted that APS agencies are operating in a risk-averse environment and there is a growing tendency for matters or decisions involving risk to be escalated to the top of the hierarchy. This is reflected in the assessments of the current SES cohort based on learning and development information and other data. According to this analysis, SES are strong in delivering results and issues-management, and weak in enabling their teams to innovate and achieve outcomes.[514] Confirming this, facilitators of APSC leadership development programs have reported the tendency to defer to hierarchy and favour 'agreeableness' over robust internal debate and challenge of ideas.[515]

Elevating responsibility for risk management may be an understandable response to media scrutiny or to mistakes or implementation failures, but is not a viable long-term strategy. It results in poor flexibility to manage fast-changing priorities or support collaboration. Multiple management layers slow decision-making processes, reducing APS responsiveness. Concentrating delegation of authority at senior levels and risk aversion disempower frontline and middle-management employees, leaving them underutilised. This stifles innovation and impedes learning on the job. Over time, this weakens the capability of future cohorts of leaders.

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510   The Independent Review of the APS's operating practices survey (n=900).

511   ibid, p. 21.

512   APSC, *2018 APS agency survey data* [unpublished].

513   APSC, *The Senior Executive Service and APS reform,* [unpublished].

514   ibid.

515   ibid.

The panel was consistently informed by current and former senior ministers that they would like greater access to the subject matter experts on particular issues, rather than their advice and contact being unnecessarily filtered by senior managers. This was echoed by the Prime Minister, the Hon Scott Morrison MP in his August 2019 address to the APS, in which he highlighted the value of drawing on the advice of those in the APS 'doing things on the ground', noting '[you] don't have to be in the SES to have a good idea'.[516]

Fewer organisational layers and broader spans of control can reduce duplication and improve performance.[517] It can improve decision-making, reduce bureaucracy, and empower staff, supporting both professional development and better outcomes.

In response to the National Commission of Audit, Secretaries Board agreed in 2014 to the *APS Framework for Optimal Management Structures*.[518] The Framework set out design principles intended to reduce the number of organisational layers and increase the number of direct reports, taking into account the diversity of work undertaken across the APS. It was based on best practice and designed with input from across the APS.

The Framework proposed that the APSC report annually on progress to implement improved structures.[519] However, this did not take place and the process stalled. The panel recommends that the Framework be updated and applied across the APS, with progress reported publicly and assessed regularly.

The panel also recommends that the APSC review current SES and non-SES work-level classifications against best practice and emerging workforce needs. The APSC found in 2012 that non-SES classifications were fit for purpose, although not consistently implemented throughout the APS.[520] The 2011 Beale Review of the SES considered that the three-tiered SES structure was right.[521] However, the panel endorses the conclusion of the *Unlocking Potential* report in 2016 that classifications and their application be reviewed to determine how they can effectively support an agile and high-performing workforce.[522] This work should take account of the evolving workforce needs and circumstances anticipated over the next decade, as highlighted by this review. In particular, the panel expects, on the basis of the evidence before it, that this analysis will provide a sound basis for Secretaries Board to consider and consolidate management and operational levels across the APS. This would reduce APS bureaucracy and deliver better outcomes for all Australians.

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516   S. Morrison, Address to the Australian Public Service, IPAA ACT, 19 August 2019.

517   National Commission of Audit, op. cit., section 2.2.

518   APSC, *The APS Framework for Optimal Management Structures—guidelines for HR practitioners*, 2014.

519   ibid.

520   APSC, *APS classification system review*, 2012, p. 12.

521   R. Beale, *Review of the Senior Executive Service: Report to the Special Minister of State for the Public Service and Integrity*, 2011, p. 12.

522   S. McPhee, op. cit.

New ways of working

We are too tied to traditional methods of working and visibility culture.

SES employee[523]

Internationally, public sector agencies are deploying new ways of working to deliver public value. This includes agile methods of working and organising teams, typically characterised by empowered, cross-functional teams, an iterative, empirical approach, and a commitment to continuous improvement.[524] Agile team structures can help deliver innovative solutions and respond to customer needs.

The review has heard examples of agile techniques supporting public service agencies to deliver radically better results in other jurisdictions. For example, a large German government agency of over 2,000 employees underwent a transition to agile work practices. By doing so, it managed to reduce the time frames for service-improvement cycles, such as the roll-out of new technology, by 20 per cent. In another example, a 3,000-bed hospital adopted an entirely different approach to the structure and management of its nursing staff. Nurses were given end-to-end responsibility and multiskilling opportunities, which resulted in an 85 per cent decrease in absenteeism rates, higher patient satisfaction and a reduction in costs.[525]

Parts of the APS are also embracing new ways of working, with positive outcomes (Box 7.3).

The panel does not recommend that all agencies adopt these or similar techniques, ways of working and structuring teams. As set out in this section, however, current mechanisms commonly used to deliver projects and run teams are not fit for purpose and will not enable the APS to best serve Australia in a complex, changing world. Accordingly, the panel recommends collaborative development of best-practice guidance for APS ways of working, to both highlight different ways of doing things and set a bar for what can be achieved. These best-practice ways of working should support:

· optimal structures for work type

· efficient decision-making at appropriate levels

· iterative delivery cycles

· cross-functional and multidisciplinary approaches, within and across agencies, and

· constant focus on the needs of the Australian people.

Together with implementation of guidance on optimal management structures, the progress of agencies in adopting best-practice ways of working should be reported publicly and assessed regularly. Capability reviews (recommendation 2a) provide one mechanism to measure progress.

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523   Boston Consulting Group, *Scenarios for 2030*, 2018, p. 38.

524   Boston Consulting Group, *Achieving Agile at Scale* [website], <https://www.bcg.com/en-au/digital-bcg/agile/large-scale-agile-transformation.aspx>, accessed 14 January 2019.

525   Analysis undertaken by McKinsey & Company for the Independent Review of the APS.

The APS is likely to continue establishing taskforces, often across agencies. Adopting best-practice ways of working will support taskforces operate effectively by ensuring a set of standardised collaborative working models and practices for the APS. These models will provide easy templates for joint agency teams to pull together in working arrangements such as virtual teams, project-based teams, taskforces or joint ventures. The review encourages the APSC, PM&C and other relevant agencies, in developing bestpractice ways of working, to consider means to ensure the APS has the collective capacity to professionally establish and run projects, This includes ensuring the ready ability of taskforces, wherever located, to deploy APS expertise (including project management, communications and engagement, and modelling and data analysis) for effective projects.

Box 7.3

Case study, Citizen-centred transformation[526]

CASE STUDY

CITIZEN-CENTRED TRANSFORMATION

Student Transformation Agile Release Train project

Improving customer service for all Australians. The project aimed to make it easier for students to manage their payments and claims online, and remove manual processes for frontline and processing staff so that they can focus on helping customers with more complex needs.

Agile and multi-disciplinary. The team used an agile approach, placing citizens' needs at the forefront — with multidisciplinary teams from across the department and regular research to understand pain points for citizens when accessing services.

Simpler claims, automation and reducing manual processing. Between July 2017 and June 2019, 75 improvements were made for customers and staff, including simpler online claims and digital services, increased automation capability and reduced manual processing. For example:

- Students report when they start and end work online, instead of having to come into a service centre or calling Centrelink. Students have used this service more than 130,000 times since its release in June 2017.
- Customers are advised early in the claim process when they are not eligible for a student payment, and are redirected to the Payment and Service Finder. Staff no longer have to process these claims.

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526   Information provided by Services Australia.

Recommendation 32

Streamline management and adopt best-practice ways of working to reduce hierarchy, improve decision-making, and bring the right APS expertise and resources.

- APSC and transformation leader to update 2014 APSC guidance on optimal management structures, and co-design guidance on best-practice ways of working for teams and agencies to do different types of work.
- APSC to review SES and non-SES classification levels and structures (including Work Level Standards) against best practice and future needs.
- Secretaries Board to consider consolidating management and operational levels across the APS on advice from the APSC review of classifications.
- Secretaries Board to set a timetable for all agencies to self-assess against best-practice management structures and ways of working, and implement plans to improve in response. Measure progress in capability reviews.

Implementation guidance

- Optimise management structures to:
  - have no more organisational layers than necessary, with decision-making at the lowest practical level, spans of control reflecting the type of work being managed, structures providing flexibility to respond to changes, and jobs classified according to work level
  - ensure hierarchy enables quality advice, effective administration and clear accountability — and does not impose unnecessary process, impede innovation, undermine responsibility and demotivate staff, and
  - allow for differentiation depending on agency size and role.
- Consider optimal management structures and future capability needs in APSC review of classifications. Seek to consolidate SES and non-SES work levels.
- Ensure best-practice ways of working support front-line decision-making, multidisciplinary teams, short iterative delivery cycles and a constant user focus — especially for taskforces and digital programs.
- Support APS leaders to adopt new ways of working through training, coaching and on-the-ground practical advice.

Simpler pay ranges and conditions

APS employees appear satisfied with their pay and conditions. Sixty-one per cent of employees believe they are fairly remunerated and 77 per cent are satisfied with their non-monetary employment conditions such as annual leave, flexible work arrangements and other benefits. Remuneration is not a strong motivating influence on employees to join the APS. It ranked eighth of the eight factors listed as to why employees joined the APS in the 2018 APS census. Close to 40 per cent of employees are reluctant to leave the APS for concern their 'pay and conditions would not be met' externally.[527]

These data support the conclusion that general APS pay and conditions are competitive with external labour markets. The principal issue for the review is inconsistent and complex pay ranges and conditions within the public service. In 2010, *Ahead of the Game* noted anecdotal evidence that disparity in wage and conditions across agencies had 'discouraged mobility and reduced the sense of a unified APS with a strong career structure'.[528] The panel has also received consistent feedback on this.

Ensuring simple, standardised pay ranges and conditions — linked to equal pay for equal work — is good corporate practice. It is fairer and is easier to administer, simplifying administration to enable a high-quality HR enabling system (recommendation 17). And it can reduce barriers to career mobility, resulting in stronger partnerships and increased collaboration across the APS.

Still, in 2019, complexity and inconsistency remain. There are over 100 enterprise agreements in force across the public service's approximately 150,000 strong workforce — 98 per cent of whom are covered by an agreement. Most agreements have at least five, but some up to ten, individual pay points inside classifications.[529] The existence of different pay and conditions across agencies can complicate and create transitional problems during MoG changes.

Ninety per cent of APS employees are paid within spans of around $10,000 at lower classifications, increasing to around $15,000 at the APS6 classification. There are greater outliers at EL classifications.[530] This can lead to anomalous results. For example, after the Office for Women was moved to PM&C from the former Department of Families, Housing, Community Services and Indigenous Affairs in 2013, the pay differential was up to $10,000 a year for someone on the same level sitting at the next desk doing the same job.

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527   APSC, *State of the Service Report 2017–18*, 2018.

528   Advisory Group on Reform of Australian Government Administration, op. cit., p. 54.

529   APSC, *Agencies with enterprise agreement* [website], 2015, <https://www.apsc.gov.au/agencies-enterprise-agreements>, accessed 8 May 2019.

530   Analysis undertaken by the Independent Review of the APS.

[Our] competitiveness for APS officers is impacted by pay scales out of step with much of the APS.

Australian Institute of Aboriginal and Torres Strait Islander Studies[531]

Moreover, the agencies with the highest proportion of Aboriginal and Torres Strait Islander employees — Aboriginal Hostels Ltd and the Australian Institute of Aboriginal and Torres Strait Islander Studies — are the bottom outliers of each pay classification. The maximum salary for an EL 1 (middle manager) at Aboriginal Hostels Ltd in 2017 was $99,941, while at Finance it was $136,141, a $36,200 difference.[532] This level of discrepancy, particularly in agencies with a high representation of Indigenous employees whom the APS must attract and retain, is unacceptable.

There are also discrepancies in conditions across agencies. Some reflect the differing circumstances of agencies (for example, hardship allowances). Other differences reflect historical bargaining agreements (for example, working hours, personal leave). Employees at the Australian Taxation Office, for example, have slightly lower standard working hours than employees in most other agencies.[533]

Disparate wage and conditions arrangements pose administrative burdens for agencies when integrating staff from other agencies following MoG changes. The ANAO *Machinery of Government Changes* audit found that aligning enterprise agreements after a MoG change cost those agencies audited between $500,000 and $1 million.[534] In addition, negotiating separate enterprise agreements imposes considerable costs for each agency.

Agency estimates indicate that smaller-sized agencies require around three full-time employees for a year leading up to the vote on an enterprise agreement.[535] Anecdotally, this figure is considerably higher for larger agencies.

The review acknowledges that workplace relations reform is complex and often controversial. But, echoing calls from previous reviews, it recommends that the APS move over time toward common pay scales and core conditions. This should be done at all levels with the intent of reducing complexity and administrative burden, bringing the APS in line with good corporate practice.

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531   Australian Institute of Aboriginal and Torres Strait Islander Studies, op. cit.

532   Analysis undertaken by the Independent Review of the APS.

533   Australian Taxation Office, *Length of the working day*, Enterprise Bargaining, September 2015.

534   ANAO, *Machinery of Government Changes: Across Entities,* The Auditor-General ANAO Report No. 3 2016–17 Performance Audit, 2016, p. 21.

535   Analysis undertaken by the Independent Review of the APS.

At the APS and EL levels, the review recommends that the Government commence by introducing common core conditions into the APS Workplace Bargaining Policy. This would be a substantial departure from the approach taken to bargaining over the last few decades. Success will require considered design and strong leadership from the APSC. In the longer term, the Government should develop a practical path to move to APS-wide minimum and maximum pay-points at each level, with limited opportunities for departures based on labour market conditions. This will be influenced by any changes to the work-level classification system (recommendation 32), noting that pay is a consideration secondary to defining these levels.

Depending on how this is progressed, it may bring further costs to the Australian Government. Agencies may need funding to cover costs. Implementation will necessarily need to take place over time. Timing in general will need to be carefully considered; several large agencies have current agreements due to expire in 2020. And, pursuant to the current statutory framework, APS employees would need to vote up agreements giving effect to such changes.

Arrangements for SES pay and conditions vary significantly across the service. Introduced in 1984, the SES was 'intended to produce a more unified and cohesive group of senior staff and to provide a greater degree of management and leadership'.[536] There are over 500, 200 and 70 unique pay points at the SES Band 1, 2 and 3 levels respectively.[537] Pay variation occurs largely because agency heads have discretion to manage their SES workforce terms and conditions.[538] Agencies risk competing against each other in determining SES pay. Significant pay disparity may undermine the perception of the APS as a united leadership cohort and raises questions about whether pay reflects the quality of work done and other factors.

While there has historically been limited transparency of SES remuneration, the panel welcomes recent decisions by the Government that will require more transparent reporting of SES remuneration in annual reports.[539]

For each SES band, the review recommends that the Remuneration Tribunal determine pay ranges and standard common conditions. Further work will need to be undertaken to ensure changes are implemented efficiently, with consideration given to potential grandfathering arrangements.

The review also recommends that, in its next review of secretary remuneration, the Remuneration Tribunal consider the implications of changes to secretary roles, particularly their shared responsibilities as Board members, as recommended by this review.

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536   Commonwealth of Australia, *The Australian Public Service reformed: an evaluation of a decade of management reform*, 1993.

537   Internal data obtained from APSC

538   *Public Service Act 1999*, s.20.

539   Australian Government, *Australian Government Response to the Independent Review into the PGPA Act and Rule*, 2019.

Recommendation 33

Move toward common core conditions and pay scales over time to reduce complexity, improve efficiency and enable the APS to be a united high-performing organisation.

- Government to review and set common core conditions for APS-level and EL employees for agencies to pursue during bargaining.
- Government to commission APSC to develop an implementation plan for introducing service-wide minimum and maximum pay points for APS-level and EL employees.
- Remuneration Tribunal to determine pay ranges and common standard conditions for each SES band.
- Remuneration Tribunal to review remuneration of secretaries in light of their shared and strengthened responsibilities as Board members.

Implementation guidance

- APSC to consider requests for departure from common core APS and EL conditions.
- Use principle of equal pay for work of equal value (subject to labour market demands) to guide SES and non-SES pay points. Benchmark remuneration against similar roles in other sectors.
- Include costed transition pathways in implementation plan for introducing service-wide minimum and maximum pay points.
- Remuneration Tribunal to commence determining SES pay ranges and common conditions following the review of APS classifications (recommendation 32).

Long-term investment and commissioning

Futures analysis undertaken for the review indicated that, in all scenarios, the 'APS will need to keep doing more with less'.[540] Government resources will be stretched by an ageing population and increasing citizen expectations (even if the economy is growing strongly).

At the same time, significant investment will be required to enable the APS to deliver simple, reliable and personalised digital services to Australians and exploit the capacity for data and digital technology to radically improve APS policy advice and government regulation and programs (see chapter five). The APS also faces a legacy of under-investment in public capital that needs to be addressed.

These factors reinforce the enduring point that it is incumbent on governments and the APS to deliver clear value in spending public money. This section supports recommendations to fund necessary investment in public capital through a prioritised and well-considered capital expenditure plan for the APS (recommendation 34), and to drive returns through improved relationships with external providers and more coordinated and strategic procurement, commissioning and contracting (recommendation 35).

Budgeting for transformational capital investments

We can look back and continue funding a government operating system that was built for another era. Or we can look forward and continue rebounding, continue growing, continue forging ahead and leading the nation.

Michael Bloomberg KBE, former Mayor of New York City[541]

Capital is critical for enabling the APS to provide the Australian public and businesses with the services they need. For the purpose of this section of the report, capital investment refers to the direct spending by agencies (in the General Government Sector) on acquiring infrastructure, buildings, equipment and software. This includes physical assets, for example research facilities in Antarctica, and intangible assets, such as the software that underpins Centrelink payments.

The APS now faces the legacy of significant under-investment in capital. At the same time, significant investment is required in digital service delivery and the use of technology to improve the APS's policy, regulation and program-delivery outcomes. The system of funding public capital is broken.

540   Boston Consulting Group, *Scenarios for 2030*, 2018, p. 29.

541   M. Bloomberg, *Progress at work*, 2011 State of the City Address, 19 January 2011.

Under-investment in APS capital is a decade-old problem. In 2010, capital budgeting changes removed cash funding provided to agencies for asset depreciation. Instead, agencies were provided with departmental capital budgets to fund the replacement of minor assets worth $10 million or less. However, no funding was provided for future upgrades or replacement of major assets above $10 million, with the exception of the Department of Defence assets and corporate entities, such as CSIRO.[542] Instead, as outlined below, agencies have been required to offset all capital investments in the same manner as for other new policy proposals.

Since 2010, the amount of funding available in agencies' departmental capital budgets has been eroded through the application of the efficiency dividend, and an arbitrary 20 per cent cut made across the board in 2011.[543] While capital budgets have rebounded since 2015–16, the legacy of underinvestment has left a backlog of deferred capital spending (Exhibit 7.2).

Exhibit 7.2

Annual funding for minor capital investment has not recovered to 2011–12 levels[544]

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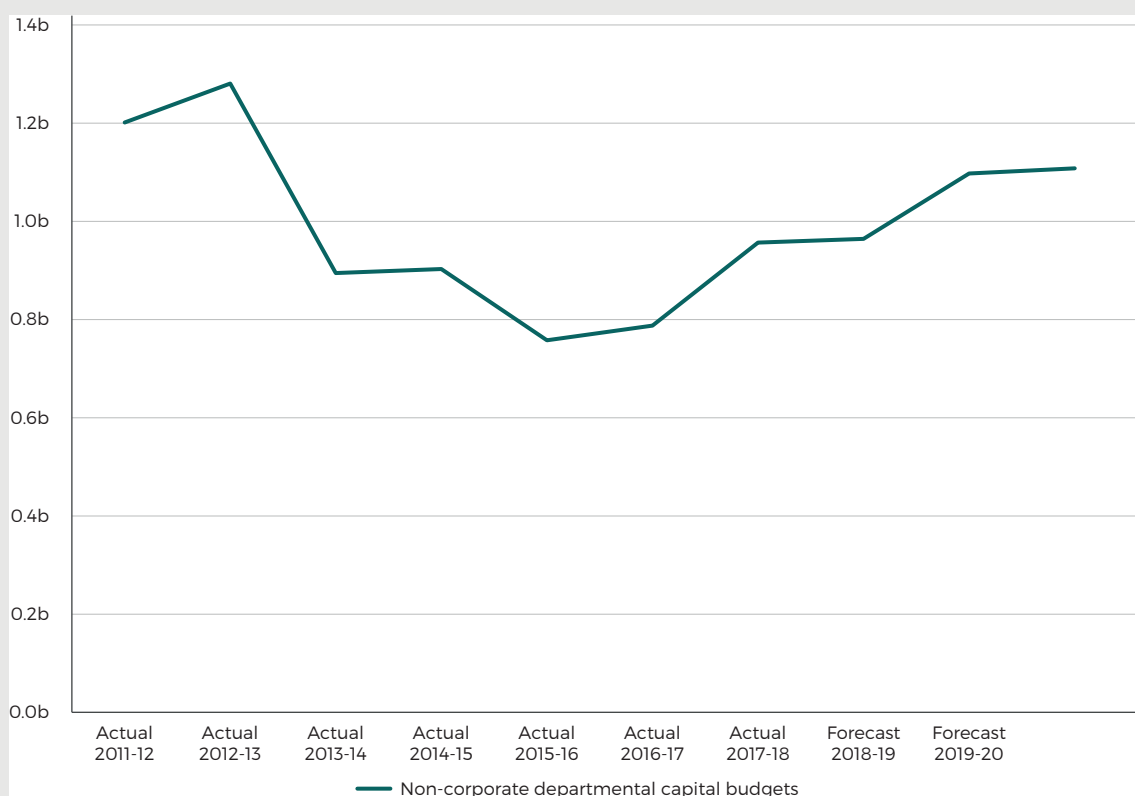
542   Australian Government, *2010–11 Australian Government Budget — Budget Paper No. 4*, Commonwealth of Australia, 2010, p. 9.

