



Australian Government

Australian Public Service Commission

**AUSTRALIAN PUBLIC SERVICE COMMISSION SUBMISSION
RESPONDING TO THE DISCUSSION PAPER ON
REFORM OF AUSTRALIAN GOVERNMENT ADMINISTRATION
NOVEMBER 2009**

Introduction

The Government is seeking to achieve the best public service in the world.

Achieving this goal will require a substantial and long-term focus, commitment and investment in people, culture and systems.

The Commission agrees that the Australian Public Service (APS) is a professional, high-performing organisation that measures up well against public services around the world. However, we also consider that there is substantial scope for improvement.

Over the last twenty years, the move to a more devolved public service with decision-making and control shifting from central agencies to individual agency heads has brought substantial efficiencies, flexibility and agility. But this shift has also brought some fragmentation and inconsistency in the way we manage ourselves and has created barriers to continuous improvement.

The key areas where the Commission believes improvements could be made – APS-wide and within each agency – are in:

- I strategic human capital planning
- II developing our leadership group
- III talent management and succession planning
- IV values and culture
- V organisational effectiveness

Given the Commission's existing role, we believe we are well placed to offer advice and guidance to the Advisory Committee in relation to each of these key issues. We have not attempted to comment or provide proposals on issues beyond the Commission's expertise or to address specific discussion paper questions.

The Commission believes that introducing more coordinated and cohesive approaches to activities in these areas will help the APS respond to, and deliver on, Government priorities more effectively and efficiently. As will be apparent from the submission, addressing critical skill gaps will be an important theme of APS reform moving forward

We have outlined some possible approaches under each of the broad areas identified above, which seek to introduce more cohesive APS-wide approaches to these issues while still balancing the need to retain flexibility and agility.



Carmel McGregor
Acting Australian Public Service Commissioner
30 November 2009

I STRATEGIC HUMAN CAPITAL PLANNING

The APS is an organisation made up of around 162,000 employees spread across around 100 agencies including 19 departments. The Senior Executive Service of the APS together with agency heads number around 3000. The size and complexity of the APS necessarily requires that employment arrangements provide agencies with high levels of autonomy over managing their workforces.

This has been part of a policy intention to provide responsibility for effective, ethical and efficient resource management to agency heads and their senior leadership group – that is, letting managers manage. The devolved environment allows agencies flexibility and agility in managing for results in a complex and changing environment. However, it also makes it difficult to apply systematic approaches to deal with systemic issues across the APS.

Despite the benefits of these arrangements, there are a number of significant and enduring workforce challenges that are common across the APS, including:

- Responsiveness to external drivers for change – We are facing increasing complexity in the nature of policy problems, rising expectations of the public and business, demographic and technological change, and globalisation and fiscal pressures which require the development and management of a strategic policy capability across the APS.
- The need for whole of government approaches – The complex and intractable nature of many Government priorities require different agencies to work in a whole of government approach. The skills required for collaboration and the cooperative relationships necessary to address these priorities effectively will only be supported through a joined-up approach to human capital management.
- Workforce skill gaps – Agencies continue to identify ongoing skill shortages in key professional areas, such as ICT and accounting, as well as shortages in broader capabilities such as strategic and analytical thinking. Timely and efficient recruitment processes continue to be an issue with too many agencies still reporting that filling vacancies takes over two months. Without coordinated and consistent approaches to the way we attract, select and retain our people, we can't effectively compete with the private sector for the best people.
- Our workforce is ageing – Our leadership group is ageing with 70% eligible to retire in the next ten years. Our representation of young people in the APS as a whole is low compared to the broader workforce. But few agencies have an articulated, formal succession management plan to deal with these issues.
- Our workforce lacks diversity – While women are well represented, in other respects the APS workforce does not reflect the diversity of the Australian population. This is a serious problem in our line of work because a representative workforce contributes to different ideas and perspectives in the policy development process, helps implement effective consultative mechanisms, and contributes to ensuring that service delivery options are appropriate. With our ageing population, it also makes sense for us to make the most effective use of potential talent from all areas of the community. We will also need to look to the private and NGO sectors to reinforce the strength of our workforce.

