

Submission: Reform of Australian Government Administration

I welcome the opportunity to comment on Reform of Australian Government Administration.

### **1. Funding**

One of the key challenges facing the public sector over the next 10 years is the level of funding to provide services to the public efficiently and effectively.

At present the public sector uses incremental budgeting. Broadly this process uses a previous period's budget or actual performance as a base, with incremental amounts added for the new budget period. Therefore the allocation of resources is based upon allocations from the previous period. This approach fails to take into account changing circumstances.

By contrast, in zero-based budgeting, (ZBB) every department function is reviewed comprehensively and all expenditures must be approved. ZBB requires the budget request be justified in complete detail by each division manager starting from the zero-base. The zero-base is indifferent to whether the total budget is increasing or decreasing.

Given the size of the public sector, ZBB would be difficult to implement. However this should not be an impediment to using a hybrid form of ZBB. For example, we could periodically subject parts of a department to the principles of ZBB and cover the entire department over a period of time.

### **2. Bonuses**

Bonuses are difficult to manage in the private sector which has the yardstick of profitability as an objective measure.

In the public sector it is extremely difficult, if not impossible, to objectively measure whether conditions have been satisfied for the payment of bonuses.

Bonus payments should not be made in the public sector.

### **3. Pay and conditions across**

The current regime has given rise to variable pay and conditions across departments. Yet we retain the administrative structure, leading to different pay rates for the same classification across departments. This is counter-productive and, amongst other things, leads to difficulty in moving between departments.

There should be uniform pay and conditions for similar classifications across the public sector.

Yours sincerely