543   Australian Government, *2011–12 Mid-Year Economic and Fiscal Outlook*, 2011, p. 301.

544   Information provided by Finance.

This situation is further complicated by budget rules that require cash savings to offset all new capital projects (as for other spending). The offset rule requires all new spending proposals, including for capital items, to be offset by reductions in spending elsewhere so that new spending does not worsen the budget position.[545]

The impact of new spending on the budget is measured using a cash measure — the underlying cash balance. In a cash system, the lump sum spent on capital investment is recorded upfront in the year the investment is made. For the Government to meet its cash budget target, capital investment is required to be offset on a cash basis. This creates a bias against capital spending compared to accrual budgeting, which spreads the cost of investment over the economic life of the capital asset — referred to as depreciation.

The nature of capital spending makes it challenging for agencies to identify savings to fund investments. Capital costs are lumpy and upfront while benefits arising from capital investment, including financial savings, may not be realised until many years into the future. The budget offset rule is administered over a four year horizon. This means that any savings that are realised beyond the four year budget estimates period are not available to agencies to fund transformational investments. The panel's consultations during the review, and other evidence before it, have confirmed that the application of this rule to capital spending is having a number of long-term consequences.

First, new ideas for innovative investments have been stifled. Given that any business case for new investment must be met with cash savings from within the responsible portfolio over a four-year period, the inability to identify programs or staff cuts means that transformational investments are not put forward. As such, the Government is not presented with a full range of options and misses opportunities to consider ambitious investments which deliver its priorities.

Second, it is difficult to fund whole-of-service transformational investments, like APS-wide data and digital investments that have long-term benefits for Australians and reduce long-term operating costs. While such investments can and do still happen, such as the Welfare Payment Infrastructure Transformation program, they are less frequent than they should be (chapter five) and are not considered and prioritised as a part of a strategic plan.

Third, the application of the cash offset rule within portfolios has constrained investment to small-scale projects that fall within specific portfolios. Rather than adopting a joined-up approach, which would have broader and big benefits for data sharing and implementation, each agency tries to do its best with what it has.

The review has heard that capital investments needed to meet future growth in demand for services are not being made. This was a consistent theme in conversations with APS leaders, who (while recognising the need for fiscal restraint) emphasised the need to consider and prioritise investment on a whole-of-government basis and to consider both the short and long-term returns on investing in public capital. The review heard that,

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545   Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 1, 2019*, pp. 3–8.

too often, the APS is relying on short-term solutions that deliver short-term outcomes but are ultimately less cost efficient.[546]

It is essential that public capital be fully funded, sustainable and fit for purpose to support the APS deliver policy and services as intended by the Government. Currently, there is no definitive assessment of the size of the unfunded pipeline of future capital investments. The model used for long-term capital planning in the Defence portfolio is the exception. Defence capital is planned, prioritised and fully provisioned for on the budget bottom line.[547] The Defence Integrated Investment Plan is a ten-year plan that includes all capital and related investments such as materiel, estate and facilities, workforce and ICT — and is backed up by long-term funding certainty.

The review recommends a single whole-of-government capital investment plan. This plan will be proactive, disciplined and ensure that funds are directed towards capital investment which deliver the greatest public value. The plan will be reviewed annually, as part of the budget process, and used to manage capital trade-offs and prioritise capital projects across portfolios.

Work consistent with this recommendation is already underway. Finance is developing a prioritised whole-of-government capital investment strategy, for the Government's consideration. The strategy will provide a vital information base for the Cabinet to draw on to make better decisions on capital investment even if, balancing other priorities, Government decides not to increase overall capital funding.

This plan will support the Government to rationally and sustainably make provision in the budget for the Government's highest-priority future major capital spending. If agreed, this would have a short-term budget impact. Failing to address this issue now will simply drive higher costs and inefficiencies in the future as investments necessary to increase productivity are forgone and the backlog of deferred asset replacement continues to build, with continuing surprise revisions to the budget bottom line.

The panel also recommends Finance review the amount of funding available for agencies to replace minor assets. This should consider agencies' departmental capital budgets to determine whether funding levels are sufficient to keep minor assets in an acceptable condition.

Practical ways to facilitate greater flexibility in capital decision-making can also be considered. For example, the Government could consider allowing agencies to count savings generated beyond the four year budget estimates as offsets for capital investments, noting this would require a stronger regime to monitor projects past completion to ensure benefits are realised. Alternatively, the offset requirement could be made to align with the useful life of a given asset, measured through depreciation, which would effectively require offsets for major public capital to be offset using accrual rather than cash methodology. All spending has upfront impacts on the budget bottom line, but these options provide a different way to consider long-term capital investment.

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546   See, for example, Department of Home Affairs, submission to the Independent Review of the APS, 2018, p. 8.

547   Department of Defence, *2016 Defence White Paper*, 2016, pp. 177–183.

Seven: Develop a dynamic and responsive organisation

Recommendation 34

Ensure APS capital is fully funded, sustainable and fit for purpose, and capable of delivering policy and services as intended by the Government.

- Government to create a provision for future major capital acquisitions and replacements in the budget estimates, informed by a prioritised plan of whole-of-government capital expenditure.
- Government to sustainably fund departmental capital budgets, informed by a Finance-led audit of agency minor capital requirements.

Implementation guidance

- To support development of a whole-of-government capital expenditure plan, Finance and transformation leader to develop a framework for Government consideration to identify and prioritise major public capital and digital investments.
- Use the ICT audit and blueprint (recommendation 14) to inform capital expenditure plan.
- Include cost of maintaining, operating and optimising value of capital assets in the capital expenditure plan.
- Subject to Government agreement, implement changes ahead of the 2021-22 Budget process.
- Consider managing funding allocated for capital expenditure (potentially as allocations of capital depreciation) in a special account managed by Finance.
- Consider mechanisms that embed greater flexibility in the Budget Process Operational Rules to facilitate capital investment – for example, allowing capital investment to be offset on a time frame that matches expected returns or depreciation of the asset.

Delivering better value for money through external providers

The APS works with external providers to undertake many government functions — from working with the states and territories and private and non-government organisations to deliver programs and services for the Australian people.[548] In 2017–18, over 73,000 procurement contracts for the purchase of goods and services were reported on AusTender, with a total value of over $71 billion.[549] Ninety five per cent of these contracts had a value of less than $1 million, while 333 contracts (0.5 per cent) accounted for nearly three quarters of the total value.[550]

Concerns about APS capability to deliver value for money outcomes through its relationships with external providers were raised in submissions to the review. The ANAO has identified concerns about APS procurement, outsourcing capability and management.[551] Like other areas, it is difficult to measure APS capability in procurement, contract management and commissioning. This reflects the fact, noted elsewhere in this report, that there are no established mechanisms for assessing agency capability over time. The panel recommends that the APS institute regular and sustained agency capability reviews, which will provide a reference point to assess capability over time (recommendation 2a).

Significant use of external providers to run APS operations and deliver public value is a long-term trend — and likely to continue.[552] This is consistent with the anticipated need for the APS to work more closely and effectively with partners to deliver personalised and localised services and help tackle complex challenges — like entrenched disadvantage or boosting productivity — that cannot be solved by the APS alone (see chapter four). Accordingly, it is critical for the APS to have the capability to deliver clear value for money and better outcomes through its relationships with external providers.

The panel recommends the APS take a number of steps to build its capability to procure and commission goods, services and other outcomes in working with external providers — and take sensible, strategic decisions about when and how to do so.

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548   J. O'Flynn & G. L. Sturgess, *2030 and beyond: getting the work of government done*, ANZSOG, 2019, p. 9.

549   Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4*, 2019, p. 12. The total value of new contracts reported on AusTender has varied considerably and average $47.3 billion over the past ten years.

550   J. O'Flynn & G. L. Sturgess, op. cit., p. 9.

551   ibid., pp. 13-14 & 20.

552   ibid., pp. 10-11.

First, the APS needs to get the basics of procurement and contract management right. This is principally a responsibility for separate agencies, consistent with their responsibilities under the *Public Governance, Performance and Accountability Act 2013* and other statutory obligations. Agencies can also work together to deliver savings through coordinated or whole-of-government procurement.[553] The Government has reported significant APS-wide savings in procurement, including through whole-of-government arrangements for coordinated leasing and property services.[554]

International research indicates that governments can achieve savings of between five and 20 per cent by implementing a best-practice procurement discipline.[555] The Government has reported significant savings through more coordinated procurement in recent years.[556] While the prospect of additional savings in the APS has not been analysed, the Department of Home Affairs highlights the Commonwealth's considerable purchasing power and the prospect to leverage this, thereby reducing duplication and inefficiency, through coordinated and high quality procurement and contract management.[557] The APS should continue to pursue opportunities to generate service-wide savings and better outcomes in procurement.

In 2019, the Government established a Centre of Procurement Excellence to share knowledge, strengthen industry partnerships, develop self-help tools, better use data and promote procurement process efficiency.[558] With adequate resourcing and strong Secretaries Board backing, the Centre will be able to help deliver better outcomes through supporting well-managed procurement (from early engagement with the market to tendering and negotiation and effective ongoing contract management). The Centre can help agencies lift capability to assess and choose the right sourcing options to deliver particular outcomes. The Centre is currently developing a Commonwealth Procurement Capability Baseline to guide development of APS procurement and contracting capability.

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553 One study of 700 global procurement efforts identified the public sector as having the highest potential for procurement savings, at up to 15 per cent, from adopting best-practice procurement. T. Allas et al., *How smarter purchasing can improve public-sector performance*, McKinsey & Company, 2018; For example, Italy saved over $3.6 billion in the first year of a procurement initiative. The APS has already made significant savings through improved procurement coordination, and additional procurement savings will be possible in coming years. Current APS reform work in set out in Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4*, 2019.

554 Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4*, 2019, p.146.

555 Analysis undertaken by McKinsey & Company for the Independent Review of the APS.

556 Australian Government, *2017–18 Australian Government Budget — Budget Paper No. 4*, 2019.

557 Department of Home Affairs, submission to the Independent Review of the APS, 2018.

558 Australian Government, *Paving the way to procurement excellence* [website], 2018, <https://www.publicsectorreform.gov.au/paving-way-procurement-excellence>.

The APS can build on current examples of good practice in managing external-provider relationships across the APS. For example, the Department of Defence utilises a Capability Life Cycle Process to bring a simpler and more outcomes-focused approach to major acquisitions and outsourcing contracts. This is supported by an arms-length contestability function — the Defence Investment Committee — to challenge thinking and ensure that there is an explicit focus on achieving outcomes and value for money. As a result, risks and mitigations are commonly discussed and inform decisions. The Committee also has senior-level officials from PM&C and Finance which ensures that procurement decisions support broader government objectives and are highly transparent.

AusTender already provides transparency on a significant range of contract data. By aggregating and applying sophisticated data analytics to a wide range of procurement information (including on performance), the APS will be able to deliver both procurement efficiencies and better services. A strategic whole-of-service approach to procurement and contracting, supported by analysis of APS data, will help identify and mitigate risks that arise from over-reliance of providers, as highlighted by the Carillion collapse in the UK. This may require the development of new digital platforms. A 2019 proposal for a sophisticated and contemporary 'Domesday Book' contracting database in the UK provides an interesting illustration of what could be achieved through aggregation and analysis of procurement information.[559] The Centre for Procurement Excellence is well-placed to lead this work, and additional resourcing for it to discharge this ambitious mandate should be considered. Strong Secretaries Board support for its work will help ensure its success.

More fundamentally, the review endorses the conclusion of ANZSOG research conducted for the review that the APS needs to take a strategic commissioning approach to the delivery of public services.[560] Rather than start with an assumption about which services should be delivered by the Government or other providers, the APS should objectively decide which services and products to deliver itself and which should be should be purchased from or delivered by other providers, and how they should be bought or delivered – in order to deliver the best services or outcomes for the public.[561]

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559   J. Tizard and D. Walker, *A Domesday Book for public service contracts – better data, better value for money*, 2019.

560   J. O'Flynn & G. L. Sturgess, op. cit., p. 13.

561   ibid., pp. 24-27.

To get this right, it is important to take a long-term view of success. Commissioning decisions driven only by price or immediate results may have longer-term costs. This is reflected in the Commonwealth Procurement Rules, which make clear that price is not the sole factor in considering value for money, and that relevant financial and non-financial costs and benefits need to be considered.[562] More broadly, good commissioning will require the APS to consider the impacts of decisions about how to purchase or deliver goods and services on the systems or markets that the APS operates in (and sometimes creates). As recognised by the 2017 ICT Procurement Taskforce report, for example, the Government can encourage more innovation and a broader range of suppliers, reducing dominance of (and over-reliance on) large providers, by changing the way it buys ICT — through a willingness to do smaller projects and adopt a 'strategic business partnerships approach'.[563] Better outcomes will be derived by strong community engagement, including at local levels, and better partnerships with providers.

The panel recommends that Secretaries Board agrees a framework to guide a strategic approach to APS contracting and commissioning. This will guide APS decisions on better commissioning in running the APS and delivering goods and services for the public, in shaping supplier markets, integrity and knowledge transfer in using contractors and consultants. The framework will support APS capability efforts. To support development and application of the framework, the Board could establish a small team to build expertise and capability in commissioning, including through providing advice and training. The NSW Treasury Commissioning and Contestability Unit provides a useful model. This small team could collaborate with state and territory counterparts in testing different approaches, finding out what works, and building expertise.

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562   Commonwealth Procurement Rules, paragraph 4.5.

563   DTA, R*eport of the ICT Procurement Taskforce*, August 2017.

Recommendation 35

Deliver value for money and better outcomes through a new strategic, service-wide approach to using external providers.

- Finance to develop, for Secretaries Board endorsement and Government agreement, a framework for APS use of external providers. Framework to focus on better decision-making, value for money and outcomes.
- Finance Centre of Procurement Excellence to drive innovation and better outcomes in APS procurement, including aggregating and applying procurement information to deliver efficiencies.

Implementation guidance

- The framework to guide APS-wide contracting and commissioning to:
    - include when to develop in-house capability and when to procure goods and services externally
    - reinforce collaborative and transparent approaches to procurement design and sourcing
    - promote robust approaches to shape supplier markets to drive innovation and evaluate procurement activities against intended outcomes
    - include arrangements to support agile project delivery, reducing barriers to enable procurement from smaller, more innovative organisations,
    - embed integrity in procurement and commissioning, and
    - include advice on the use of contractors or consultants, to ensure lasting knowledge transfer and capability building for the APS.
- Under the framework, focus on outcomes and value for money, as opposed to lowest price, in delivering outcomes
- Use the professions model and APS learning and development strategy to build service-wide capability in procurement, contracting and commissioning.
- Aggregate procurement information from across the APS to provide transparency on costs and benefits, enable use of data analytics to identify potential whole-of-service efficiencies, and ensure major procurement decisions consider whole-of-government value.

Robust budget allocation

The complexity and flux of the APS's anticipated operating environment to 2030 will require the need to flexibly redeploy funding and other resources to new priorities that often do not fit in neat portfolio boundaries. Given continued fiscal pressure, this reinforces the critical importance of the APS supporting governments assess the effectiveness of current spending regularly and robustly, enabling well-informed budget prioritisation. The APS will need the ability to fund cross-portfolio priorities flexibly and effectively manage investments that leverage the balance sheet. The Charter of Budget Honesty is a critical tool to support long-term budgeting and needs to be fit for purpose.

This section supports recommendation 36, which sets out four key changes to ensure the APS can support robust budgeting and resource allocation:

- mechanisms to enable regular scrutiny of public expenditure to ensure it supports well-informed budget prioritisation
- flexible funding mechanisms to deliver cross-portfolio priorities and support innovation
- enhanced advice on loans, equity, and other investments leveraging the balance sheet, and
- a review of the *Charter of Budget Honesty Act 1988* to ensure it is fit for purpose.

Supporting budget prioritisation

Effective budget prioritisation ensures that current and planned spending delivers clear value to the public, aligned to government priorities. To support this, the APS needs an evidence-based understanding of what works and what does not. Strong evaluation capability, robust performance reporting and mechanisms to support regular reviews of spending will enable the APS to support governments make well-informed budget decisions.

As outlined in chapter six, the APS needs to rebuild its evaluation capability and practices, supporting regular evaluation of government programs to assess the value they deliver (recommendation 26). The quality of APS performance information was explored in detail in the recent *Independent review of the Public Governance, Performance and Accountability Act 2013*. While that review noted some improvements, it also found that it takes time and effort to develop good-quality performance information, that practice is still maturing and the pace of improvement is too slow.[564] This review has reiterated that performance reporting under the *Public Governance, Performance and Accountability Act 2013* needs to be improved (recommendation 2b).

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564   E. Alexander & D. Thodey, op. cit., p. 12.

The APS also needs to conduct regular spending reviews. For example, the Canadian Government requires all spending programs to be evaluated within a five year window.[565] Different mechanisms are available to the APS to assess the effectiveness of spending and its alignment with the Government's policy objectives. These include post-election reviews of base expenditure, agency level reviews (such as functional and efficiency reviews) and reviews of individual programs. However, the *ad hoc* nature of these processes can mean a large number of programs continue year after year with no requirement to be periodically assessed. The review supports a more systematic approach to ensure targeted reviews of expenditure. Different options can meet this objective, including a formal requirement to periodically evaluate spending programs (for example, every 3 to 5 years) or a rolling forward program of functional and efficiency reviews.

The review recommends that Finance supports regular spending reviews, and helps coordinate the use of evaluation findings, performance information and spending review outcomes to ensure robust advice to government on the effectiveness of current spending during the budget process.

Better data analytics will support richer, more insightful and more timely performance information. Applying sophisticated analysis to new sources of data will allow the APS to better understand what works, particularly where multiple programs and portfolios and different governments and members of the community are involved in delivering an outcome. The APS needs to build its data integration and analysis capability (recommendation 18) — one benefit is that this will enable richer, data-informed advice to the Government to support regular budget prioritisation.

Funding cross-portfolio priorities and supporting innovation

Building on recommendation 29, setting a small number of clear performance targets can ensure that resources get directed to Government's top priorities. New Zealand's Better Public Service Results Program (see Box 7.1) delivered improvements against key targets at a time when budgets were declining in real terms.[566] Its successor, under Prime Minister Jacinda Ardern, requires all new spending proposals to show that they advance one of her Government's five stated priorities and are measured for impact against a transparent set of indicators.[567]

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565   OECD, *Performance budgeting practices and procedures*, OECD Journal on Budgeting, Vol. 2015, No. 3, 2016.

566   IBM Center for the Business of Government, op. cit.

567   The five priorities are: supporting a thriving nation in the digital age; lifting Māori and Pacific incomes, skills and opportunities; reducing child poverty; aiding the transition to a sustainable and low-emissions economy, and supporting mental health. New Zealand Government, *Wellbeing Budget 2019*, 2019.

Setting strategic or clear cross-portfolio priorities (recommendation 29), will require the APS to consider tailored funding and accountability mechanisms. Where priorities cut across portfolio boundaries and require collaboration, shared funding arrangements should be considered. While the existing budget framework allows for shared funding pools between agencies, it has been used infrequently.[568] As part of its comprehensive advice to government, the APS should ensure options for the use of shared funding are presented for its consideration. This will of ensure the best funding structure to deliver priorities is recommended. It would also be useful to provide portfolio ministers, or the minister with responsibility for funding, with greater flexibility to deliver cross-portfolio priorities — and to respond to shifts in need or demand — by moving money between outcomes or between operating and capital or departmental and administered funding).[569]

Different funding mechanisms are available under the current budget framework to support innovation and agile project delivery. These include staged funding and flexible policy funds (for example the Try, Test, Learn Fund, which trials innovative approaches to assist those at high risk of long-term welfare dependency). Staged funding is particularly suited to some large scale risky investments (such as some ICT projects). Flexible policy funds should be used more frequently to fund experimental policy interventions.

Innovative investments and effective balance sheet management

The Australian Government is increasingly using innovative financing mechanisms to make investments in infrastructure and to deliver policy objectives. This is usually done through investments in financial assets, such as equity in government-owned companies (for example, NBN Co or Australia Post) or by providing loans and guarantees. These investments, when carefully considered, have the potential to contribute to Australia's future prosperity.

Australian Government financial asset investments have increased by around 150 per cent over the past five years. The 2019–20 investment in financial assets is expected to be $16.6 billion.[570] These types of investments may grow in the coming years as the Commonwealth takes a more active role in the direct provision and ownership of infrastructure.[571]

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568   Examples where flexible funding has been applies include the Indigenous Flexible Funding Pool, https://www.anao.gov.au/work/performance-audit/whole-government-indigenous-service-delivery-arrangements. Other examples include the Australian Building Codes Board function managed jointly by the Commonwealth and the states, the ABCB Special Account, and the Northern Territory Emergency Response.

569   Department of Agriculture and Water Resource, submission to the Independent Review of the APS, 2018.

570   Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 1,* 2019, pp. 3–26.

571   See further examples in the Department of Infrastructure, Regional Development and Cities submission to the Independent Review of the APS, 2018.

These investments are more akin to activities undertaken by the private sector, requiring specialist expertise that is not always available within the APS. They also involve complex risks. The APS needs the capability to effectively manage these investments and should provide robust and transparent advice on the associated balance sheet implications.