Many of these challenges were highlighted in the 2005 Management Advisory Committee (MAC) Report, *Managing and Sustaining the APS Workforce*, and remain unaddressed. The MAC report called for a greater coordinated focus on investing in APS human capital, with the aim of building and sustaining a workforce that is able to respond to the challenges facing Government and the citizen. MAC proposed developing strategic responses to attracting,

retaining and developing staff, systematic workforce planning to identify emerging recruitment and succession management challenges, and providing a diverse range of career experiences for potential leaders.

Agencies have varying abilities to put these strategies into effect. Some APS agencies with large workforces and significant budgets, for example the Australian Taxation Office and Centrelink, are able to implement sophisticated, strategic workforce plans and provide their employees with a range of development and leadership opportunities. For many other agencies this is not possible.

The Commission considers these issues could be successfully addressed through developing a broad human capital framework for the whole APS. An APS-wide framework could provide a set of standards of practice across key areas of people management, such as workforce planning, recruitment, induction/onboarding, performance management, career and talent management, leadership and the work environment. It could be used to assist agencies develop their own human capital plans, building on cross agency experience, as well as provide a structure for measuring performance against the standards and ongoing monitoring and guidance on improvement.

Such a framework could also ensure the APS remains at the forefront of best practice by scanning the environment for best practice and innovation in people management. By monitoring internal and external labour market flows, development pathways and forecasting requirements to match workforce supply with demand, the APS would be better placed to be ready for future needs, not just short-term staffing needs. It would help us be more sensitive to supply and emerging organisational and labour market risks. It would also help us identify what roles are critical to the delivery of the Government's objectives and whether we have the right people to do this. It could provide a more coordinated approach to systemic issues across the APS while still leaving responsibility with agencies for their own people management tailored to their own environment.

One way of conceptualising this framework may be to take a lifecycle approach to our employees by establishing key standards or principles that could apply across the APS at each stage of the lifecycle. These lifecycle stages include, for example, recruitment, onboarding, development, performance management, succession planning, and exiting. This approach could provide significant benefits in managing the APS workforce, now and into the future, by providing a holistic assessment of workforce challenges and a platform to identify key priority areas for the APS and individual agencies to act on to improve overall performance and capability.

The Commission does not advocate a return to centralised people management processes. However if we want to have a cohesive and integrated workforce that is capable of serving the government of the day in delivering its policies and services to the public, our people management strategies will also need to be more cohesive and integrated. A strategic human capital framework would not replace agencies' own strategic people management strategies. Rather, a whole-of-APS framework could help identify benchmarks and standards to drive and support the work undertaken by agencies, while allowing them flexibility to tailor their approach to suit their own needs and contexts.

The Commission believes it could play a positive role in leading the development of a strategic human capital plan, identifying and promoting best practice models, and brokering joint activities where they benefit agencies. It also sees value in considering how other jurisdictions – such as the US and Canada – have focused attention on these issues through mechanisms such as the appointment of a chief human resources officer with whole of government responsibility to guide and facilitate improvements.

II LEADERSHIP DEVELOPMENT AND SUCCESSION PLANNING

Leadership affects all aspects of an organisation's effectiveness, including its capacity to achieve organisational goals, its productivity and efficiency, and its ability to attract and retain the best employees. We need talented, capable and flexible leaders with broad and deep experiences in order to meet increasingly complex and challenging responsibilities.

SES employees are a resource that is valuable to the whole APS, not just their employing agencies. We need to ensure we are nurturing and growing our leadership cadre to get the best possible outcomes for the APS.

Closely linked to leadership development is succession planning. The EL2 classification is the biggest feeder group for new SES but it is important to look as widely as possible.