Currently, responsibility for managing these investments is decentralised to individual portfolios, supported by guidance issued by Finance. The 2014 National Commission of Audit found the information provided to ministers and released publicly on these risks was relatively poor, with the Statement of Risks providing 'no information on the likelihood of risks materialising and the expected costs of the risks'.[572] Improvements have been made, but several recent ANAO reports have also revealed shortcomings relating to the management and advice provided on these types of complex investment.[573]

To support a consistent approach for managing these investments, the panel recommends that the Government agree that Finance be responsible for monitoring and reporting balance sheet risk arising from financial assets at a whole-of-government level. This will support the APS to concentrate and build its expertise. There should be a robust framework to ensure balance sheet risks are carefully monitored and transparently reported. As a first step, there is scope to enhance the guidance provided by Finance to agencies to manage these types of investments. Currently, a detailed framework exists for investments in government owned businesses but not for other types of investments such as loans and guarantees.

There needs to be robust reporting of balance sheet risks, and expected costs if risks materialise, in the Statement of Risks. Forward-looking projections of the value of material financial assets should be reported in the Budget papers. NSW publishes a separate budget statement detailing the commercial performance of its government owned businesses. To drive better APS performance, the Government could consider issuing a similar statement as part of its Budget papers.

Charter of Budget Honesty

The Government deserves the highest-quality policy advice from the APS. This advice should be anchored by the best possible information about long-term trends, especially when it comes to making long-term financial commitments. The *Charter of Budget Honesty Act 1998* sets the institutional responsibilities for a series of reports that are key inputs in the policy-making process.

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572 National Commission of Audit, *Towards Responsible Government*, Appendix to the Report of the National Commission of Audit, Vol. 1, 2014, p. 116.

573 For example see ANAO, *The Approval and Administration of Commonwealth Funding for the WestConnex Project*, The Auditor-General, ANAO Report No.38 2016–17 Performance Audit, 2017, p. 49; ANAO, *Interim Report on Key Financial Controls of Major Entities*, The Auditor-General, Auditor-General Report No.46 2018–19 Financial Statements Audit, 2018, pp. 67–68.

The Charter was viewed as the global gold standard at the time of its introduction.[574] For more than 20 years since then, the Charter has served Australia well. The Charter requires:

- the Government to release a fiscal strategy at its first Budget, based on specific principles of sound fiscal management and set in a medium-term framework, with the fiscal strategy informing future policy decisions
- regular reporting of how the Government measures up against its fiscal strategy, as well as updates on the fiscal and economic outlook
- the secretaries of the Treasury and Finance to release an independent outlook in the lead-up to an election (the Pre-election Economic and Fiscal Outlook), and
- release of an Intergenerational Report every five years.[575]

In 2012, there was an additional enhancement with the creation of the independent Parliamentary Budget Office. It provides costing services to all parliamentarians, and publishes a report after every election that shows the fiscal implications of major parties' election commitments.[576]

Improved approaches to long-term policy-making require evidence-based decisions in the nation's long-term interests. Many of the inputs for these decisions are currently held in the Intergenerational Report. In 2002, Australia led the way in long-term policy outlook through public release of the Intergenerational Report; at the time only a handful of other countries had an equivalent. The report 'focuses on the implications of demographic changes for economic growth and assesses the financial implications of continuing current policies and trends over the next four decades (two generations)'.[577] The Intergenerational Report is published every five years, with much public and media scrutiny.

The Treasury's Intergenerational reports have generated much discussion within governments as well as in the media, academia and around some bbqs. Bringing new issues to the forefront can help to change the conversation and an open policy windows

M Fisher[578]

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574   U. Chohan, *What is a Charter of Budget Honesty? The Case of Australia*, Canadian Parliamentary Review, 2017, p. 12.

575   *Charter of Budget Honesty Act 1998*.

576   Parliament of Australia, About the PBO [website], 2012, <https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/About_the_PBO>.

577   J. Blöndal et al, op. cit., p. 21.

578   M. Fisher, comment to the Independent Review of the APS online forum, 2019.

Intergenerational reports have informed major policy reforms for many years. They have galvanised action around unfunded public sector superannuation liability with the establishment of the Future Fund, now valued at over $150 billion.[579] They helped rein in the growth of the Pharmaceutical Benefits Scheme — which was highlighted by the Intergenerational Report as the fastest-growing component of health expenditure.[580] And they supported policy changes to encourage greater labour-force participation by those drawing on the Disability Support Pension.[581] In short, they have been a powerful input into important Australian Government policy decisions.

While the Charter has been successful, it was set in place during a time when trust in the Government was considerably higher than it is today.[582] It is useful to investigate whether, given its importance in public discussion, the Intergenerational Report should be prepared outside departmental structures by a body with greater institutional independence from the Government. Consistent with this, the Productivity Commission, the Business Council of Australia, the Centre for Independent Studies and the Grattan Institute, among others, have commented that the responsibility for the Intergenerational Report should be given to the Parliamentary Budget Office.[583]

Further, the review suggests that state and territory governments be provided an opportunity to contribute to the Intergenerational Report. This will enable long-term decisions to be informed by a broader spectrum of views and longer-term fiscal risks assessed at the whole-of-nation level. The Charter already provides that, consistent with sound fiscal management, the Government is to manage fiscal risks arising from the management of assets. The proposed review of the Act could consider mechanisms to ensure that this provision supports full budget transparency on expected digital transformation and capital replacement and investment needs in coming years.

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579   Future Fund, *Portfolio update at 31 March 2019* [website], 2019, <https://www.futurefund.gov.au/news-room/2019/04/24/04/32/portfolio-update-at-31-march-2019>, accessed 5 July 2019.

580   D. Gruen & D. Spender, *A Decade of Intergenerational Reports: Contributing to Long-Term Fiscal Sustainability (September 2012)*, Australian Economic Review, Vol. 45, Issue 3, 2012, pp. 327–334.

581   ibid.

582   S. Cameron & I McAllister, op. cit.

583   Business Council of Australia, *A plan for a stronger Australia: Volume one*, 2019; R. Carling & M. Potter, *Comments of Better Budgeting Discussion Paper*, The Centre for Independent Studies, 2017; J. Daley et al, *Commonwealth Orange Book 2019: Policy Priorities for the Federal Government*, The Grattan Institute, 2019, p. 143; Productivity Commission, *Shifting the Dial: 5 year productivity review*, 2017, p. 191.

Recommendation 36

Provide robust and responsive advice to support governments deliver priorities through improved budget prioritisation.

- Finance to support regular APS reviews of government expenditure, including use of performance information to ensure robust advice to government on effectiveness of spending during budget processes.
- Finance to support agencies consider and use mechanisms to fund cross-portfolio priorities, move funding to respond to shifts in needs or demands, and foster innovation and agile project delivery.
- Finance to enhance support to agencies to manage investments that leverage the budget balance sheet, including regularly stocktaking and reporting on these investments and risks.
- Government to commission a review of the content and application of the *Charter of Budget Honesty Act 1998*, including the:
    - role of the charter in improving fiscal policy outcomes
    - appropriateness of the principles that underpin the charter, and
    - role of the Intergenerational Report as a key source of national data to inform government deliberations.

Implementation guidance

- Mechanisms to assess the effectiveness of government expenditure to include:
    - evaluations of programs
    - performance information under the *Public Governance, Performance and Accountability Act 2013* framework, and
    - regular reviews of base expenditure, agency-level (such as functional and efficiency reviews) and program-level reviews.
- Draw on all these sources of information to inform advice to Government on current spending. Consider regular process to re-evaluate major spending and tax expenditure, such as after each election.
- Stocktake and report on government loans, equity investments and guarantees at the whole-of-government level, to improve transparency and support effective management of these investments.
- Consider involving the states and territories in the next Intergenerational Report in 2020, even if the review of the *Charter of Budget Honesty Act 1988* is not complete by then.

EMPOWER LEADERS TO MAKE A DIFFERENCE

Purnululu National Park (The Bungle Bungle), Western Australia
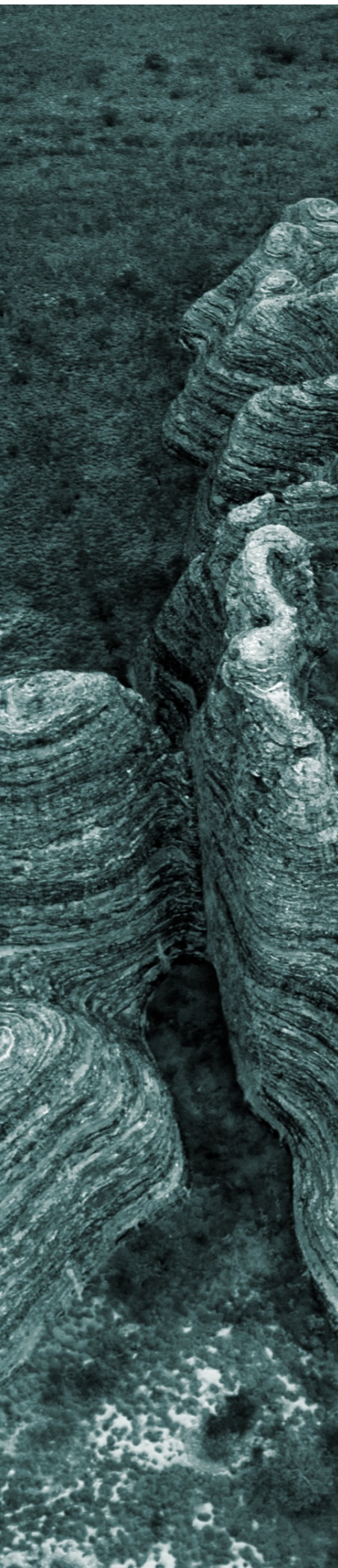
Chapter in brief

- **_Good governance delivers better outcomes._** Current APS governance arrangements focus on running multiple agencies, not leading a unified organisation — this results in agency-specific capabilities and uneven performance. The APS needs to be more joined-up to best serve Australia in a changing, complex and interconnected world — APS governance arrangements need to support this.

- **_Running the APS as an integrated organisation._** Secretaries Board has primary responsibility for leading the APS as an integrated organisation. Empower and make the Board accountable for the effective and efficient operation of the APS, helping mobilise the APS to deliver government priorities.

  Recommendation 37

- **_Clear roles for stronger APS leadership._** Ensure the PM&C Secretary and the APS Commissioner have clear responsibilities and accountabilities as the Head of Service and the Head of People respectively.

  Recommendation 38

- **_Transparency of leadership appointments, performance and termination._** Use best-practice processes for appointments, performance management and termination to build trust in the service and ensure confidence in agency heads.

  Recommendations 39a—c

- **_An effective APSC._** A high-performing and sustainably resourced APSC is required to support the APS of the future and reinforce its integrity. Review the APSC's capability and develop and implement a sustainable resourcing model to support long-term planning and capability building.

  Recommendation 40

Good governance delivers better outcomes

Good governance enables the APS to deliver government priorities and meet the needs of Australians today. It will be critical for the APS to support Australia meet the challenges and opportunities of a complex, changing future.

Good governance endures in the face of change — it delivers clear processes, decision rights and unambiguous accountabilities. Governance systems and structures need to be supported by effective leadership and the right organisational culture. Good governance allows leaders to focus on the priorities of an organisation and continually deliver — no matter how these priorities evolve in a rapidly changing external context. It empowers and guides APS leaders to make good decisions without unnecessary delay, and ensures public resources are deployed properly and effectively. It supports the organisation to act with integrity.

Recent spotlights on governance in Australia have been clear: a strong governance culture needs to come from within.[584] Like all major organisations, the APS needs to continuously assess whether its culture and governance are right for its operating environment, identify any problems, make necessary changes and assess whether shifts have been effective.[585]

Current APS governance arrangements focus largely on mechanisms to ensure the effective operation of the different agencies that are part of the APS. However, single agencies working relatively independently of each other can miss opportunities to deliver seamless services to Australia or robust advice to government on complex challenges that cut across portfolio boundaries.

An underlying theme of this review is the need for the APS to be a much more joined-up organisation to discharge its responsibilities in a changing, complex and interconnected world. APS governance arrangements need to support this.

This chapter sets out four major governance and leadership reforms to: ensure Secretaries Board runs the APS as an integrated organisation (recommendation 37); provide clear roles and responsibilities for the PM&C Secretary and the APS Commissioner (recommendation 38); ensure robust and transparent arrangements for the appointment, performance and terminations of secretaries and other agency heads (recommendations 39a—c); and, resource the APSC to deliver a service-wide capability build and uphold APS integrity (recommendation 40).

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584   K.M. Hayne, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, 2019, p. 376.

585   ibid, Recommendation 5.6, p. 392.

Running the APS as an integrated organisation

Ultimately, the test of public service is the platform that is left for the next generation, and the others that follow.

Michael Pezzullo, Secretary, Department of Home Affairs[586]

The APS has well-defined governance arrangements for the management of agencies. The *Public Governance, Performance and Accountability Act 2013* outlines responsibilities for how agency heads, as accountable authorities, govern their entities to promote the proper use of public resources, the achievement of the entity's purposes and the entity's financial sustainability.[587] The Act includes robust frameworks and rules, among other matters, for agency planning, performance and accountability and the use and management of public resources.[588] Likewise, the *Public Service Act 1999* articulates specific roles of secretaries and executive agency heads and details various responsibilities and how they are to lead and manage their departments or agencies.[589]

By contrast, the legislative arrangements that support the effective operation of the APS as an integrated institution are broad, aspirational and nebulous. The *Public Service Act 1999* establishes Secretaries Board and its role. Its legislated functions include responsibility for the stewardship of the APS and developing and implementing strategies to improve the APS. Board functions also include identifying strategic priorities and considering issues that affect the APS, working collaboratively and modelling leadership behaviours.[590] Its role is, and should remain, subject to the direction and support of the Government.

The *Public Service Act 1999* acknowledges that secretaries and SES have service-wide responsibilities that go beyond the leadership and management of their own agency or the delivery of agency-specific priorities. In particular, the roles of a secretary include collaborating with other secretaries to deliver outcomes across the Government and, in partnership with Secretaries Board, providing stewardship across the APS.[591] Secretaries are required to manage their department consistently with the interests of the APS as a whole, while the functions of SES include providing APS-wide strategic leadership that contributes to an effective and cohesive APS.[592]

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586   M. Pezzullo, *Immigration and Nation Building in Australia: Looking Back, Looking Forward*, speech delivered at an Australian National University Public Lecture, Crawford School of Public Policy, Canberra, 21 April 2015.

587   *Public Governance, Performance and Accountability Act 2013*, Part 2-2.

588   ibid., Parts 2-3 and 2-4.

589   *Public Service Act 1999*, s. 57 and 66.

590   ibid. s. 64.

591   ibid. s. 57.

592   ibid. s. 35 and 64.

The *Public Service Act 1999* provides a statutory responsibility, and broad guidance and collective authority, for Secretaries Board and the SES to ensure the effective operation and administration of the APS and achieve whole-of-government outcomes. In practice, evidence before the review makes clear that, across the APS, collective service-wide outcomes and collaboration often come second to measurable and definable departmental outcomes. In a complex, connected world, this is an obstacle to seamless services and integrated advice on cross-portfolio issues. It also impedes development of common or interoperable enabling systems and tools to support a contemporary APS.

Secretaries Board meets monthly. It works collegiately and provides a useful forum to share information and discuss strategic priorities and APS-wide policies and reform. However, the Board does not systematically track delivery of government priorities in a manner that would enable it to respond collectively or decisively if priorities are not being achieved. The Board does not systematically undertake scenario planning or other exercises to monitor and ensure the APS is prepared for the unknown. Similarly, while the Board is leading useful reforms to build APS capability — talent development, diversity and inclusion initiatives and APS Reform Committee projects — the review concludes that the Board needs to be much more decisive to build the APS's capability and productivity. The Board's agenda, decisions and direction are not published and there is little knowledge across the APS about what it does and agrees. This limits its effectiveness as the APS's senior leadership body.

Two fundamental shifts are required for Secretaries Board to run the APS as a genuinely integrated institution.

First, the Board needs to shift how it discharges its statutory responsibility as collective stewards of the APS. This change may be broadly summarised as moving from:
- information-sharing *to* decision-making
- siloed perspectives *to* a whole-of-service view
- *ad hoc* discussions on government priorities *to* systematic consultations and alignment on government priorities
- prioritising departmental outcomes *to* collaborating on the most important priorities, and
- limited public awareness of the Board *to* being the visible face of APS leaders.

To make this shift, Secretaries Board itself needs to examine how it works to ensure that it genuinely runs the APS as an integrated organisation. During engagement with the review, the Board explicitly discussed and reiterated the fundamental concept that the service is, and must be run as, one APS. This review endorses this and proposes Secretaries Board plays a stronger role in leading the APS as an integrated organisation. For example, the review proposes the Board: leads APS transformation and capability reviews (recommendations 1 and 2a); drives development of common enabling systems and supports the DTA (recommendations 13 and 17); oversees a service-wide workforce strategy and talent

development (recommendations 19 and 23); and mobilises the APS to support delivery of government priorities, including through establishing clusters (recommendation 29). The Board will need to consider how it works to deliver agreed recommendations of this review.

Second, we recommend the Government considers legislative amendments that support the Board to lead and govern the APS, ensuring its effective and efficient operation as an integrated organisation. This could include:

- clear decision rights for the Board
- the power for Board decisions to bind agencies, whether set out in legislation or supported by Prime Ministerial direction under section 21 of the *Public Service Act 1999* — ensuring this is consistent with separate statutory responsibilities of agency heads and agencies, and
- the power for the Chair of the Board (the PM&C Secretary) to take decisions if the Board cannot reach consensus — reflecting in part that at 20 members the size of the Board is large by any standard.[593]

The review recommends that the Board be a highly visible APS leadership body, communicating openly and with authority about the APS's direction and Board leadership. The Board may provide an annual report to the Prime Minister.

To fulfil its stewardship role, the review recommends the Board regularly develops a national outlook that provides a service-wide perspective on key trends, opportunities and challenges for Australia to help inform the Government's deliberations and policy decisions. Common sources of data and information, such as the Intergenerational Report, and research across the APS will be important inputs to the national outlook. This will support a united APS and ensure the leadership team is drawing from the same single source of truth (Exhibit 8.1).

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593   J. Uhrig, *Review of the Corporate Governance and Statutory Authorities and Office Holders*, 2003, p. 96.

Exhibit 8.1

Policy priorities through Secretaries Board — now and the future

Now ••••••••••••••••••••••••••••••➤ **2030**

ISSUE IDENTIFICATION

Now	2030
• The Board identifies strategic challenges annually. • One or two secretaries prepare a paper on these challenges for the Board. • Ensuring that other relevant departments' views are represented relies on goodwill, cooperation and resourcing.	• The Board continually considers strategic challenges facing the APS in the context of Government priorities, drawing on a national outlook developed from shared data. • All relevant secretaries are responsible for contributing to a paper for the Board. • Secretaries identify resources to bring their expertise to the issue, and work together to ensure that the Board receives a holistic assessment.

BOARD CONSIDERATION

Now	2030
• Discussion takes place. • A decision on how to respond is sometimes taken.	• Discussion takes place and multiple elements inform the bigger picture. • Specific decisions are taken on how to respond, including how to pool service-wide resources and capability.

APS RESPONSE

Now	2030
• Individual agencies continue to prepare policy advice to the Government on individual aspects of the issue. • Where policy advice presents all interrelated factors, it relies on cooperation and goodwill. • Secretaries remain responsible for the outcomes related to their individual portfolios, rather than collective response.	• Departments work together through standardised models for inter-agency cooperation which bring high-functioning teams together virtually and in person. • On substantial long-term issues of government priority a portfolio cluster is formed. • Secretaries are responsible for collective outcomes as well as those related to their portfolios.

Benefit:

Strong focus on departmental outcomes

Benefit:

Strong focus on outcomes for all Australians

Recommendation 37

Strengthen the primacy, role and performance of Secretaries Board within the public service.

- Secretaries Board to lead and govern the APS, ensuring its effective and efficient operation as an integrated organisation.
- Government to consider any additional legislative or ministerial authority required for the Board to function most effectively.
- Secretaries Board to prepare a single national outlook for inclusion in incoming government briefs.

Implementation guidance

- Secretaries Board to mobilise the APS to deliver government priorities and build long-term APS capability, subject to Government direction.
- Communicate proactively Secretaries Board's priorities, work and vision for the APS.
- To ensure Secretaries Board has sufficient authority, consider the following amendments to the *Public Service Act 1999*:
    - clarify the Board's role as the principal decision-making forum for the effective and efficient operation of the APS
    - make Board decisions binding (subject to direction of Government), including taking primacy over individual Secretary decisions, and
    - provide the authority for the PM&C Secretary, as Chair of the Board, to take Board decisions where the Board cannot reach consensus.
- Ensure Secretaries Board:
    - determines strategic priorities for the APS, establishing clusters and committees to deliver these priorities, making decisions about how they will operate, and monitoring performance
    - supports the development of common enabling systems and tools for the APS, and
    - endorses and drives implementation of APS policies and processes.
- Secretaries Board is regularly consulted on service-wide directions before they are made by the APS Commissioner but, to protect the independence of the APS Commissioner, endorsement should not be required.
- Integrated Strategy Office to lead Secretaries Board's national outlook. Ensure it covers trends, opportunities and challenges for Australia.

Clear roles for stronger APS leadership

To support the effective leadership and management of the APS, as an integrated organisation, its most senior leaders need clear and fit-for-purpose roles and responsibilities. The review recommends changes to clarify and strengthen the roles of the PM&C Secretary, the APS Commissioner and portfolio secretaries (Exhibit 8.2).

Exhibit 8.2

There is an opportunity to clarify the role of APS leaders

Today

· Primary adviser to the PM · Chair of Secretaries Board · Attends Cabinet meetings	· Responsibility to strengthen professionalism and workforce management, with associated powers · Powers of inquiry into code of conduct breaches	· Principal policy adviser to their agency ministers · Responsible for maintaining communication with agency heads in portfolio
SECRETARY OF PM&C	**APS COMMISSIONER**	**DEPARTMENTAL SECRETARIES**
HEAD OF SERVICE	**HEAD OF PEOPLE**	**PORTFOLIO SECRETARIES**

Future

· Legislated role as Head of Service · Final decision-making rights for Secretaries Board · Overarching responsibility for ensuring the APS is best set up to serve current and future governments	· Legislated role as Head of People · Deepening APS expertise as Head of Professions · Advise on appointment, termination and performance of secretaries · Power to direct on the appointment, movement and exit of SES officers · Supported by Advisory Board, including the Head of Service	· Legislated role as 'portfolio secretary' · Responsible for representing interests of portfolio agencies on Secretaries Board

Eight: Empower leaders to make a difference

The PM&C Secretary is Chair of Secretaries Board, attends Cabinet meetings and is principal adviser to the Prime Minister. As a matter of practice, and consistent with these responsibilities, the PM&C Secretary serves as the most senior leader of the APS. However, the role is not formally recognised as such. Nor are the responsibilities of the role outlined comprehensively in legislation.

Formal recognition of the PM&C Secretary as Head of Service will strengthen the position. Detailing the responsibilities of the position in legislation will provide clarity on the PM&C Secretary's responsibilities. The review recommends that the responsibilities of the Head of Service include being the principal adviser to the Prime Minister and Cabinet, ensuring the APS is best placed to serve current and future governments, and having a deciding vote on decisions of Secretaries Board.

The functions of the APS Commissioner are detailed in the *Public Service Act 1999*, and include strengthening APS professionalism and improving its workforce managements, upholding APS integrity, and promoting APS capabilities.[594] Recommendations in this review propose expanded responsibilities for the Commissioner, including in upholding APS integrity (recommendation 7), acting as the head of professions (recommendation 21), and, taking a stronger role in the development of the SES cohort (recommendations 22 and 23).

The review recommends formal designation of the APS Commissioner as the Head of People. Among other legislative responsibilities, the APS Commissioner should have joint responsibility with the PM&C Secretary to make recommendations to the Prime Minister on appointments of secretaries, should lead the performance management of secretaries, and provide advice on terminations. The APS Commissioner is an independent statutory office-holder and, as set out in the next section, a greater role for the Commissioner will build greater confidence in the robustness of these processes.

To support the APS Commissioner best discharge the significant responsibilities of the position, including as recommended in this review, it is proposed that an Advisory Board to support the Commissioner be established. The Board should include the PM&C Secretary. To preserve the APS Commissioner's independence, the Board should support and advise, but in no way direct, the Commissioner. The NSW Public Service Commission Advisory Board demonstrates how this arrangement can work effectively in practice.

The responsibilities of secretaries are detailed in the *Public Service Act 1999* and other legislation. Roles include: principal official policy advisers to their minister; leader within their department and across the APS; and manager in ensuring delivery of government programs within their portfolio and across the Government.[595] The functions of portfolio secretaries in providing portfolio policy leadership and representing portfolio agencies at Secretaries Board should be detailed in legislation. This will help bring greater APS coherence within, and across, portfolios. This should in no way undermine the separate statutory obligations of portfolio agency heads.

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594   *Public Service Act 1999*, s. 41(1).

595   *ibid*, s. 57(1).

Clarify and reinforce APS leadership roles and responsibilities.

- Amend the *Public Service Act 1999* to designate the PM&C Secretary as Head of Service with the following responsibilities:
    - principal adviser to the Prime Minister and the Cabinet
    - overarching responsibility for ensuring that the APS is best placed to serve current and future governments
    - final say as Chair on Secretaries Board decisions, and
    - with the APS Commissioner, joint responsibility for advising the Prime Minister on secretary appointments.
- Amend the *Public Service Act 1999* to designate the APS Commissioner as Head of People with responsibilities to:
    - advise the Prime Minister on secretary appointments (in agreement with the PM&C Secretary)
    - advise the Prime Minister on terminations of secretary appointments (in consultation with the PM&C Secretary)
    - be Deputy Chair and acting Chair of Secretaries Board
    - deepen APS expertise and uphold its institutional integrity, and
    - develop the SES cohort, with power to appoint, move and terminate SES following consultation with the PM&C Secretary and agency heads.
- Amend the *Public Service Act 1999* to designate responsibilities of portfolio Secretaries to:
    - provide policy leadership within portfolios, and
    - represent the interests of portfolio agencies at Secretaries Board.
- APS Commissioner to establish an Advisory Board.

Implementation guidance

- Ensure legislated responsibilities for portfolio secretaries do not undermine the statutory roles and responsibilities of agency heads.
- Appoint an independent chair to the Advisory Board. Include the PM&C Secretary, at least one other agency head and at least two external members.
- APS Commissioner's advisory board to support and advise, but not direct, the Commissioner, to protect the Commissioner's independence.

Transparency of leadership appointments, performance and termination

... a senior public service official told me that they, and other senior public servants they know, will only disagree with the wishes of their Minister once — and after that, they are afraid of losing their jobs.

Ministerial adviser[596]

The public service needs outstanding leaders. This requires robust practices and processes for their appointment, performance and termination. These practices and processes need to provide the best candidates, manage their performance effectively, and be sufficiently rigorous and transparent to build confidence in appointment, performance and termination decisions. Such transparency is particularly important in an environment where trust in government is low.[597]

The review is aware of claims that, at times, the appointment of secretaries reflect political patronage and do not follow due process — that who you know can be more important than what you can do. Likewise, discourse on terminations can focus on perceived political loyalty rather than the quality of a secretary's performance. There is little transparency in current processes for senior APS appointments and terminations. Without this transparency it is difficult to refute these claims.

The effect of such reporting, and the inability to counter their implications, is loss of trust by the public and fear among public servants. Submissions and consultations have highlighted fears that public servants at times struggle to speak truth to power for fear of losing their jobs in the same way their predecessors and former secretaries did.[598] While, again, it is difficult to confirm or refute these claims, such fears create a culture of timidity and risk aversion, which impacts the provision of frank policy advice to the Government and, in turn, undermines quality outcomes for the Australian people.

The recommendations in this review maintain the Prime Minister's current responsibilities in relation to the appointment of secretaries, which properly vests in the Prime Minister under the *Public Service Act 1999*. However, the recommendations will help ensure that the Prime Minister is receiving the best advice about a broad pool of potential candidates for secretary positions, ensure there are clear and measurable performance expectations

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596   Ministerial adviser, submission to the Independent Review of the APS, 2019.

597   J. Daley, et al., op. cit., p. 145.

598   See, for example: M. Longwill, comment to the Independent Review of the APS online forum, 2018; Inside Policy, *Record of discussion: Independent APS Review consultations* [unpublished].

for secretaries, and provide a robust framework for terminations. More robust procedures will enhance the current arrangements and instil trust and confidence in the Australian people that these appointments, and terminations, are not politicised.

The review has examined secretary appointment and termination procedures in comparable countries. In particular, New Zealand has clear legislation guiding the appointment, performance management and termination of its department heads.[599] Department heads are employed by the State Services Commissioner, who is responsible for decisions on their employment and termination. The transparency and clarity in this process serves New Zealand well (Box 8.1), but reflects the particular development and history of New Zealand's public service, including the fact that the State Services Commissioner is New Zealand's Head of Service.

The review has carefully considered the advantages of New Zealand's approach. While many of the Review's recommendations provide a stronger role for the APS Commissioner, the PM&C Secretary is, and should remain, Australia's Head of Service. Nonetheless, the processes for appointment, performance management and termination of secretaries will be (and will be seen to be) made more robust by the APS Commissioner, as an independent statutory office holder with responsibilities for the APS Values, having greater involvement. As outlined below, the review concludes that it will be beneficial for the APS Commissioner and the PM&C Secretary to play a joint and equal role in making recommendations to the Prime Minister on the appointment of secretaries. The APS Commissioner, working closely with the PM&C Secretary, will be primarily responsible for the performance of secretaries and advising the Prime Minister on terminations.

Appointments

The *Public Service Act 1999* currently provides that the Prime Minister must have received a report about the appointment of a secretary before recommending an appointment to the Governor-General. The report is prepared by the PM&C Secretary or (for an appointment of the PM&C Secretary) by the APS Commissioner.[600]

The Act does not specify what the report should cover, such as details of the selection process or desired characteristics for successful appointments. The review recommends that the process to prepare the report on appointments of a secretary be strengthened and codified to ensure that the best advice is provided to the Prime Minister on candidates and broader confidence instilled in the appointment process. This could take guidance from the process in New Zealand, where details of selection process are made public (Box 8.1).

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599   *State Sector Act 1988* (NZ), s. 35 (appointment), s. 43 (performance management), and s. 39 (termination).
600   *Public Service Act 1999*, s. 58(6).

CASE STUDY

TRANSPARENT LEADERSHIP SELECTION IN NEW ZEALAND

Clear rules, publicly available. In New Zealand, the *State Sector Act 1998* sets out detailed requirements for the appointment of departmental heads, including advertisement, panel composition, and selection of non-preferred candidates.

Transparent. New Zealanders have confidence that appointments are not reliant on political patronage, while public servants know what skills to expect their leaders to have.

Public confidence in government.

- Confidence in public servants to provide independent, apolitical advice without fear
- Confidence in the quality of public-service leaders, and
- Confidence in the role ministers play in the selection process and clear knowledge of their level of influence

The Merit and Transparency Guidelines detail instructions for the appointment of heads of statutory and executive agencies.[602] However, the review has become aware that they are often circumvented. The Guidelines have not been comprehensively reviewed or updated since their implementation in 2008. The review recommends these Guidelines be updated and rigorously applied in all cases.

The APS Commissioner has a unique role — in effect, as guardian of an impartial APS — with a five-year statutory appointment and a foundational piece of legislation to oversee and enforce.[603] This review recommends an expansion of the Commissioner's responsibilities. As such, this appointment must be particularly robust. The review proposes that the Prime Minister consult the Leader of the Opposition before making a recommendation to the Governor-General on appointment of the APS Commissioner. A similar approach is required under legislation for other integrity agency heads.[604] This helps reinforce both the independence and the impartiality of such roles, without undermining the Prime Minister's discretion in making recommendations to the Governor-General.

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601 *State Sector Act 1998* (NZ), s. 35.

602 APSC, *Merit and Transparency: Merit-based selection of APS agency heads and APS statutory office holders,* 2012.

603 *Public Service Act 1999,* s. 45.

604 See *Independent National Security Legislation Monitor Act 2010,* s. 11; *Inspector-General of Intelligence and Security Act 1986,* s. 6(3).

Performance management

Better performance, and greater trust and confidence in the process, follow from a robust and transparent performance-management process. Currently, the performance management of secretaries is not transparent. The *Public Service Act 1999* prescribes that the PM&C Secretary and the APS Commissioner set a framework to review performance.[605] However, the framework is not published. There is no public information about performance expectations or how secretary performance is managed in practice.

There are three elements to best-practice performance management of senior leaders: establishing expectations, guiding performance and assessing performance. When effectively implemented, these can help align strategic direction with executive capabilities and set an example of accountability across the organisation.[606]

A robust, comprehensive and transparent performance-management process for secretaries will bolster confidence in senior leadership roles. Secretaries will have greater clarity as they track against their deliverables. The performance-management process will detail legislated responsibilities, clear and measurable accountabilities for government and ministerial priorities, as well as service-wide and departmental goals and outcomes.

A productive working relationship between the Secretary and the Minister is critical to managing performance. This relationship is similar to the chief executive officer–chair dynamic which affects a company's overall performance. It should be positive, be built on a good culture driven by the partnership, and accommodate frank and open discussion.[607]

The review recommends that the framework for managing secretary performance be published and that the APS Commissioner, working closely with the PM&C Secretary, have a lead in managing the performance of secretaries. A robust process will set clear expectations for delivery, provide support and guidance to improve performance, and use a wide range of inputs (including from ministers) to inform views on performance. Among other matters, this will provide greater accountability to the Government for the performance of secretaries.

Performance issues will inevitably arise — in fact, the process is failing if they do not. When performance concerns do arise, the APS Commissioner, working with the PM&C Secretary, is to help manage them, finding solutions to the issue that achieve the best outcomes for the Australian people.

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605   *Public Service Act 1999*, s. 61A.

606   J. Beck & G. Paton, *CEO performance reviews that work*, Keeping good companies, Vol. 65, No. 4, May 2013, pp. 204–9.

607   Australian Institute of Company Directors, *3 must-haves for a good board-CEO relationship* [website], 2017, <https://aicd. companydirectors.com.au/membership/membership-update/3-must-haves-for-a-good-board-ceo-relationship>, accessed 4 June 2019.

Terminations

Termination of secretary appointments must be a last resort. Between 1996 and 1 July 2019, 13 secretaries have had their employment terminated (Box 8.2).[608] The majority of these took place after a change of government — six in 1996 and three in 2013. On both occasions, no explanation was provided in press releases announcing the departures of these secretaries, nor have reasons been given since.[609] Not all transitions of government result in terminations of secretary appointments, as the disruption can be viewed as having a detrimental impact on relationships and APS performance. In 2007, for example, the majority of secretaries remained in their portfolios after the election.[610] On at least two occasions, a secretary's position has been terminated because the department has been abolished. Outside changes of government, at least two secretary appointments have been terminated with limited, if any, opportunity to respond.[611]

Box 8.2
Secretary departures 1996–2019[612]

SECRETARY DEPARTURES 1996–2019

8   Secretaries left at the expiration of their term

13   Secretary appointments were terminated

37   Secretaries resigned or retired

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608   11 appointments were terminated (six in 1996, one in 1998, three in 2013 and one in 2015). A further two offices of the Secretary were terminated on the abolition of a Department (1997 and 2013).

609   J. Howard, *Statement by the Prime Minister Designate*, 8 March 1996; T. Abbott, *Departmental Secretaries Press Release*, 18 September 2013.

610   K. Rudd, *Statement by the Prime Minister*, 3 December 2007.

611   L. Oakes, *Power Plays: The real stories of Australian politics*, 2009, p. 169; M. Colvin & P. Barratt, *Barratt sacked*, ABC PM Radio Interview transcript, 31 August 1999.

612   Analysis undertaken by the Independent Review of the APS; data as at 1 July 2019.

The lack of transparency on terminations can mean that those who resigned from their positions can be seen in public discourse as having had their appointment terminated.[613] This helps feed a prevailing view among APS employees that secretaries can on a whim be removed, pressured to resign or retire, or moved elsewhere. This has been reinforced recently by public comments from former ministers.[614]

The lack of openness and rigour of process for APS secretaries is in stark contrast to other jurisdictions that provide firm grounds for senior leader termination. In the UK, there are explicit grounds in the *Budget Responsibility and National Audit Act 2011* (UK) for agency-head termination. These include the agency head being unwilling to carry out the functions of the office, not complying with the terms of their appointment or being unfit to continue because of misconduct. The agency head cannot be terminated without the consent of the Treasury Committee of the House of Commons.

The performance of secretaries is not above scrutiny. There will, inevitably, be situations that cannot be resolved. This is human nature. The aim is to manage such circumstances with sensitivity and respect. It would be reasonable to find a way to support these leaders similar to that deployed for other chief executive officer–chair arrangements. It has been suggested that a resignation benefit be established irrespective of the timing or circumstance of the secretary's reason for leaving.[615] This type of benefit would only be drawn on in exceptional circumstances. The APS Commissioner, in their strengthened role, will be critical in determining that there is a genuine mutual agreement to part on good terms in order to allow a new arrangement to deliver outcomes for the Australian people.

There is a need for more robust processes to govern the termination of secretaries, to guide decision-making and ensure confidence in the process. These processes need to retain the APS Commissioner's legislated role in making recommendations to the Prime Minister on the termination of secretaries.

The panel recommends that the *Public Service Act 1999* be amended to detail clear grounds that must be satisfied in order to terminate a secretary appointment. Alternatively, the APS Commissioner and the PM&C Secretary could agree and publish a formal policy outlining steps to take prior to any advice to the Prime Minister on a termination. This policy is to detail the necessary steps to help resolve issues that may arise in the performance of secretaries and their working relationships with ministers before formal termination is considered, and the matters that guide their advice to the Prime Minister on the termination. Combined with a robust performance-management process, this will reinforce the idea that termination is a last step in a process designed to improve performance.

The lack of transparency around the appointment, performance management and termination processes of senior leaders affects the APS's culture. While many senior officers provide frank and honest advice to ministers, a perception that appointment and

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613   For example, although Martin Parkinson resigned from the Department of the Treasury in 2014, he is consistently reported as having been terminated. See, for example, L. Tingle & P. Riordan, *Martin Parkinson returns as Australia's most senior bureaucrat*, Australian Financial Review, 2015.

614   S. Easton, *Joyce sacked Agriculture Secretary to remind him where the authority starts from*, The Mandarin, 2019.

615   J. Egan, *Review of Remuneration for the Office of the Secretary Australian Government Departments of State*, 2011.

termination to a senior position can be arbitrary has a chilling effect, and public servants may become timid. The impact could mean the APS leadership favours being 'agreeable' rather than engaging in debate and challenge, and so compromise the provision of frank and fearless advice. As a result, APS culture can shift to one of hesitation, failing to challenge assumptions of ministers where warranted. To support a confident and accountable APS in the coming decades, best positioned to serve the Government, the Parliament and the people of Australia in the Westminster tradition, it is critical to build a different future for the management of secretaries (Box 8.3).

Box 8.3

A different future: Secretary management at the APS

A DIFFERENT FUTURE:
SECRETARY MANAGEMENT AT THE APS

As respected and recognised leaders of the public service, secretaries are supported by robust and transparent processes.

Appointment. A rigorous appointment process to identify the best people to lead the APS. The process will be transparent, vigorous and apolitical. The Government and people of Australia will be confident that the right person is in the job.

Management: As stewards of the APS, secretaries will serve out their full term — subject to performance and behaviour. They will provide very frank and fearless advice and feel secure in doing so. They will grow and develop through performance management led by the Head of People, with the Head of Service. Performance feedback will be sought from many.

A trusted and productive relationship between the Secretary and the Minister is critical. Should issues arise, the Head of People will be empowered to mitigate challenges by:

- assisting reset the relationship between the Minister and the Secretary
- holding one-on-one discussions with both the Secretary and the Minister on the issues at play
- playing a mediation role to address any concerns and reach an agreed solution
- exploring other resolutions, including moving the Secretary to another, equivalent, role

Should there not be any feasible resolutions, and it be mutually agreed, the Secretary should resign without fault and be appropriately supported.

Termination: The Prime Minister retains the legislated role to advise the Governor-General on the termination of secretaries. Grounds for termination are detailed in legislation or advice to the Prime Minister under the legislation is provided in accordance with a robust policy, agreed and published by the APS Commissioner and the PM&C Secretary. Combined with a robust performance-management process, this will reinforce a confident and accountable service in the Westminster tradition.

Recommendation 39a

Ensure confidence in the appointment of all agency heads.

- PM&C Secretary and APS Commissioner to agree and publish a policy on processes to support advice to the Prime Minister on appointments of secretaries and the APS Commissioner.

- APS Commissioner to amend the Merit and Transparency Guidelines for statutory appointments to include stricter criteria on exemptions and require a clear ranking of preferred candidates.

- Consider amending Senate Order 15 to require ministers to advise Parliament whether advice on a statutory appointment followed the Merit and Transparency Guidelines, whether the selection panel's advice was followed, and, if not, to provide reasons.

- Prime Ministers, as a matter of practice, to consult the Leader of the Opposition on the proposed appointment of APS Commissioners.

Implementation guidance

- Prime Minister to retain legislated role in making recommendations to the Governor-General on appointments of secretaries and the APS Commissioner.

- Ensure the policy to support advice to the Prime Minister on the appointments of secretaries and the APS Commissioner guides a robust process, including:
  - published selection criteria for secretary positions
  - wide consultation (using professional executive-search expertise as appropriate), and
  - rigorous consideration of potential candidates against the criteria.

- Ensure amended Merit and Transparency Guidelines for statutory appointments require:
  - clear rankings and unambiguous advice on preferred appointments
  - appropriate diversity on selection panels
  - explicit consideration of integrity and the APS Values, and
  - stricter criteria for seeking exemptions from the Guidelines.

Eight: Empower leaders to make a difference

Recommendation 39b

Ensure that performance management of secretaries is robust and comprehensive.

- PM&C Secretary and APS Commissioner to undertake robust and comprehensive performance management of secretaries.
- PM&C Secretary and APS Commissioner to publish the framework for managing the performance of secretaries under the *Public Service Act 1999*.
- APS Commissioner to develop an induction program for new secretaries.

Implementation guidance

- In promoting and managing the performance of secretaries:
  – assess performance against an annual performance plan agreed with the secretary, Prime Minister and portfolio minister
  – provide guidance and support, including professional development
  – seek feedback from ministers, external partners, agency heads and APS staff
  – consider outcomes of capability reviews, client surveys, census results and reporting on delivery of government priorities, and
  – report to the Prime Minister and portfolio minister.
- Assess performance of secretaries against their roles as: principal advisers to their minister and in driving delivery of government priorities; as heads of their department and their portfolio; and, as members of Secretaries Board and stewards of the APS.
- Develop secretary induction program in consultation with experienced secretaries and former secretaries or APS Commissioners.

Ensure that robust processes govern the termination of secretaries' appointments.

- APS Commissioner to support effective minister-secretary working relationships.
- Where issues in these relationships arise, APS Commissioner:
  – will work with minister and secretary to resolve issue or find other solution (e.g. offering secretary a comparable position), and
  – may, if the minister and secretary agree and no other solution available, recommend the Prime Minister agree to providing the secretary a resignation benefit on a no fault-basis.
- To ensure robust processes govern termination of secretary appointments:
  – amend the *Public Service Act 1999* to require termination only on specific legislated grounds, consistent with underlying principle that secretaries be entitled to serve the term specified in their instrument of appointment, or
  – APS Commissioner and PM&C Secretary to agree and publish a policy setting out steps to be undertaken prior to advising to the Prime Minister on a proposed termination.