The Commission currently offers an integrated suite of leadership development opportunities for SES employees at different stages of their careers, and for EL2 employees, including programs for those identified as high potential. It also works with academic organisations to provide graduate courses. Some agencies also offer their leadership group and other staff development opportunities. However, individual employees are, by and large, left to manage their own development and career paths.

The Commission believes there is considerable scope for investing in and improving our approach to leadership development and succession planning. This involves greater focus on systematically identifying, understanding and addressing succession risk across the APS (through better data collection and analysis); identifying potential talent (internally and externally); and ensuring the effective development of the skills of high potential staff.

In some private sector organisations, senior employees and those with potential to be future leaders are 'case managed'. Their career progression is monitored and guided so that development opportunities are identified for them in a strategic and proactive way.

The APS could support its SES leadership group in a similar way, either centrally or by individual agencies, or through a mixture of both. This would help us attract and retain the best people; ensure we get the best possible value out of our leadership group; provide additional support to Indigenous employees and other segments of the workforce; and act strategically in terms of identifying and growing our next leaders.

Formal development programs are important, but we should use multiple approaches to get the best outcomes. Much learning is done 'on the job' watching others and through mentoring and coaching.

We could explore:

- introducing an effective system for identifying internal and external talent to be more proactive about building the APS leadership group
- developing a range of systems for assessing and building on leadership strength and addressing weaknesses
- identifying and developing a system of more relation-based development opportunities, such as mentoring, coaching and peer support schemes
- providing a range of experiential learning opportunities, such as short-term placements and exchanges and managed transfers both within and outside the APS.

In managing a broader approach to leadership development, we could also:

- collect data which informs decisions about the potential career paths of higher performing

EL2 and SES employees

- monitor and report on the link between investment and outcomes
- develop standards to ensure consistent, high quality programs that meet international benchmarks and are relevant to the APS are offered; and use these standards to evaluate them regularly
- providing central guidance on program content to ensure its relevance and currency
- centrally procure and promote programs and other development opportunities
- strengthen our relationships with academic institutions and international centres of excellence to work more strategically and encourage two-way learning.

We could also invest in more comprehensive formal programs and consider mandating some key ones where it's agreed they are essential. For example, the APS could:

- review our existing leadership development provision to ensure fitness for purpose, strategic alignment and measurable impact in consultation with agencies
- nationally coordinate the development opportunities and career paths of all SES Band 2 and 3 employees, providing a comprehensive suite of formal programs supplemented by relation-based and experiential opportunities
- require all newly engaged and promoted SES to attend an induction program that incorporated core foundation capabilities and essential skills as well as ensuring a sound understanding of government and legislative requirements
- identify high potential SES Band 1 and 2 employees and provide them with a structured career pathway and developmental support to fully realise that potential
- provide support to a top leadership cadre including Secretaries and Band 3s to meet together, share ideas and collectively solve problems.

Mobility

The Commission considers strategies to increase the mobility of our leadership group would also be a good investment. This links with the need to provide our current and future leadership group with experiential opportunities beyond formal training.

Around 45% of SES employees have worked in only one agency, yet we need an experienced and collaborative leadership group that is agile, flexible and focused on cross-agency solutions. Subject specialists with in-depth and lengthy experience in particular agencies will always play a vital role as part of the APS leadership cadre, but we also need leaders that have a wide range of on-the-job experiences. The roles people undertake – and their experiences in those roles – are just as important in developing capability as formal development.

Mobility between agencies provides a powerful way to broaden, deepen and share knowledge and experience. It also assists in developing a 'one APS' culture through building relationships and improving collaboration. The Commission also recognises that a range of experiences within one agency – in policy development, program delivery and regulation monitoring, for example – can effectively provide broad experience.

In addition, mobility between the APS and other sectors (private sector, not for profit, other jurisdictions) is important in maintaining the breadth of skill and expertise needed for a modern, high performing public service.