Implementation guidance

- Prime Minister to retain legislated role in making recommendations to the Governor-General on the termination of secretary appointments.
- Specified legislated grounds for termination should be: physical or mental incapacity, misbehaviour, bankruptcy, or a substantive failure to meet agreed performance standards, as independently evaluated by the APS Commissioner after consulting with the PM&C Secretary.
- Provide resignation benefits only if there is genuine mutual agreement and in exceptional circumstances. Remuneration Tribunal to determine how to apply the benefit.

An effective APSC

My focus will be on building our capability, upholding the integrity and values of the APS to continue to support Governments now and into the future.

Peter Woolcott AO, APS Commissioner[616]

The Australian Public Service Commission needs to be a high-performing and sustainably resourced organisation to build APS capability and ensure its integrity in an interconnected and complex world. The role of the APSC is to support the APS Commissioner to fulfil their legislated responsibilities, which include the following:

- strengthening the professionalism of the APS
- facilitating continuous improvement in workforce management
- upholding high standards of integrity and conduct
- inquiring into alleged breaches of the code of conduct
- fostering high-quality learning and development and career management in the APS
- advising and assisting other agencies on public service matters, and
- reviewing any APS matter referred to them by the Minister.[617]

At approximately 200 staff, the APSC is small for an organisation designed to drive strategic people management and uphold institutional integrity. Of the $43 million it receives, almost half comes from cost recovery, which has high transaction costs and limits the APSC's ability to plan long-term.[618]

It is difficult to assess the APSC's effectiveness. Some of its programs have high buy-in across the service. For example, in 2018, two-thirds of departments used the APSC's graduate-development program to train graduates. But other initiatives directed at unifying approaches across the APS have been less successful. In 2016, the APSC released an updated direction on merit lists, advising that they apply across the APS.[619] Yet in 2017–18, only one per cent of all promotions or engagements were made using another agency's list.

The APSC needs to be a high-performing agency at the core of the APS. It will need to build APS integrity and prepare the APS to respond to change over the next decade — a decade which will see vast shifts in workforce composition and activity. As detailed in chapter six,

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616   P. Woolcott, *Where to for the Australian Public Service*, speech delivered at the APSwide conference, Canberra, 10 October 2018.

617   *Public Service Act 1999*, s. 41(2).

618   The APSC's financial statements for the year ended 30 June 2018 disclosed total revenue of $43.7 million, of which $2.8 million (or 48%) was derived through a range of cost-recovered activities. APSC, *Annual Report 2017–18*, 2018.

619   *Australian Public Service Commissioner's Directions 2016*, s. 9.

APS capability has arguably deteriorated and is not fit for the future. The approach to all aspects of workforce management lacks strategic direction and is below best practice in many areas. The APSC itself did not undertake a capability review between 2011 and 2016 when it had carriage of managing these processes. The APSC will also need to support a strategic approach to people management, including:

- overseeing whole-of-service workforce planning
- developing and delivering on increased responsibilities for service-wide learning
- establishing a professions model
- developing, updating, monitoring and enforcing whole-of-service frameworks and guidelines (for example, relating to management structures)
- undertaking an increased role in the appointment, performance management and professional development of secretaries, and
- fulfilling greater responsibilities in the management of the SES including building an intelligent picture of whole-of-service SES capability, allowing advice on employment, deployment and termination of the cohort.

These responsibilities will require a fundamental rebuild of the APSC. A clear and sustainable funding model will be required, as a rebuild will entail considerable lift in specialist skills across the various elements of people management, including workforce planning, learning and development, and diversity. In building its capability, the APSC needs to draw on the expertise and insights of the APS Commissioner's Advisory Board, Secretaries Board and agencies.

The APSC is already moving in the right direction. It recognises the considerable changes it must make to serve the APS better and prepare it for the future. At the time of finalising this report, the APSC has:

- concluded an independent capability review, focused on how the APSC is placed to meet current and future needs and what it is required to do to prepare for the future, and[620]
- conducted an internal audit review, which has recommended that the APSC take steps to increase its base-appropriation funding to replace the cost-recovery revenue, and is expected to generate real cost savings to the Government.[621]

By accelerating this work, in addition to implementing the recommendations of this review, the APSC will be able to do the job it needs to do. This will provide backing for the Head of People to build a trusted and united APS of the future.

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620   Mr David Tune AO PSM conducted this capability review.

621   Axiom Associates, Internal Audit Review conducted for the Australian Public Service Commission, 2019.

Recommendation 40

Reform and energise the APSC as a high-performing and accountable central enabling agency.

- APSC to initiate and implement a comprehensive organisational transformation to position it as a high-performing central enabling agency.
- PM&C, Finance and APSC to develop and seek Government support and funding for a sustainable resourcing model for the APSC.

Implementation guidance

- Transform the capability and culture of the APSC to best support the APS Commissioner as Head of People with the expanded responsibilities and mandate recommended by this review.
- Rebalance core appropriation and fee-for-service funding to allow for long-term planning.
- Draw on external expertise advice from the APS Commissioner's new Advisory Board, Secretaries Board and the APS.
- Develop and measure clear targets for the APSC, communicated regularly and publicly.

Consolidated list of recommendations

Implement APS transformation through strong leadership, clear targets, and appointment of a secretary-level transformation leader.

- Secretaries Board to lead and be accountable for ambitious APS reform through an adaptive APS transformation program agreed with the Government.
- Secretaries Board to agree to a small number of APS-wide targets to guide the transformation and measure its progress.
- Government to appoint a secretary-level transformation leader to lead change, remove delivery roadblocks, and track progress. Transformation leader to:
  - be a member of Secretaries Board and have the authority and influence to drive change
  - have the authority to approve and prioritise funding for transformation initiatives, and
  - report regularly on transformation progress to the Government and the public.
- PM&C to establish a dedicated transformation office to support and drive APS transformation.

Implementation guidance

- Begin with a three-month planning phase to determine work streams and responsibilities, milestones, targets and metrics, and resourcing.
- Deliver APS reform through one transformation program, covering review initiatives and priority APS reforms already underway.
- Secretaries Board to evaluate the transformation program by mid-2024 and, by end-2024, advise the Prime Minister on APS capability and further reforms to ensure the APS meets emerging needs.

Recommendation 2a

Undertake regular capability reviews to build organisational capacity and accountability.

- Secretaries Board to agree by end-2019 a framework for future-focused capability reviews of all departments and priority agencies.
- Transformation leader and APS Commissioner to schedule reviews — all reviews to be completed by mid-2021.
- APS Commissioner to publish all reviews and agency responses.

Implementation guidance

- Prioritise and sequence reviews to ensure the APS supports the delivery of Government priorities.
- Reviews to be independent, short and joint-funded by the agency and a central funding pool.
- Repeat reviews periodically — second round to be completed by mid-2024.
- Use staff surveys to measure perceptions of agency capabilities and improve employee engagement.
- Tailor arrangements for smaller agencies and those in the National Intelligence Community.
- Identify key dimensions for building capability — these may include:
  - collaboration
  - openness and integrity
  - performance management
  - professionalisation and in-house skills and expertise
  - digital maturity
  - diversity and inclusion, and
  - fit-for-purpose management structures and ways of working.

Promote continuous improvement through the PM&C Citizen Experience Survey, APS census, external advice and better performance reporting.

- PM&C to continue the Citizen Experience Survey for measuring trust, satisfaction and experience in Australian public services, and publish results.
- APS Commissioner to publish APS Employee Census results for each agency, with agency responses, from 2019-20.
- All agency heads to obtain regular external advice on performance and organisational health.
- APS to improve performance reporting as recommended in the 2018 Independent Review into the operation of the *Public Governance, Performance and Accountability Act 2013* and Rule.

Implementation guidance

- Obtain regular external advice by appointing external advisers, establishing advisory boards or other means.
- Invite portfolio ministers to attend advisory board meetings periodically.
- Institute mechanisms for external advice by 1 July 2020.
- Put improvements to corporate planning and performance reporting in place for 2020–21 corporate plans and annual reports.
- Secretaries Board to consider applying a system of earned autonomy, as enabled by the *Public Governance, Performance and Accountability Act 2013*, to provide a targeted and risk-based approach to the financial framework legislation.

Drive APS transformation and build capability with innovative funding mechanisms.

- Government to reinvest a part of the annual efficiency dividend, or other whole-of-government savings, in APS capability, digital transformation and public capital, including a defined amount for the transformation program.
- Transformation leader and the Finance Secretary to agree priorities for transformation-related investments, based on government guidelines and with ministerial oversight.

Implementation guidance

- Assess costs and prioritise funding as provided for in this review (recommendations 1, 14, 34 and 40).
- Consider innovative mechanisms to fund transformation — such as staged funding and establishment of an investment fund (like the Public Sector Modernisation Fund).
- Transformation leader to report on performance to Cabinet and the Minister responsible for the public service.

Build the culture of the APS to support a trusted APS, united in serving all Australians.

- Secretaries Board to lead ambitious change of APS culture, guided by an agreed change program with clear desired behaviours and mindsets.
- APS 200 and APS leaders at all levels to role-model desired behaviours and communicate change to all staff.
- Secretaries Board and agency heads to ensure tools and ways of working, learning and development, performance assessment, promotions and recruitment reinforce desired cultural change.

Implementation guidance

- Ensure cultural change reinforces APS vision, Values and principles and helps achieve the APS purpose.
- Build on cultural strengths in different agencies.
- Collaborate with APS leaders to identify cultural strengths and critical shifts in behaviours and mindsets.
- Model desired behaviours and communicate the 'how' and 'why' of change within agencies and across the APS.
- Communicate change clearly and consistently, so that every APS staff member understands what is expected and why.
- Measure and monitor progress regularly.

Promote a shared understanding of the APS and its role alongside the Executive and Parliament.

- Finance, APSC and PM&C, working as appropriate with parliamentary departments, to develop induction and training material for APS employees, parliamentarians and their advisers that explains clearly the role of Australia's democratic institutions, including the APS.
- Amend the P*ublic Service Act 1999* to:
  - reflect key principles for the APS — apolitical, stewardship, openness, integrity and adherence to merit, and
  - extend application of these principles and APS Values to other Commonwealth agencies not covered by the *Public Service Act 1999*.

Implementation guidance

- Outline roles of Australia's democratic institutions in induction and training as follows:
  - Parliament to make laws
  - the Government to set policy, administer laws and deliver services, and
  - the APS to advise successive governments on policies and programs and implement their decisions for the Australian people.
- In extending application of APS principles and the APS Values to agencies not presently covered by the *Public Service Act 1999*, ensure they are consistent with the responsibilities of these agencies.

Develop and embed an inspiring purpose and vision to unite the APS in serving the nation.

- Secretaries Board to oversee development of an APS purpose statement and set a five-year vision for the APS. Update the vision periodically.
- Secretaries Board to ensure purpose and vision embedded across the APS.
- APSC and the *Public Service Act 1999* to remain in the Prime Minister and Cabinet portfolio, with the minister responsible for the public service sworn to PM&C.

Implementation guidance

- Develop a succinct, simple purpose statement that captures the stewardship role of the APS by identifying why the APS exists, what it seeks to achieve, and for whom.
- Develop a more detailed vision statement describing what the APS needs to do and look like to achieve its objectives — use the vision to guide APS transformation.
- Embed purpose and vision in the APS through branding, induction and training, recruitment, performance management and promotions.
- Describe how each agency's work contributes to the APS purpose and vision in each agency's corporate plan and outline progress in annual reports.
- Consider amending the *Public Service Act 1999* to require the APS to have a published purpose and vision at all times.

Reinforce APS institutional integrity to sustain the highest standards of ethics.

- APS Commissioner to work with Secretaries Board and agencies with responsibility for integrity to build pro-integrity culture and practices in the APS.
- Amend the *Public Service Act 1999* to:
  - provide own-motion powers for the APS Commissioner to initiate investigations and reviews
  - require agencies to provide integrity information to the APSC, and
  - include requirements to ensure agency heads and SES avoid or manage potential conflicts of interest after leaving the APS.
- APSC to embed integrity guidance in APS-wide induction, training and other core systems and processes.
- APSC and Finance to ensure all agencies extend APS integrity requirements to service providers, long-term APS contractors and consultants.

Implementation guidance

- Report on measures to strengthen integrity in annual State of the Service Reports.
- Strengthen APS integrity arrangements in establishing the proposed Commonwealth Integrity Commission, including ensuring that known issues with existing whistleblowing arrangements are addressed.
- Develop a system to monitor and enforce the post-APS employment guidelines.
- Build on current measures — including incorporating the APS Values in contracts — in extending APS integrity arrangements to service providers, long-term APS contractors and consultants.
- Make APS integrity requirements standard contractual obligations for individuals or organisations accepting payment from the Commonwealth.

Recommendation 8

Harness external perspectives and capability by working openly and meaningfully with people, communities and organisations, under an accountable Charter of Partnerships.

- Secretaries Board to develop a Charter of Partnerships to promote an open APS and guide external engagement and collaboration.
- All agencies to embed Charter expectations into individual and agency head performance management and corporate planning and reporting.
- All agencies to draw on diverse and rich community and partner insights in advice to Government, including in Cabinet and budget processes.
- Government to commission a review of privacy, FOI and record-keeping arrangements to ensure that they are fit for the digital age, by:
    - supporting greater transparency and disclosure, simpler administration and faster decisions, while protecting personal data and other information, and
    - exempting material prepared to inform deliberative processes of government from release under FOI.

Implementation guidance

- Establish a cross-agency team to develop the Charter in collaboration with APS partners, including Aboriginal and Torres Strait Islander peoples.
- Ensure the Charter:
    - highlights the value of better external engagement
    - guides the APS to work openly and respectfully with partners on policies and programs before and after government decisions
    - reflects the importance of seeking diverse external views, and
    - sets reciprocal expectations for APS partners — including engaging with honesty and pragmatism.
- Measure APS adherence through partner feedback, annual reports, capability reviews and individual and agency head performance management.
- Consider amending the *Public Service Act 1999* to require the APS to develop a Charter of Partnerships

Recommendation 9

Use place-based approaches to address intergenerational and multi-dimensional disadvantage.

- Government to develop a framework for place-based investment, based on:
    - joint decision-making with communities and other levels of government on designing and implementing policies and services
    - flexibility, including through funding arrangements, to cater for the different needs and opportunities in particular communities
    - use of data to support decision-making and measure progress, and
    - clear accountability for outcomes, including shared ministerial accountability where appropriate.
- Government to pilot approach in communities with entrenched disadvantage or complex needs and strong community leadership.
- Agencies to appoint regionally-based SES as APS Community Partners to work with local communities and other jurisdictions, with delegated authority for investment decisions where appropriate.
- Secretaries Board to ensure APS makes place-based data available to help understand local needs and opportunities and measure progress.

Implementation guidance

- Build on existing collaborations with communities, governments and other partners in finding tailored solutions to achieve local priorities.
- Include an Aboriginal or Torres Strait Islander community in initial pilot areas.
- Adapt framework in light of results of the trials.
- Consider pooling discretionary grants funding from across portfolios to allocate to community-led initiatives to achieve jointly-agreed objectives.

Recommendation 10

Work in genuine partnership with Aboriginal and Torres Strait Islander peoples.

- Government and APS to recognise the importance of Aboriginal and Torres Strait Islander peoples making decisions on matters affecting their lives and communities, and support their full participation in the social and economic life of Australia.

- National Indigenous Australians Agency and PM&C to lead the APS's application of the framework for place-based investment and the Charter of Partnerships in working with Aboriginal and Torres Strait Islander peoples, including to:

  - promote joint decision-making with communities on design and implementation of policies and services

  - adopt flexible funding arrangements that cater for different opportunities and needs across communities, and

  - delegate authority for investment decisions to regionally-based APS employees.

- APSC and relevant agencies to work with Aboriginal and Torres Strait Islander employees, the Indigenous SES Network and Secretaries Board to improve recruitment and development of Aboriginal and Torres Strait Islander people in the APS.

- Secretaries Board to ensure cultural competency training remains a core part of APS professional development.

- Parliament to consider establishing a Senate or Joint Committee on Indigenous Affairs to oversee Australian Government expenditure and policies relevant to Aboriginal and Torres Strait Islander peoples.

Implementation guidance

- Secretaries Board to ensure the APS works in effective partnerships with Aboriginal and Torres Strait Islander peoples, including responding to and supporting future changes in Indigenous Affairs.

- Improve recruitment pathways and develop Aboriginal and Torres Strait Islander people for EL and SES levels.

- Provide cultural competency training for all APS employees. All SES officers to complete training by end-2020.

Strengthen APS partnerships with ministers by improving support and ensuring clear understanding of roles, needs and responsibilities.

- Secretaries Board and agencies to improve APS support for ministers, including by:
  - providing common platforms for ministers and offices to collaborate with public servants and readily access APS advice and insights
  - establishing portfolio and service-wide mechanisms for ministers to provide periodic and real-time feedback to the APS, and
  - training APS employees on how to support ministers and their offices effectively, including on the role of ministerial advisers.
- APSC to update guidance on roles and responsibilities defining interactions between ministers, their advisers and public servants, to support induction and training for all parties.
- Agency heads to support SES officers to work in ministerial offices and then return to the APS.
- Amend the *Members of Parliament (Staff) Act 1984* to establish a legislated code of conduct, with appropriate enforcement provisions, for advisers.
- Government to set guidance for ministerial offices to have at least half of ministerial policy advisers with public service experience.

Implementation guidance

- Exempt deliberative material from release under FOI (recommendation 8).
- Cover the role of advisers to ministers in induction and training on the respective roles of ministers, Parliament and the APS (recommendation 5).
- Use APS-wide SES capability assessments (recommendation 23) to identify high potential SES for ministerial offices.
- Make experience in a state or federal ministerial office highly desirable for appointment to SES Band 3 positions.
- Consider re-establishing a position of senior Departmental Liaison Officer in ministerial offices.
- In developing legislated code of conduct, acknowledge parliamentarians are accountable to the Parliament for the conduct of their staff.

Work closely with the states and territories to jointly deliver improved services and outcomes for all Australians.

- Government to propose COAG sets, progresses and publicly reports on a small number of national priorities with clear, shared metrics for success.
- Government to propose COAG commissions PM&C, with state and territory counterparts, to develop models for effective secretariat support to COAG, for COAG's consideration.

Implementation guidance

- Start with a small number (3–4) of national priorities and agree outcomes sought, metrics of success (including interim review points), and roles and responsibilities of all jurisdictions for delivering each priority. Update priorities as needed.
- Experiment with models for achieving national priorities, e.g. pilots developed by one or two jurisdictions or a cross-jurisdictional taskforce based in a state or territory.
- Report publicly on delivery of national priorities.
- COAG Secretariat to:
    - support the Prime Minister and other First Ministers to set COAG agendas
    - be funded, staffed by, and responsive to all jurisdictions
    - provide administrative support for inter-jurisdictional meetings
    - provide training and support for officials from all jurisdictions on inter-jurisdictional tradecraft
    - support COAG to engage local governments and Aboriginal and Torres Strait Islander peoples in its work
    - support data-sharing across jurisdictions, particularly to track delivery of national priorities, and
    - advise COAG on optimal governance arrangements to deliver cross-jurisdictional commitments.

Improve funding, structure, and management of digital functions across the APS.

- Government to strengthen DTA as chief digital adviser, with:
    - responsibility to advise on prioritisation of digital investment and monitor digital projects, capability and risks
    - authority to enforce Commonwealth digital policies (e.g., relating to digital capability, procurement and funding) across the APS, and
    - appropriate resourcing and capability to discharge these functions.
- DTA to support Services Australia overhaul digital service delivery.
- Secretaries Board to establish a digital working group to support the DTA deliver on its strengthened mandate.
- In the long term, Government to consider transitioning Commonwealth digital functions into a stand-alone central department.

Implementation guidance

- Embed the DTA's authority in government decision-making processes, including the Budget Process Operational Rules and the Cabinet Handbook.
- Retain agency accountability for their digital capability, systems and delivery, including when services are provided through a single front door.
- Secretaries Board digital working group to include the transformation leader to ensure consistency with the transformation program.
- Ensure ICT governance arrangements deliver strong and fit-for-purpose cyber security protections at all times.

Conduct ICT audit and develop whole-of-government ICT blueprint.

- DTA and Finance to conduct a whole-of-government ICT audit to identify:
    – current and forecast ICT expenditure and assets
    – systems scheduled for retirement or no longer supported by software vendors (and associated risks)
    – future requirements, and
    – any urgent ICT capital investment needs.
- Following the audit, Government to commission DTA, with Finance and the transformation leader, to develop a whole-of-government ICT blueprint that:
    – ensures that the APS has fit-for-purpose ICT systems to support the business of Government
    – identifies platforms to be core, common or bespoke
    – outlines a plan for managing risks posed by legacy and unsupported systems, and
    – settles an ICT investment pipeline.
- Secretaries Board to support preparation of audit and blueprint and submit them to Government.

Implementation guidance

- Complete audit within six months; submit blueprint to Government by end-2020.
- Keep ICT audit current and update the blueprint every two years.
- Publicly release the blueprint. Build on the experience of countries like Singapore.
- Ensure audit and blueprint are comprehensive — include ICT strategy and governance, projects, procurement, assets, systems and services, cyber security, and service-delivery models.
- In treating risks of legacy and unsupported systems, seek to maintain the continuity of the business of government at all times.
- Consider the 2012 Queensland Government ICT audit as a useful model in implementing this recommendation.

Recommendation 15

Build data and digital expertise across the service by applying the professions model and creating centres of excellence.

- PM&C and heads of DTA and ABS, with APS Commissioner, to establish a digital and data profession for the APS.
- Profession to prioritise development and retention of core in-house capabilities, including:
  - creating new learning and development opportunities to lift APS-wide generalist skills and understanding of digital and data
  - attracting specialists in visualisation, advanced analytics, automation, gamification, cyber security and artificial intelligence, and
  - focusing APS engagement with digital product and service providers on value for money and outcomes.
- Secretaries Board to advise Government on new and strengthened dedicated centres of excellence in data and digital techniques. Centres of excellence to have a mandate to pilot and drive service-wide initiatives.

Implementation guidance

- Consider establishing separate but linked data and digital professions, or a combined data and digital professional, consistent with overall design of the professions model.
- Seek advice on lessons learned and best practice from leaders of the Data, Digital and Technology profession in the UK Civil Service.
- Work with private sector, non-government and universities to build APS data and digital expertise.

Recommendation 16

Deliver simple and seamless government services, integrated with states, territories and other providers.

- Government to commission Secretaries Board, working with Services Australia and the DTA, to develop a 2030 roadmap for services delivery, guided by core principles:
    - people at the centre of service delivery
    - a single access point to all government services, and
    - seamless experience for all users of digital, physical or telephone services.
- Secretaries Board to support preparation of roadmap and submit it to Government by end-2020.

Implementation guidance

- Prioritise, understand and address user pain points and expectations.
- Set ambition to integrate services seamlessly with other jurisdictions and private providers, and work collaboratively to get there. Provide a single digital access point with states and territories, with integrated call centres and storefronts playing a supportive role.
- Plan for progressive roll-out, using trials and pilots.
- Focus first on simple, high-volume services then on more complex services including intensive case management. Over time integrate services for business and not-for-profit organisations, and areas such as natural resource management.
- Make product simplification part of the policy development process and use analytics to support policy and service design.
- Retain agency accountability for core systems and decision-making, with detailed boundaries defined on a portfolio basis.

Adopt common enabling tools and services to support efficiency, mobility, and collaboration.

- Agency heads to provide common enabling tools for APS employees and use common or interoperable enabling services.
- Transformation leader and Finance to lead introduction of common enabling tools and services, with investment priorities approved by Secretaries Board in accordance with government-agreed criteria.

Implementation guidance

- At a minimum, common or interoperable internal ICT systems need to meet the basic needs of a medium-sized agency to fulfil its corporate (non-policy) functions.
- Design and prioritise investment in enabling tools and services to improve efficiency, mobility and collaboration among APS employees.
- Begin with enabling tools (such as a real-time collaborative suite of products used to PROTECTED/Cabinet level), and HR, ICT, finance and data enabling systems. Over time extend to records management, customer-relationship management, case management, property management, asset management, security and other functions.
- Provide a federated Cabinet-level document-editing suite that enables sharing and co-authoring of Cabinet classified documents in real time.
- Standardise and optimise internal agency business policies and practices to support common enabling systems.
- Trial and scale-up across the APS the use of artificial intelligence, automation, data analytics and other technologies to deliver better and more efficient enabling services and tools.

Recommendation 18

Share and protect data for better services and policies, and make data open by default.

- Legislate a data sharing and release framework to enable data-sharing across the APS and with trusted partners (including states and territories), with strong privacy and security protections.
- Government to prioritise investment in the Office of the National Data Commissioner and Data Integration Partnership for Australia to support effective and contemporary data governance and infrastructure and build data analytics capability.
- DTA to prioritise APS data integration and protection architecture in developing the whole-of-government ICT blueprint (recommendation 14).
- Agencies to make all non-sensitive data open by default consistent with the Australian Government Public Data Statement 2015.

Implementation guidance

- Enable a tell-us-once requirement for user data in data sharing and release legislation.
- Ensure Australians have easy, digital access to information the Government holds about them (with appropriate restrictions).
- Focus data investment on supporting simple and seamless government services, research and development, and strong and effective policy design.
- Ensure APS-wide data can be compared, analysed and benchmarked.
- Develop agency capabilities to use and analyse data to improve service and policy design — empowering teams to evaluate policy impacts across dimensions (such as geography and demographics) and optimise and model interventions.
- Deploy data-visualisation tools to support ministers to easily access APS data.
- PM&C and the Australian Information Commissioner to work with agencies to showcase best practice in open data.
- Prioritise cleansing and publication of datasets through channels such as data.gov.au to support the social and economic outcomes of open data.

Recommendation 19

Develop a whole-of-service workforce strategy to build and sustain the way the APS attracts, develops and utilises its people, to ensure that it can perform its functions.

- APSC to develop a whole-of-service workforce strategy for Secretaries Board endorsement and implementation by all agencies.
- APSC to monitor progress and update the strategy regularly.
- Government to abolish the Average Staffing Level rule after the APS has demonstrated its workforce planning capability through the strategy.

Implementation guidance

- Take a 5 to 10 year horizon strategy in developing the strategy. Base it on a clear understanding of current APS capability, future of work modelling and core in-house needs.
- Use the strategy to guide APS-wide workforce planning, including implementing recommendations 20 to 25.
- APSC to work with the transformation leader and the Department of Employment, Skills, Small and Family Business in developing the strategy.
- Include in the workforce strategy:
  - targeted initiatives to develop and attract needed expertise such as digital and data skills
  - a framework for reskilling or redeploying employees whose roles will be significantly impacted by automation, and
  - guidance on the selective use of external expertise.
- Use the workforce strategy to underpin agency workforce planning and inform performance expectations of agency heads and heads of professions.
- Agency heads to retain accountability for managing their workforce within allocated budgets and in line with the strategy.
- Collect comprehensive service-wide workforce data to strengthen workforce planning and evaluation. Develop infrastructure and policies to enable sharing of workforce data between agencies.

Establish an APS professions model and a learning and development strategy to deepen capability and expertise.

- APSC to support APS to develop its capability through a professions model for core delivery, regulatory and policy roles, enabling functions and specialist areas.
- APSC to develop a whole-of-service learning and development strategy and undertake quality assurance to ensure programs deliver value and meets objectives.
- Secretaries Board to endorse and drive implementation of the professions model and APS learning and development strategy.

Implementation guidance

- APS Commissioner to be Head of Professions. Secretaries Board to appoint senior officials to lead each profession — appointing individuals for their experience and personal qualities, rather than seniority or position.
- Heads of professions to develop, with APSC support, core competencies at different levels of the profession and learning and development frameworks.
- First establish professions for critical skill gaps (HR, digital and data) and to build on existing momentum (such as Secretaries Board's APS Policy Capability Project and the Australian Government Legal Network). Draw various disciplines (e.g., economics and science) into the policy profession.
- Define generalist and specialist career paths through the professions model, valuing technical expertise and leadership and management capability.
- Base APS learning and development strategy on core principles:
  - provide learning and development for all employees (and in some cases labour contractors and external service providers)
  - build core public service skills and knowledge through a common APS curriculum, and
  - determine individual and agency-specific learning and development needs at agency-level.
- Use best-practice benchmarks to guide decisions on APS learning and development investment.
- Build a workforce with deep experience in and knowledge of Asia and the Pacific.

Improve mobility, support professional development, and forge strong linkages with other jurisdictions and sectors.

- Secretaries Board to set targets to double interagency mobility rates by 2025.
- APSC to agree with Secretaries Board a framework for mobility, including coordinating and resourcing initiatives to support movement:
  - across the APS, including between Canberra and regional offices,
  - between internationally and domestically focused parts of the APS, and
  - between the APS and state and territory public services, comparable overseas services, and the private and not-for-profit sectors.
- APSC to consider introducing a requirement that experience in two or more portfolios or sectors is a pre-requisite for appointment to the SES.

Implementation guidance

- Measure movement of people between agencies in Canberra, and between agencies outside Canberra.
- Agree mobility framework for Canberra- and non-Canberra-based public servants by mid-2020.
- Enable officers in internationally focused agencies to work in domestically focused agencies and vice versa, including providing open access across the service to overseas postings as well as secondments, exchanges, courses and conferences.
- Retain responsibility for final decisions about overseas postings with affected agencies.
- Plan targeted mobility initiatives to account for regional differences, create value for agencies as well as individuals, and ensure agencies maintain continuity and build expertise.

Recommendation 22

Standardise and systematise performance management to drive a culture of high achievement.

- Secretaries Board to agree a framework for consistent and high-quality performance management and development across the APS.
- APS Commissioner to drive a robust and consistent approach to SES performance management and development.
- Transformation leader and Finance to ensure new common HR enabling system and tools supports the performance management framework.

Implementation guidance

- Build performance management on the supervisor-employee relationship, with all managers expected and supported to invest in developing their staff.
- Through the framework for APS performance management:
  - allow for different needs and circumstances of agencies
  - mandate use of 360-degree feedback, views of external partners and performance data
  - link career and development to performance and potential, and
  - support identification of high potential employees and under-performers, and apply probation requirements rigorously.
- Reflect desired behaviours and initiatives to support APS transformation and culture change in performance expectations for employees (recommendation 4).
- APS Commissioner to moderate SES performance evaluations.
- To inform APS workforce planning, ensure interoperable HR system (recommendation 17) can share appropriate results across the APS and capture metrics, such as development needs.

Recommendation 23

Identify and nurture current leaders and staff with potential to become future APS leaders.

- APSC to oversee an independent process to assess the capability of all SES, starting with SES Band 3s and progressively including Band 2s and Band 1s.
- Secretaries Board to agree new approach to identify and develop high-performing and high-potential EL employees.
- APSC to provide annual advice to Secretaries Board on capability and development of current and future APS leaders.

Implementation guidance

- Provide targeted and significant development to all high-performing and high-potential employees — including support for interagency moves, external secondments, international opportunities and placement in ministerial offices.
- Use SES capability assessments to inform APS workforce planning, talent management (including participation in Secretaries Board Talent Councils) and other development and management actions.
- Retain responsibility of agencies for development for high-performing and high-potential EL staff, with APSC to provide guidance and support in doing so.
- In annual advice to Secretaries Board, consider diversity and skills mix of APS leaders and effectiveness of current arrangements for their development.

Overhaul recruitment and induction to reflect best practice, use APS's employee value proposition and target mid-career and senior talent outside the APS.

- Secretaries Board to agree a distinct APS brand and employee value proposition to underpin service-wide recruitment.
- APS Commissioner to provide guidelines on best-practice recruitment.
- Secretaries Board to instigate annual APS-wide recruitment rounds targeted at mid-career and senior professionals from other sectors, coordinated by APSC.
- APSC to progressively coordinate aspects of APS-wide recruitment, commencing with centralised pre-qualification checks for graduates.
- Attorney-General's Department, working with relevant agencies, to streamline and standardise security clearance processes.
- APSC to deliver whole-of-service induction on essential knowledge required for public servants, with participation required to pass probation.

Implementation guidance

- Reflect diversity, impact and lived experience in employee value proposition — use it in branding (alongside existing agency brands where proven effective).
- To support better recruitment, use tools such as psychometric testing, data analytics, upwards feedback and performance assessments. Recognise behavioural and technical skills, potential, and proven capability.
- Recruit external mid-career and senior professionals at EL and SES levels:
    - Provide central funding for annual APS-wide recruitment rounds.
    - Provide full support to recruits, including induction, careful placement in different roles, mentoring and professional development.
    - Ensure all departments and large agencies participate in the annual rounds (unless exempted by APS Commissioner).
    - Focus on skills shortages identified by APS workforce strategy.
- Retain responsibility of agencies to make final decisions to employ staff identified in all APS-wide recruitment processes coordinated by the APSC.
- Use APSC induction to complement agency induction and include: the functions and interactions between the APS, ministers and their advisers and Parliament; integrity; inclusion; protective security; and common ways of working.

Strengthen the APS by recruiting, developing and promoting more people with diverse views and backgrounds.

- Secretaries Board to set a 2030 diversity goal: the APS to reflect and understand the people and communities it serves.
- Secretaries Board to set ambitious diversity and inclusion targets, with milestones and reporting schedule, in an APS Diversity and Inclusion Strategy.
- APS 200 to be collectively and individually responsible for helping achieve targets, supported by relevant training and other initiatives.
- Secretaries Board to instigate regular merit-based special-measures recruitment rounds and mid-career development for diverse groups, coordinated by the APSC — starting with Aboriginal and Torres Strait Islander peoples and people with a disability.

Implementation guidance

- Build on the work of Secretaries Board's Equality and Diversity Council.
- Set targets for:
  - a transformational lift in representation of people from diverse backgrounds at the EL and SES levels
  - proactive professional development for people from diverse backgrounds (for example, through representation in talent and performance programs), and
  - greater inclusion of people and views (measured by engagement and sense of inclusion among people from diverse backgrounds).
- APS 200 members to trial Diversity and Inclusion Mentors or immersive experiences to 'walk in other shoes' and share learnings across the APS.
- Consider amending the *Public Service Act 1999* to strengthen the employment principle on diversity.

Embed a culture of evaluation and learning from experience to underpin evidence-based policy and delivery.

- Finance to develop, for Secretaries Board agreement, an APS-wide approach to build evaluation capability and ensure systematic evaluation of programs and policies.
- Finance to establish a central enabling evaluation function to support APS evaluation practices and expertise.
- Agencies to establish in-house evaluation functions and annual plans, and publish evaluations, unless exempt by the Cabinet.
- Government to amend Cabinet and budget requirements to establish a systematic approach for formal evaluations.

Implementation guidance

- APS-wide approach to:
  - plan evaluations of present and proposed programs and policies (including spending, revenue and regulation), and
  - provide guidance and support for agencies in best practice, building capability and the effective use of external experts.
- Finance Minister and Secretaries of PM&C and Finance to settle work program for deep-dive evaluations on cross-cutting topics — such as distributional or regional impacts of policies or programs against desired outcomes.
- Finance and PM&C to ensure agencies meet new Cabinet and budget requirements.
- Draw on and support existing evaluation capabilities and expertise in agencies as much as possible. Finance may support major evaluations.
- Establish an evaluation profession.

Recommendation 27

Embed high-quality research and analysis and a culture of innovation and experimentation to underpin evidence-based policy and delivery.

- Agencies to publish research plans and completed research by default. Report on research underway and capability in annual reports.
- Secretaries and other relevant agency heads to work together to boost joint research and analysis capability and output:
  - develop proposals, for Government consideration, to establish or strengthen research units (either in-house or outside departments)
  - jointly undertake in-house and commission external research, and
  - build digital tools to help share and jointly undertake research.
- Secretaries Board to establish protocols to support timely research publication.
- Secretaries Board to trial a public service innovation incubator to drive innovative approaches to policy-making.
- PM&C and APSC to formalise regular collaboration between the APS and academia on research in better public administration.

Implementation guidance

- Work in portfolio clusters to boost research and analysis capability and output.
- Consider funding research capability proposals in the transformation program.
- In collaboration with universities and research institutions, build capacity to integrate and analyse data to provide real-time insights and simulate impacts of potential policy interventions.
- As an immediate priority, establish strong research capability in the social cluster (social and human services, health and education) similar to the data-analytic capability of the Australian Institute of Health and Welfare.
- Agree protocols for publishing research with the minister responsible for the public service — ensure research is independent and published in a timely manner, following ministerial consideration.
- Embed research and researchers in policy and delivery teams. License teams to trial new approaches and methods, and use best practice for designing and implementing policies.

Recommendation 28

Provide robust advice to the Government that integrates and balances the social, economic and security pressures facing Australians.

- PM&C to coordinate regular whole-of-government scenario planning exercises to identify social, economic and security pressures and possible approaches and actions.
- PM&C to establish a cross-disciplinary Integrated Strategy Office to provide integrated advice on complex policy issues.
- Secretaries Board to establish a Committee on Integrated Strategy to support Cabinet consideration of cross-portfolio issues.

Implementation guidance

- Involve staff and agencies from across the APS in the scenario exercises.
- Integrated Strategy Office to support Secretaries Board prepare the national outlook for inclusion in incoming government briefs (recommendation 37).

Establish dynamic portfolio clusters to deliver government outcomes.

- PM&C and Secretaries Board to support the Government to set clear priorities.
- Secretaries Board to mobilise the APS to deliver priorities, including through portfolio clusters, with outcomes and accountability agreed with the Government.
- PM&C delivery unit to support the Government set quantifiable targets for priorities and help and measure progress to achieving them.

Implementation guidance

- Consider using the *Public Governance, Performance and Accountability Act 2013* provisions for the Government to publish key priorities and objectives.
- Consider legislating any additional authority required for clusters or other mechanisms to enable effective delivery of government priorities.
- Develop and adjust cluster arrangements in light of government priorities — where possible reflect ministerial responsibilities and Cabinet committees. Clusters could reflect economic, social, natural resource management and security outcomes, and the strategic integration of these.
- Consider starting by trialling the use of a portfolio cluster, with clear shared accountabilities and appropriate funding mechanisms, to deliver a significant and cross-portfolio government priority.
- Coordinate service delivery across clusters to ensure a joined-up approach to achieving outcomes, with dynamic feedback to monitor progress.
- Secretaries within a cluster to have agreed commitments identifying where shared action and accountability is needed to deliver outcomes. Individual secretaries to be accountable to ministers under existing portfolio arrangements and for shared outcomes.
- Consider adopting the joint-ventures model being trialled in New Zealand. A senior public servant is given operational and funding responsibility, and reports to a group of chief executives, the responsible minister and others.
- Delivery unit to advise the Government and Secretaries Board on progress in delivering government priorities and advise Cabinet on mechanisms to support implementation of new policy proposals.

Ensure that Machinery of Government changes are well planned and evaluated, enabling a dynamic and flexible APS that responds swiftly to government priorities.

- Government to adopt principles to inform the Prime Minister's deliberations on MoG changes.
- PM&C to publish evaluations of MoG changes, within 12 months to two years, to inform continuous improvement and ensure changes achieve objectives.

Implementation guidance

- APS to respond dynamically and responsively to government priorities — to serve the Government better, minimise the cost and impact of change, and reduce the need for MoG changes.
- The Prime Minister to retain role in making recommendations to the Governor-General on MoG changes.
- Through MoG principles ensure changes are transparent and are considered against the following principles:
  - Keep structural changes to a minimum and focus on delivery of Government priorities and commitments.
  - Group like roles and related functions together.
  - Consider the impact of changes on delivering outcomes, APS capability and productivity.
  - Cross-swear ministers to departments to deliver outcomes (often avoiding the need for MoG changes).
- Exhaust other options (such as clustering around priorities) before considering a MoG change.

Recommendation 31

Review form, function and number of government bodies to make sure they remain fit for purpose.

- Finance to amend the Commonwealth Governance Structures Policy to include explicit guidance on the appropriate level of independence best suited to deliver different types of government functions.
- Secretaries Board to instigate a targeted stocktake of existing Commonwealth government bodies and in-house departmental functions against the Policy.
- Secretaries to undertake the stocktake within their portfolios and provide advice to ministers on potential changes where the principles are not met.

Implementation guidance

- Ensure the Policy is applied in considering establishment of all new Commonwealth government bodies.
- Set timelines for periodically reviewing Commonwealth government bodies against the Policy, to ensure its consistent and appropriate application over time.
- In undertaking the stocktake, consider whether in-house departmental functions could be more appropriately performed under an alternative governance arrangement, or whether there is scope for consolidation of similar entities or like functions.

Recommendation 32

Streamline management and adopt best-practice ways of working to reduce hierarchy, improve decision-making, and bring the right APS expertise and resources.

- APSC and transformation leader to update 2014 APSC guidance on optimal management structures, and co-design guidance on best-practice ways of working for teams and agencies to do different types of work.
- APSC to review SES and non-SES classification levels and structures (including Work Level Standards) against best practice and future needs.
- Secretaries Board to consider consolidating management and operational levels across the APS on advice from the APSC review of classifications.
- Secretaries Board to set a timetable for all agencies to self-assess against best-practice management structures and ways of working, and implement plans to improve in response. Measure progress in capability reviews.

Implementation guidance

- Optimise management structures to:
  - have no more organisational layers than necessary, with decision-making at the lowest practical level, spans of control reflecting the type of work being managed, structures providing flexibility to respond to changes, and jobs classified according to work level
  - ensure hierarchy enables quality advice, effective administration and clear accountability — and does not impose unnecessary process, impede innovation, undermine responsibility and demotivate staff, and
  - allow for differentiation depending on agency size and role.
- Consider optimal management structures and future capability needs in APSC review of classifications. Seek to consolidate SES and non-SES work levels.
- Ensure best-practice ways of working support front-line decision making, multidisciplinary teams, short iterative delivery cycles and a constant user focus — especially for taskforces and digital programs.
- Support APS leaders to adopt new ways of working through training, coaching and on-the-ground practical advice.

Move toward common core conditions and pay scales over time to reduce complexity, improve efficiency and enable the APS to be a united high-performing organisation.

- Government to review and set common core conditions for APS-level and EL employees for agencies to pursue during bargaining.
- Government to commission APSC to develop an implementation plan for introducing service-wide minimum and maximum pay points for APS-level and EL employees.
- Remuneration Tribunal to determine pay ranges and common standard conditions for each SES band.
- Remuneration Tribunal to review remuneration of secretaries in light of their shared and strengthened responsibilities as Board members.

Implementation guidance

- APSC to consider requests for departure from common core APS and EL conditions.
- Use principle of equal pay for work of equal value (subject to labour market demands) to guide SES and non-SES pay points. Benchmark remuneration against similar roles in other sectors.
- Include costed transition pathways in implementation plan for introducing service-wide minimum and maximum pay points.
- Remuneration Tribunal to commence determining SES pay ranges and common conditions following the review of APS classifications (recommendation 32).

Ensure APS capital is fully funded, sustainable and fit for purpose, and capable of delivering policy and services as intended by the Government.

- Government to create a provision for future major capital acquisitions and replacements in the budget estimates, informed by a prioritised plan of whole-of-government capital expenditure.
- Government to sustainably fund departmental capital budgets, informed by a Finance-led audit of agency minor capital requirements.

Implementation guidance

- To support development of a whole-of-government capital expenditure plan, Finance and transformation leader to develop a framework for Government consideration to identify and prioritise major public capital and digital investments.
- Use the ICT audit and blueprint (recommendation 14) to inform capital expenditure plan.
- Include cost of maintaining, operating and optimising value of capital assets in the capital expenditure plan.
- Subject to Government agreement, implement changes ahead of the 2021-22 Budget process.
- Consider managing funding allocated for capital expenditure (potentially as allocations of capital depreciation) in a special account managed by Finance.
- Consider mechanisms that embed greater flexibility in the Budget Process Operational Rules to facilitate capital investment – for example, allowing capital investment to be offset on a time frame that matches expected returns or depreciation of the asset.

Recommendation 35

Deliver value for money and better outcomes through a new strategic, service-wide approach to using external providers.

- Finance to develop, for Secretaries Board endorsement and Government agreement, a framework for APS use of external providers. Framework to focus on better decision-making, value for money and outcomes.
- Finance Centre of Procurement Excellence to drive innovation and better outcomes in APS procurement, including aggregating and applying procurement information to deliver efficiencies.

Implementation guidance

- The framework to guide APS-wide contracting and commissioning to:
    - include when to develop in-house capability and when to procure goods and services externally
    - reinforce collaborative and transparent approaches to procurement design and sourcing
    - promote robust approaches to shape supplier markets to drive innovation and evaluate procurement activities against intended outcomes
    - include arrangements to support agile project delivery, reducing barriers to enable procurement from smaller, more innovative organisations,
    - embed integrity in procurement and commissioning, and
    - include advice on the use of contractors or consultants, to ensure lasting knowledge transfer and capability building for the APS.
- Under the framework, focus on outcomes and value for money, as opposed to lowest price, in delivering outcomes
- Use the professions model and APS learning and development strategy to build service-wide capability in procurement, contracting and commissioning.
- Aggregate procurement information from across the APS to provide transparency on costs and benefits, enable use of data analytics to identify potential whole-of-service efficiencies, and ensure major procurement decisions consider whole-of-government value.

Provide robust and responsive advice to support governments deliver priorities through improved budget prioritisation.

- Finance to support regular APS reviews of government expenditure, including use of performance information to ensure robust advice to government on effectiveness of spending during budget processes.
- Finance to support agencies consider and use mechanisms to fund cross-portfolio priorities, move funding to respond to shifts in needs or demands, and foster innovation and agile project delivery.
- Finance to enhance support to agencies to manage investments that leverage the budget balance sheet, including regularly stocktaking and reporting on these investments and risks.
- Government to commission a review of the content and application of the *Charter of Budget Honesty Act 1998*, including the:
  - role of the charter in improving fiscal policy outcomes
  - appropriateness of the principles that underpin the charter, and
  - role of the Intergenerational Report as a key source of national data to inform government deliberations.

Implementation guidance

- Mechanisms to assess the effectiveness of government expenditure to include:
  - evaluations of programs
  - performance information under the *Public Governance, Performance and Accountability Act 2013* framework, and
  - regular reviews of base expenditure, agency-level (such as functional and efficiency reviews) and program-level reviews.
- Draw on all these sources of information to inform advice to Government on current spending. Consider regular process to re-evaluate major spending and tax expenditure, such as after each election.
- Stocktake and report on government loans, equity investments and guarantees at the whole-of-government level, to improve transparency and support effective management of these investments.
- Consider involving the states and territories in the next Intergenerational Report in 2020, even if the review of the *Charter of Budget Honesty Act 1988* is not complete by then.

Recommendation 37

Strengthen the primacy, role and performance of Secretaries Board within the public service.

- Secretaries Board to lead and govern the APS, ensuring its effective and efficient operation as an integrated organisation.
- Government to consider any additional legislative or ministerial authority required for the Board to function most effectively.
- Secretaries Board to prepare a single national outlook for inclusion in incoming government briefs.

Implementation guidance

- Secretaries Board to mobilise the APS to deliver government priorities and build long-term APS capability, subject to Government direction.
- Communicate proactively Secretaries Board's priorities, work and vision for the APS.
- To ensure Secretaries Board has sufficient authority, consider the following amendments to the *Public Service Act 1999*:
  - clarify the Board's role as the principal decision-making forum for the effective and efficient operation of the APS
  - make Board decisions binding (subject to direction of Government), including taking primacy over individual secretary decisions, and
  - provide the authority for the PM&C Secretary, as Chair of the Board, to take Board decisions where the Board cannot reach consensus.
- Ensure Secretaries Board:
  - determines strategic priorities for the APS, establishing clusters and committees to deliver these priorities, makes decisions about how they will operate, and monitors performance
  - supports the development of common enabling systems and tools for the APS, and
  - endorses and drives implementation of APS policies and processes.
- Secretaries Board is regularly consulted on service-wide directions before they are made by the APS Commissioner but, to protect the independence of the APS Commissioner, endorsement should not be required.
- Integrated Strategy Office to lead Secretaries Board's national outlook. Ensure it covers trends, opportunities and challenges for Australia.

Clarify and reinforce APS leadership roles and responsibilities.

- Amend the *Public Service Act 1999* to designate the PM&C Secretary as Head of Service with the following responsibilities:
    - principal adviser to the Prime Minister and the Cabinet
    - overarching responsibility for ensuring that the APS is best placed to serve current and future governments
    - final say as Chair on Secretaries Board decisions, and
    - with the APS Commissioner, joint responsibility for advising the Prime Minister on secretary appointments.
- Amend the *Public Service Act 1999* to designate the APS Commissioner as Head of People with responsibilities to:
    - advise the Prime Minister on secretary appointments (in agreement with the PM&C Secretary)
    - advise the Prime Minister on terminations of secretary appointments (in consultation with the PM&C Secretary)
    - be Deputy Chair and acting Chair of Secretaries Board
    - deepen APS expertise and uphold its institutional integrity, and
    - develop the SES cohort, with power to appoint, move and terminate SES following consultation with the PM&C Secretary and agency heads.
- Amend the *Public Service Act 1999* to designate responsibilities of portfolio Secretaries to:
    - provide policy leadership within portfolios, and
    - represent the interests of portfolio agencies at Secretaries Board.
- APS Commissioner to establish an Advisory Board.

Implementation guidance

- Ensure legislated responsibilities for portfolio secretaries do not undermine the statutory roles and responsibilities of agency heads.
- Appoint an independent chair to the Advisory Board. Include the PM&C Secretary, at least one other agency head and at least two external members.
- APS Commissioner's advisory board to support and advise, but not direct, the Commissioner, to protect the Commissioner's independence.

Recommendation 39a

Ensure confidence in the appointment of all agency heads.

- PM&C Secretary and APS Commissioner to agree and publish a policy on processes to support advice to the Prime Minister on appointments of secretaries and the APS Commissioner.
- APS Commissioner to amend the Merit and Transparency Guidelines for statutory appointments to include stricter criteria on exemptions and require a clear ranking of preferred candidates.
- Consider amending Senate Order 15 to require ministers to advise Parliament whether advice on a statutory appointment followed the Merit and Transparency Guidelines, whether the selection panel's advice was followed, and, if not, to provide reasons.
- Prime ministers, as a matter of practice, to consult the Leader of the Opposition on the proposed appointment of APS Commissioners.

Implementation guidance

- Prime Minister to retain legislated role in making recommendations to the Governor-General on appointments of secretaries and the APS Commissioner.
- Ensure the policy to support advice to the Prime Minister on the appointments of secretaries and the APS Commissioner guides a robust process, including:
  – published selection criteria for secretary positions
  – wide consultation (using professional executive-search expertise as appropriate), and
  – rigorous consideration of potential candidates against the criteria.
- Ensure amended Merit and Transparency Guidelines for statutory appointments require:
  – clear rankings and unambiguous advice on preferred appointments
  – appropriate diversity on selection panels
  – explicit consideration of integrity and the APS Values, and
  – stricter criteria for seeking exemptions from the Guidelines.

Recommendation 39b

Ensure that performance management of secretaries is robust and comprehensive.

- PM&C Secretary and APS Commissioner to undertake robust and comprehensive performance management of secretaries.
- PM&C Secretary and APS Commissioner to publish the framework for managing the performance of secretaries under the *Public Service Act 1999*.
- APS Commissioner to develop an induction program for new secretaries.

Implementation guidance

- In promoting and managing the performance of secretaries:
  - assess performance against an annual performance plan agreed with the secretary, Prime Minister and portfolio minister
  - provide guidance and support, including professional development
  - seek feedback from ministers, external partners, agency heads and APS staff
  - consider outcomes of capability reviews, client surveys, census results and reporting on delivery of government priorities, and
  - report to the Prime Minister and portfolio minister.
- Assess performance of secretaries against their roles as: principal advisers to their minister and in driving delivery of government priorities; as heads of their department and their portfolio; and, as members of Secretaries Board and stewards of the APS.
- Develop secretary induction program in consultation with experienced secretaries and former secretaries or APS Commissioners.

Ensure that robust processes govern the termination of secretaries' appointments.

- APS Commissioner to support effective minister-secretary working relationships.
- Where issues in these relationships arise, APS Commissioner:
  - will work with minister and secretary to resolve issue or find other solution (e.g. offering secretary a comparable position), and
  - may, if the minister and secretary agree and no other solution available, recommend the Prime Minister agree to providing the secretary a resignation benefit on a no fault-basis.
- To ensure robust processes govern termination of secretary appointments:
  - amend the *Public Service Act 1999* to require termination only on specific legislated grounds, consistent with underlying principle that secretaries be entitled to serve the term specified in their instrument of appointment, or
  - APS Commissioner and PM&C Secretary to agree and publish a policy setting out steps to be undertaken prior to advising to the Prime Minister on a proposed termination.

Implementation guidance

- Prime Minister to retain legislated role in making recommendations to the Governor-General on the termination of secretary appointments.
- Specified legislated grounds for termination should be: physical or mental incapacity, misbehaviour, bankruptcy, or a substantive failure to meet agreed performance standards, as independently evaluated by the APS Commissioner after consulting with the PM&C Secretary.
- Provide resignation benefits only if there is genuine mutual agreement and in exceptional circumstances. Remuneration Tribunal to determine how to apply the benefit.

Reform and energise the APSC as a high-performing and accountable central enabling agency.

- APSC to initiate and implement a comprehensive organisational transformation to position it as a high-performing central enabling agency.
- PM&C, Finance and APSC to develop and seek Government support and funding for a sustainable resourcing model for the APSC.

Implementation guidance

- Transform the capability and culture of the APSC to best support the APS Commissioner as Head of People with the expanded responsibilities and mandate recommended by this review.
- Rebalance core appropriation and fee-for-service funding, to allow for long-term planning.
- Draw on external expertise advice from the APS Commissioner's new Advisory Board, Secretaries Board and the APS.
- Develop and measure clear targets for the APSC, communicated regularly and publicly.

APPENDIX A
IMPLEMENTING THE REVIEW

This appendix sets out considerations to guide implementation: indicative costs for service-wide capability investments and to support transformation, and proposed timing and sequencing of recommendations.

Investment in and sequencing of this report's recommendations should be designed to support and enable the APS best deliver the Government's priorities, as it builds capability to meet expectations of government and the public. Transformation will enable the APS to perform better — it should not be a distraction from delivering government priorities.

Investment and funding

Business-as-usual will not deliver transformative change. The review calls for better systems and processes, data infrastructure and more. It calls for a stronger APSC, to undertake essential workforce planning and deepen expertise. It calls for work to be done across the service to unite nearly 150,000 people to best serve Australia. Investment is required to build an organisation that delivers profoundly better results for Australians. Investment in the APS needs to be supported by a clear business case and balanced against other priorities.

Other public and private sector organisations are investing in transformation. Implementation of the 2014 First Principles Review of the Department of Defence involved $151 million to drive its reforms, in addition to internal costs incurred at the group level.[622] Companies like AT&T are investing $1 billion in reskilling their workforce, and the largest four Australian banks are each investing between $800 million and $1.5 billion on specific digital transformation programs.[623] These organisations are making these investments to deliver better outcomes and returns.

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622   ANAO, *Defence's Implementation of the First Principles Review*, Auditor-General Report No. 34 of 2017–2018 Performance Audit, 2018, s 2.36.

623   S. Caminiti, op. cit.

Definitive costs (including Average Staffing Level impacts) for APS transformation need to be developed in the detailed implementation planning phase. It is difficult to provide accurate costs for some items. In part, this reflects a fundamental problem — identified by this review — that the APS does not maintain comprehensive and reliable service-wide data on its current or required investment in people, ICT and public capital.

Nevertheless it is clear that three broad areas of prioritised investment are required for an effective and efficient APS. This investment is not necessarily new or additional and a range of funding sources can be considered.

First. Physical and digital capital is under-funded to meet the Government's and the public's expectations for the APS. Investment will enable better services and reduce long-term costs for running legacy ICT systems. As outlined in chapter five, analysis suggests that raising spending levels to benchmark digital transformations in the private sector could be in the order of $400 to $900 million a year.
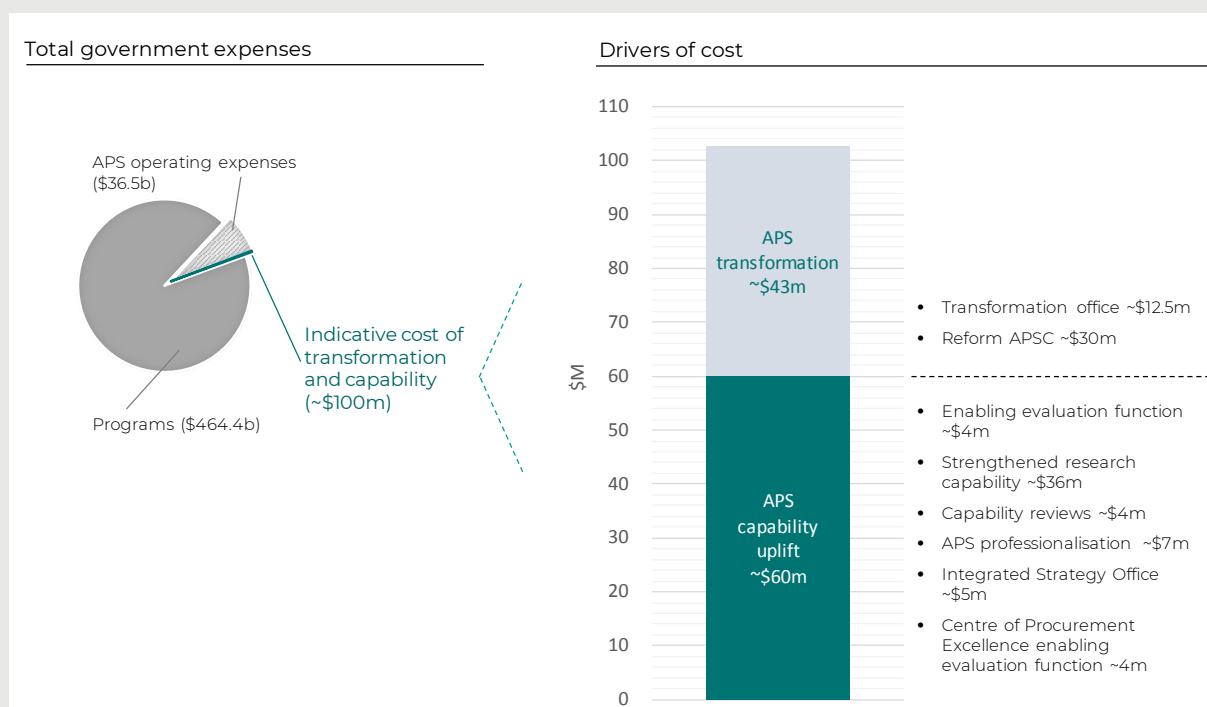
The necessary costs for digital transformation and public capital will be known following the proposed ICT blueprint, prioritised capital expenditure plan and audit of minor capital requirements (recommendations 14 and 34). Total additional costs for digital transformation and non-digital items of public capital (whether provided through additional funding, savings or reallocating current expenditure) are likely to be at least $1 billion a year.

Second. Funding needs to be prioritised for service-wide capability investments to build the skills and expertise of APS people, including research, policy and evaluation skills. This will ensure better support to government, more effective regulation, and better delivery of services and projects. As outlined in chapter six, the APS spends less on learning and development than the global benchmark for large private sector organisations. Capability investment is estimated to be $60 million a year (Exhibit A2).

This may not necessarily mean new funding. Funding could be reallocated from within existing agency budgets or from across the service. Some costs will need to be absorbed across the service, and the recommended strategic approach to APS investment supports this (recommendation 3). The Government could consider quarantining some funding for service-wide capability improvements in a transformation fund, building on the approach for the current APS Modernisation Fund. With ministerial oversight, the transformation leader and the Finance Secretary could be given joint responsibility for approving investment under this fund, according to guidelines set by the Government.

Third. Some dedicated funding is required to catalyse the transformation program. Standing up a modest but effective transformation office (recommendation 1) and immediate enhancements to the APSC (recommendation 40 and related recommendations) are pressing, in effect a necessary down payment on reform. Indicative costs of these proposals are at least $42.5 million a year (Exhibit A3).

Indicative cost of transformation and capability

This means that, alongside investment required for digital transformation and public capital, at least $100 million a year in dedicated investment is likely to be necessary to rebuild APS performance and institutional capability (Exhibit A1). To place this figure in context, it represents less than 0.3 per cent of annual APS operating expenses.[624]

The funding needed for these three groups of activities is not necessarily the dollar impact on the budget bottom line. While the investment needed could be new unfunded spending — which does have an impact on the budget bottom line — it could be offset by short or long-term savings. As outlined in chapter two, the panel recommends that part of the efficiency dividend or other whole-of-government savings be reinvested back into the public service. It is assumed that many smaller actions will be undertaken by agencies within the scope of their existing budgets.

In addition, experience from other organisations demonstrates that investments in areas such as technology, removing layers of hierarchy and simplifying processes, and continuing to improve procurement also generate long-term savings.

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624   APS operating expenses calculated as total departmental expenses excluding the Department of Defence and National Disability Insurance Agency expenses that are administered-like in nature. Australian Government, *2019–20 Australian Government Budget — Budget Paper No. 4, 2019*.

These costs are indicative only — formal detailed costings and ASL estimates need to be undertaken during the initial three-month implementation planning phase outlined in recommendation 1. This will be important to inform government consideration of the required investment and potential funding sources (recommendation 3).

Exhibit A2

APS-wide capability investment — indicative costs (only includes material proposals expected to cost $1 million or greater a year)

Item	Functions	Indicative one year cost
Capability reviews (recommendation 2a)	Support regular capability reviews, assuming ten a year	$4m
APS professionalisation (recommendation 20)	Support APS professions — standards, and capability frameworks	$7m
Enabling evaluation function (recommendation 26)	Central enabling function in Finance	$4m
Strengthened research capability (recommendation 27)	Support APS professions — standards, and capability frameworks	$8m
Integrated Strategy Office (recommendation 28)	Cross-disciplinary office in PM&C; scenario exercises.	$5m
Centre of Procurement Excellence (recommendation 35)	Additional resourcing to drive better procurement outcomes including through data analytics	$4m
	Total	$60m

Investment to catalyse a transformation program — indicative costs

Item	Functions	Indicative one year cost
Transformation support (recommendation 1 and other recommendations)	High impact transformation office and secretary-level transformation leader with associated activities including • APS 200 support (recommendation 1) • PM&C Citizen Experience Survey (recommendation 2b) • developing APS purpose (recommendation 6)	$12.5m
Reform and energise the APSC (recommendation 40 and related recommendations)	Lift capability and deliver expanded responsibilities recommended by this review including • promoting integrity (recommendation 7) • APS-wide workforce strategy (recommendation 19) and recruitment overhaul (recommendation 24) • APS learning and development strategy (recommendation 20) • other recommendations to lift the APS including inductions (recommendations 5, 24), mobility (recommendation 21), SES (recommendation 23), best-practice ways of working (recommendation 32)	$30m
		$42m

Sequencing and timing

The review recommends a three-month detailed planning phase (recommendation 1). This will support development of a transformation program to deliver initiatives of the review and ongoing priority APS reforms in a single reform agenda. This program will be updated regularly.

Working to the Prime Minister and the minister assisting the Prime Minister for the public service and cabinet, the transformation leader will be responsible for the ongoing prioritisation and planning of APS transformation initiatives, and should develop the transformation program in close consultation and agreement by Secretaries Board. It will be necessary to take account of several factors in developing the transformation program.

First: Many recommendations will need to be implemented through multiple discrete initiatives. Some (such as developing a workforce strategy) have clear delivery paths. In other cases (such as the delivery of seamless services), the APS will, subject to agreement by the Government, need to develop and roll out long-term plans and require collaboration with the states and territories to join up services.

Second: The program needs to set clear responsibilities for delivery. Secretaries Board will have overall responsibility for the transformation and be collectively accountable for achieving outcomes and meeting the transformation targets. Agency heads will lead discrete initiatives, partner with others for cross-cutting initiatives, and promote transformation within their own organisation. For change to succeed it needs to be championed by leaders at all levels and, requires strong government backing.

Third: Many recommendations need to be understood and implemented as cultural change initiatives (recommendation 4). For example, recommendation 22 seeks to build a culture of high achievement through better performance management. To effect this change in culture will require:

- clear service-wide expectations about how performance management is undertaken across the APS
- persuasive communication, connecting to the APS's purpose and highlighting the evidence-based outcomes of better performance management
- leaders, from agency heads to team managers, to role-model the changes in the way they conduct performance management with their staff
- supporting tools and guidance for leaders and managers so that they have the capability to manage performance more effectively, and
- incentives to reinforce these expectations — performance management capability should be assessed in agency capability reviews and be a key factor when assessing the performance of leaders and managers and considering appointments and promotions.
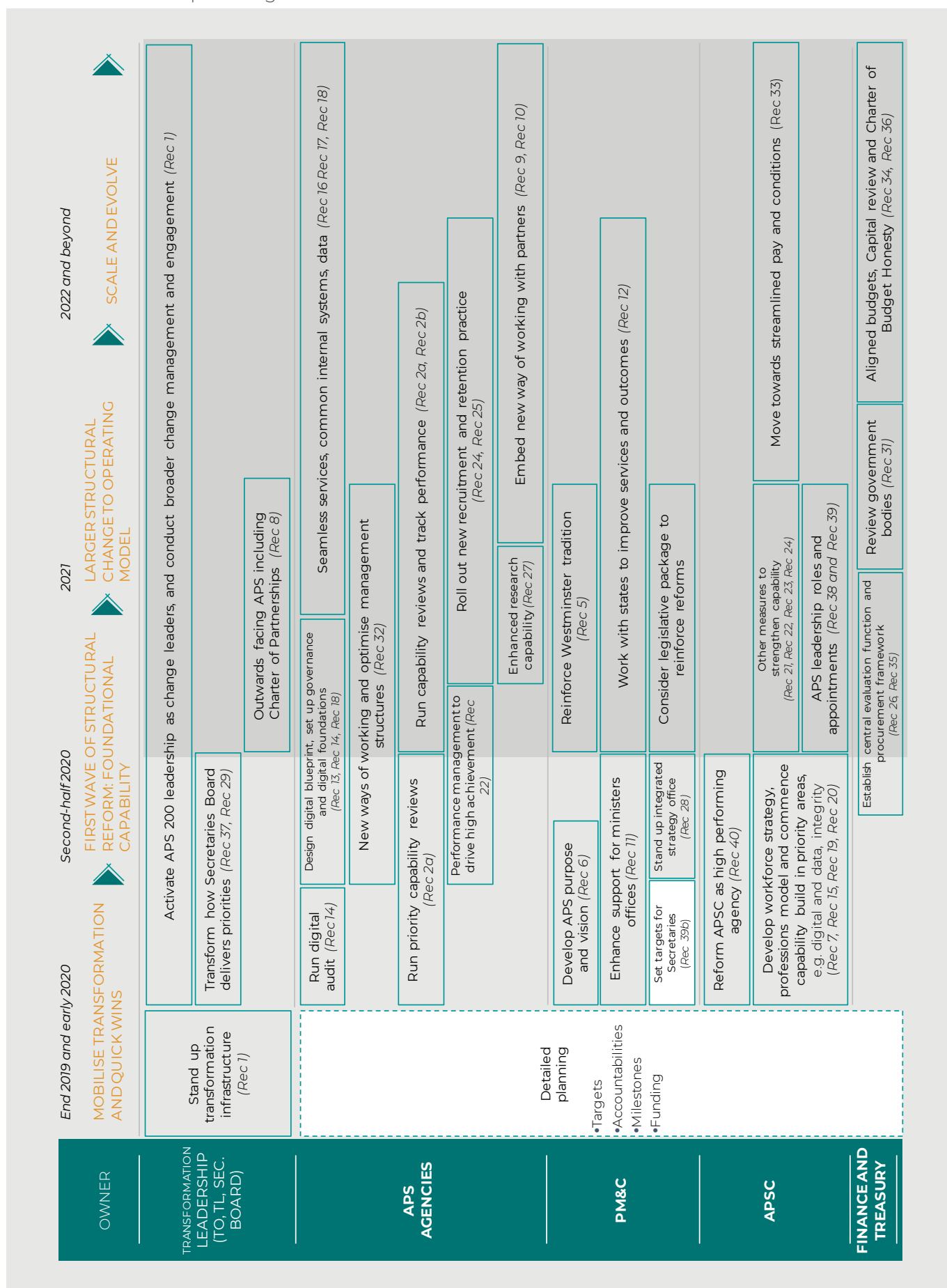
Finally, the transformation leader should sequence review implementation according to clear principles, ensuring the transformation program supports delivery of the Government's priorities. The panel suggests that the principles focus on impact, momentum, capacities and dependencies as a starting point (Exhibit A4).

Indicative principles to guide sequencing of review implementation

		Example
Impact	Recommendations with the greatest impact should begin as soon as possible	Seamless services will have a significant impact on how the APS serves Australians
Momentum	Recommendations that create momentum for the transformation should commence first, as they are symbolic of the overall transformation	Purpose and values are symbolic of the united APS that panel is seeking to achieve, and are relatively easy to deliver
Capacity	Sequencing needs to account for the cumulative requirements of impacted agencies and individuals and ensure appropriate balancing	APSC will lead many initiatives, including rebuilding itself, and therefore implementation should be staggered
Dependencies	Sequencing should take the following into account: • Recommendations that depend on others • Major external factors (e.g., elections, passage of legislation, COAG meetings, recruitment rounds)	Performance management and development work should begin immediately, alongside workforce strategy diagnosis

Indicative sequencing is provided for consideration by the transformation leader and Secretaries Board (Exhibit A5). It prioritises delivery of certain recommendations in the first 12 months, while managing dependencies and balancing burden over time. It should be refined in the initial three-month planning phase and developed over time. It is important transformation planning is developed and owned by the APS, following the Government's consideration of the review.

Indicative sequencing

Timeline columns:
- End 2019 and early 2020 — MOBILISE TRANSFORMATION AND QUICK WINS
- Second-half 2020 — FIRST WAVE OF STRUCTURAL REFORM: FOUNDATIONAL CAPABILITY
- 2021 — LARGER STRUCTURAL CHANGE TO OPERATING MODEL
- 2022 and beyond — SCALE AND EVOLVE

OWNER

TRANSFORMATION LEADERSHIP (TO, TL, SEC. BOARD)
- Stand up transformation infrastructure *(Rec 1)*
- Activate APS 200 leadership as change leaders, and conduct broader change management and engagement *(Rec 1)*
- Transform how Secretaries Board delivers priorities *(Rec 37, Rec 29)*
- Outwards facing APS including Charter of Partnerships *(Rec 8)*

APS AGENCIES
- Run digital audit *(Rec 14)*
- Design digital blueprint, set up governance and digital foundations *(Rec 13, Rec 14, Rec 18)*
- Seamless services, common internal systems, data *(Rec 16 Rec 17, Rec 18)*
- Run priority capability reviews *(Rec 2a)*
- New ways of working and optimise management structures *(Rec 32)*
- Run capability reviews and track performance *(Rec 2a, Rec 2b)*
- Performance management to drive high achievement *(Rec 22)*
- Roll out new recruitment and retention practice *(Rec 24, Rec 25)*
- Enhanced research capability *(Rec 27)*
- Embed new way of working with partners *(Rec 9, Rec 10)*

PM&C
- Detailed planning
  - Targets
  - Accountabilities
  - Milestones
  - Funding
- Develop APS purpose and vision *(Rec 6)*
- Reinforce Westminster tradition *(Rec 5)*
- Enhance support for ministers offices *(Rec 11)*
- Work with states to improve services and outcomes *(Rec 12)*
- Set targets for Secretaries *(Rec 39b)*
- Stand up integrated strategy office *(Rec 28)*
- Consider legislative package to reinforce reforms

APSC
- Reform APSC as high performing agency *(Rec 40)*
- Develop workforce strategy, professions model and commence capability build in priority areas, e.g. digital and data, integrity *(Rec 7, Rec 15, Rec 19, Rec 20)*
- Other measures to strengthen capability *(Rec 21, Rec 22, Rec 23, Rec 24)*
- APS leadership roles and appointments *(Rec 38 and Rec 39)*
- Move towards streamlined pay and conditions *(Rec 33)*

FINANCE AND TREASURY
- Establish central evaluation function and procurement framework *(Rec 26, Rec 35)*
- Review government bodies *(Rec 31)*
- Aligned budgets, Capital review and Charter of Budget Honesty *(Rec 34, Rec 36)*

APPENDIX B

THE PANEL AND THE PROCESS

The Hon Malcolm Turnbull, then Prime Minister, announced the Independent Review of the APS on 4 May 2018.

The Government appointed a panel with deep and diverse experience across private, public and academic sectors to conduct the review. David Thodey AO was appointed chair. The review was supported by a secretariat, based in PM&C, with representation from 12 agencies. A reference group of national and international experts, with diverse political, public sector and private sector expertise, was appointed to assist the panel.

This appendix describes how the review was conducted and includes biographies for panel members and outlines membership of the reference group.

The process

From the outset, the panel asserted that the review must be grounded in evidence. Evidence from listening to the Australian people, parliamentarians and public servants. Evidence from available APS data. Evidence from new and existing research.

Listening closely to stakeholders was fundamental. The engagement process was exhaustive, utilising online tools and face-to-face engagement to capture views from public servants, ministers and their staff, academics, not-for-profits, the business community and Australian citizens.

The review took account of more than 2,000 direct inputs from across three engagement stages (Exhibit B1), with public opportunities to make submissions and provide online comments.[625] This included numerous one-on-one meetings with current and former parliamentarians, APS leaders and a wide range of business leaders and community members. More than 400 information sessions and engagement opportunities were held by the panel and its secretariat, in every Australian state and territory.

The panel attended four formal meetings with Secretaries Board (in September 2018, February 2019 and twice in June 2019) to ensure an open and collaborative process with those who will lead implementation. The panel also discussed APS reform and review implementation with the APS 200 in April 2019.

Panel members engaged with international politicians, policy practitioners and experts in four countries (New Zealand, Singapore, Canada and the UK). The panel also undertook a number of site visits to better understand APS operations and needs of community partners within Australia. This included a visit to Aboriginal and Torres Strait Islander communities in Western NSW in June 2019. During this visit, panel representatives joined a Murdi Paaki Regional Assembly meeting in Cobar, and met representatives of the Maranguka Justice Reinvestment Project in Bourke, and Aboriginal community leaders in Dubbo.

The panel commissioned eight external reports and five APS surveys and considered nearly 500 Australian and international secondary sources (Bibliography). Australian and overseas experts were consulted and past reviews analysed.

Testing the panel's thinking, refining ideas, then testing again was an important element of the process. The panel formally set out its thinking twice in a ten month period: *A Vision for Australia's Public Service* (November 2018) and an interim report, *Priorities for Change* (March 2019). This report has taken on board feedback received about the ideas, structure and style of the interim report, and presents 40 evidence-based recommendations to transform to a trusted APS, united in serving all Australians.

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625   Independent Review of the APS, *Engagement register as at 30 June 2019* [unpublished].

Engagement

1. Generate insights (Jun–Nov 18)

- Opened for public submissions
- Established a Reference Group to bring local and international experience and expertise
- Series of 29 public workshops around Australia[626]
- Explored future scenarios[627]
- Attended first meeting with Secretaries Board
- First meeting with the Independent Review of the APS reference group

2. Test and refine ideas (Nov 18–Mar 19)

- Opened online conversation on the panel's 2030 vision for the APS
- Commissioned five surveys across the APS
- Continued dialogues and meetings including a series of APS SES roundtables
- Attended second meeting with Secretaries Board

3. Build ownership and momentum (Mar–Sep 19)

- Released *Priorities for Change*, the panel's interim thinking
- Began a new online conversation on *Priorities for Change*
- Released six research papers, commissioned through ANZSOG
- Second meeting with the Independent Review of the APS reference group
- Held implementation design sessions with APS and engaged with the APS 200
- Attended third and fourth meetings with Secretaries Board

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626 Summarised in Inside Policy, *An Independent Review of the Australian Public Service: A detailed consultation report*, 2018.

627 Boston Consulting Group, *Scenarios for 2030*, 2018.

Commissioned research

To support the review, the panel commissioned a consultation report on the public workshops conducted in phase one of the review and an analysis of different future scenarios that may shape the APS's operating environment in 2030. The panel also commissioned research papers from leading academics and practitioners through ANZSOG. Research commissioned through ANZSOG focused on the APS's relationships with core partners (ministers, other jurisdictions, local communities and external providers) and other cross-cutting matters (evaluation and integrity). These papers provide a rigorous and independent perspective on various aspects of public sector reform. All commissioned reports were published on the APS review website to inform public discussion.

- Inside Policy, *An Independent Review of the Australian Public Service: A detailed consultation report*, 2018
- Boston Consulting Group, Scenarios for 2030, 2018
- Althaus, C. & McGregor, C., *Ensuring a world-class Australian Public Service: delivering local solutions*, ANZSOG, 2019
- Bray, R., Gray, M. & 't Hart, P., *Evaluation and learning from failure and success*, ANZSOG, 2019
- Kirby, N. & Webbe, S., *Being a trusted and respected partner: the APS Integrity Framework*, ANZSOG, 2019
- O'Flynn, J. & Sturgess, G.L., *2030 and beyond: getting the work of government done*, ANZSOG, 2019
- Rimmer, B., Saunders, S. & Crommelin, M., *Working better with other jurisdictions*, ANZSOG, 2019
- Tiernan, A., Holland, I. & Deem, J, *Being a trusted and respected partner: the APS' relationship with Ministers and their offices*, ANZSOG, 2019

Engagement by numbers (to August 2019)

People

11,804

No. participants: individuals and organisations

6,429

People attending events

5,275

APS review subscribers

135,806

Website visitors

Events

440

Engagement activities: in person and online

100

Workshop, roundtable and info sessions (5,424 attendances)

332

Dialogues and meetings (1,015 attendances)

5 Surveys

1 Submission process

2 Online discussions

Contributions

3,763

Survey responses

755

Submissions

814

online comments

Content

268,826

Website page views

10,825

Downloads of 'Priorities for Chnage'

6,397

Downloads of ANZSOG, 2030 Scenarios, and Inside Policy reports

The panel

Mr David Thodey AO

In 2030 I believe that the APS can be a global leader — in delivering services and in the innovative use of technology, lifting the prosperity of all Australians. A global leader of strong evidence-based policy advice — supporting the Government of Australia. And a leader of strong regulatory frameworks to support our economy, society and environment. It will be the aspiration of many Australians to work at the APS!

David is a business leader focused on innovation, technology and telecommunications with more than 30 years of experience creating brand and shareholder value.

He is currently Chair of Australia's national scientific research agency, CSIRO. He is an Ambassador for business events in NSW and Chair of the NSW Government's Quantum Computing Fund Advisory Panel.

David is on the Advisory Board of SquarePeg Capital and on the Investment Committee of Evans and Partners Global Disruption Fund. He is a non-executive Board director of Ramsay Health Care and Tyro, Australia's only independent EFTPOS banking institution. David will join the Board of the Vodafone Group in 2019. He had a successful career as CEO of Telstra and as CEO of IBM Australia and New Zealand.

David holds a Bachelor of Arts in Anthropology and English from Victoria University, Wellington, New Zealand and attended the Kellogg School of Management postgraduate General Management Program at Northwestern University in Chicago, USA. He was awarded an Honorary Doctorate in Science and Technology from Deakin University in 2016 and an Honorary Doctorate of Business from University of Technology Sydney in 2018.

In 2017, David was made an Officer (AO) in the General Division of the Order of Australia for distinguished service to business, notably to the telecommunications and information technology sectors, to the promotion of ethical leadership and workplace diversity, and to basketball.

Ms Maile Carnegie

In 2030 every Aussie will have a meaningful and personalised relationship with the APS who they respect and trust are working for their and the nation's best interests.

Maile has spent over 25 years leading customer-centric innovation and design across multiple industries, including consumer packaged goods, technology and financial services. Maile is currently leading the transformation of the ANZ Bank's retail and commercial business in addition to enterprise responsibility for data, payments, innovation, marketing and design.

She joined ANZ from Google, where she was Managing Director, Australia/New Zealand. Prior to this, Maile spent over 20 years with Proctor and Gamble where she held several roles, including Managing Director in Australia/New Zealand, General Manager for Asia Strategy, Marketing and Design based in Singapore and a number of senior marketing and commercial roles in the United States.

She is currently a member of the Federal Government's Board of Innovation and Science; a member of the Federal Treasurer's FinTech Advisory Group; Chair, Vice-Chancellor's Advisory Board, University of Technology, Sydney; and a Trustee of the Australia Museum.

Maile holds a degree in Business Administration in Finance, Economics and Marketing from the University of Technology, Sydney.

Professor Glyn Davis AC

After a generation of reforms focused on efficiency and effectiveness, it is perhaps inevitable attention has turned to integrity in public life. Ethics demands much of all participants — ministers yes, but equally public servants, contractors and those who benefit from public investment. This report includes proposals for the APS to improve accountability and protect independence where required — while recognising that integrity is a challenge never solved, only managed better.

Glyn has had a distinguished career in higher education specialising in the field of public policy.

He is currently Chief Executive Officer of the Paul Ramsay Foundation, and holds positions of Emeritus Professor at the Melbourne School of Government, Distinguished Professor of Political Science at the Australian National University, Chair of the ANZSOG Research Committee, Visiting Fellow at Oxford University's Blavatnik School of Government and Exeter College, and has visiting appointments at Kings College London and Manchester University. Glyn is a Fellow of the Academy of the Social Sciences in Australia.

His previous roles include Vice-Chancellor of Griffith University and the University of Melbourne and the Director-General of Queensland's Department of the Premier and the Cabinet. Glyn was Foundation Chair of ANZSOG, and he served as Chair of the Group of Eight and Chair of Universities Australia.

He holds a doctorate in political science from the University of New South Wales and has held post-doctoral appointments as a Harkness Fellow at the University of California Berkeley, the Brookings Institution in Washington DC and the John F. Kennedy School of Government at Harvard University.

Dr Gordon de Brouwer PSM

In 2030, the Australian Public Service will be celebrated by Aboriginal and Torres Strait Islander peoples as a trusted, reliable and welcome partner in their lives, known for joint decision-making with communities and as an exciting and respectful employer. The APS's relationship with Indigenous Australians is the litmus test for everything else in the review — if we get this right, we'll get everything else right.

Gordon is a strategic and integrated systems thinker with over 30 years' experience in public policy and administration. He has strong professional expertise in macro, financial and international economics and policy; natural resource and environmental management; climate change and energy policies; international organisations (especially G20); institutional design and governance; the integration of economics and security in strategic policy; and public sector management and reform.

He was Secretary of the Department of the Environment and Energy from 2013 to 2017 and has held other senior positions in PM&C, Treasury, the ANU and the Reserve Bank of Australia.

Gordon is an Honorary Professor and Distinguished Policy Fellow at the Australian National University and Adjunct Professor at the University of Canberra in the Institute for Governance and Policy Analysis. He is a member of the Boards of the Committee for the Economic Development of Australia and the Australian Nuclear Science and Technology Organisation, and is a member of the Advisory Council of The Nature Conservancy Australia and the 50/50 by 2030 Foundation. He is a Fellow of the Institute of Public Administration Australia and facilitator for the Jeff Whalan Leaning Group.

Gordon holds a doctorate in economics from the Australian National University.

Ms Belinda Hutchinson AM

In 2030 the APS will work in genuine and trusted partnership with the Government, Parliament and Australian people to deliver strategic, innovative and integrated policy solutions to our complex societal issues and digitally enabled, personalised services — but only if we reinvest to transform the APS.

Belinda is a distinguished businesswoman and philanthropist. She is Chancellor of the University of Sydney, Chairman of Thales Australia, Chairman of Future Generation Global Investment Company, Director of Qantas Australia and Australian Philanthropic Services, and a member of the St Vincent's Health Australia NSW Advisory Council.

Belinda was previously Chairman of QBE Insurance Group and a Director of Telstra Corporation, Coles Myer, Crane Group, Energy Australia, TAB, Snowy Hydro Trading and Sydney Water. Her executive career included her role as an Executive Director of Macquarie Group, a Vice President of Citibank, and a senior manager at Andersen Consulting. Belinda is a past President of the State Library of NSW and of Chief Executive Women, of which she is still a member.

She holds a Bachelor of Economics from the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

Ms Alison Watkins

In 2030, a strong, independent and effective APS will be vital to Australia's ongoing prosperity. Cohesive leadership will underpin its success, creating an environment where the APS is empowered and encouraged to collaborate across departments and agencies to deliver the best outcomes for all Australians.

Alison is a distinguished businesswoman. She is currently Group Managing Director of Coca-Cola Amatil and a non-executive director of The Centre for Independent Studies and the Business Council of Australia.

Alison was previously Chief Executive Officer of agribusiness GrainCorp Limited and of Berri Limited, and has held senior positions at ANZ and McKinsey & Company. She has previously been a non-executive director of ANZ, Woolworths Limited and Just Group Limited and is a former Victorian President and National Board Member of the Australian Institute of Company Directors.

Alison holds a Bachelor of Commerce from the University of Tasmania and is a Fellow of the Institute of Chartered Accountants, the Financial Services Institute of Australasia, and the Australian Institute of Company Directors.

The reference group

- The Hon Mike Baird, former Premier of NSW
- Her Excellency Janice Charette, former Secretary to the Cabinet in Canada
- The Hon Helen Coonan, former Federal Government Cabinet minister
- Sir Bill English KNZM, former Prime Minister of New Zealand
- Mr Peter Hughes CNZM, New Zealand State Services Commissioner
- Lord Gus O'Donnell, former Cabinet Secretary, United Kingdom Civil Service
- Mr Peter Ong Boon Kwee, former head of the civil service in Singapore
- Dr David Morgan AO, former deputy secretary in the Australian Treasury
- The Hon Stephen Smith, former Federal Government Cabinet minister

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