Possible approaches to improving mobility include:

- Nationally coordinated mobility schemes. The APS could revisit centrally coordinated mobility schemes, reconsidering the lessons from their lack of popularity in the past. A key issue is whether new mobility schemes or arrangements should be made compulsory, or contain compulsory elements, and how any such scheme would be fairly and equitably overseen, monitored and managed to address agency concerns. We would also need to consider whether there would be benefit in schemes targeting specific segments of the workforce, e.g. high potential employees, certain professional groups (ICT), Indigenous employees. The Commission, in its whole of government role, can play a useful role by identifying candidates for mobility programs and brokering development opportunities.
- Facilitating interchange with other sectors. The APS could act as a clearing house for short or longer term interchange arrangements with the private sector and not for profit organisations.
- Reducing the impact of devolved bargaining, remuneration and work level standards. There has been considerable debate about the impact of devolved arrangements on mobility and a unified ‘one APS’. While mobility rates in the APS have been around the same level (3%) for at least a decade and a half, the proportion of employees with experience in only one agency has risen over the last few years. Devolved bargaining arrangements have contributed significantly to this.
- Reducing the barriers between inter-jurisdictional mobility. Work undertaken in recent years through the Public Service Commissioners’ Conference showed a divergence of views about the nature of the barriers and how they could be overcome. These issues could be further explored.

III TALENT MANAGEMENT

Closely inter-related to leadership development and succession planning is talent management. Talent management can be taken in the broadest terms to mean the management of a capable, fit-for-purpose workforce that is supported by arrangements to proactively attract, select and retain critical employees.

The Commission believes there are opportunities to more cohesively ‘manage our talent’. As noted earlier, the APS is competing with the private sector for a limited pool of skilled people. If we can improve the way we attract, select, develop and retain our talent, both in the widest sense as well as in the more narrow sense of nurturing high potential employees, we will be better placed in the future to successfully support Government priorities.

Generally, agencies should have primary responsibility for selecting, developing and retaining their own staff. However, there are ways we could better collaborate to achieve better outcomes for the APS as a whole. Some possibilities are outlined below.

Attraction, recruitment and selection

The APS could explore a more holistic and effective way to market itself to potential employees. The APS is still seen as a ‘closed shop’ by many with its application processes perceived as difficult to understand and slow. It is also difficult for potential employees wanting to enter the public service to deal with multiple agencies. For example:

- The benefits of an APS-wide ‘brand’ could be explored as a way for us to better market ourselves in both general and specific markets. We currently don’t do this well or fully exploit opportunities to promote the APS to potential groups of employees such as students. This involves developing a clear understanding of key areas of potential talent, a capacity to better

clarify and articulate the APS employment value proposition, and execute effective and targeted campaigns to attract new employees to the APS

- Recruitment of certain groups of employees could be centrally coordinated (while leaving final selection to individual agencies). The Commission already manages and coordinates effective and successful multi-agency recruitment processes, such as finance/accountancy professionals and Indigenous graduates. These processes enable participating agencies to choose their preferred candidates while also providing economies of scale (attracting a bigger number and broader range of applicants). The advantages for potential recruits include a more simple and streamlined application process rather than having to apply to multiple agencies, and recruits can be provided with information that explains participating agencies are part of a much larger and more diverse entity – the APS.
- The induction, early development and fast tracking of certain groups of recruits, such as graduates or others with critical skills, could be centrally provided. Graduate programs can be difficult for very small agencies because their work may be very specialised and their small size means they cannot offer a wide range of work rotations and structured programs. The Commission already provides graduate training for some agencies on an opt-in basis.
- The importance of recruitment skills could be better recognised and promoted. Recruiting well is an important capability for APS agencies. It is a capability which is generally undervalued across the Service. It requires specialist skills being developed and refined. Most employees involved in recruitment have not received available training offered by the Commission. Training would help employees understand the legislative requirements of merit versus the ‘myths’, and appreciate the variety of methods available to assess potential applicants as well as options for streamlining the process.

Despite the Commission promoting best practice advice and information on APS recruitment, many agencies continue to undertake recruitment that is overly complicated, lengthy and unrelated to legislative requirements and which provide barriers to effective recruitment. Agencies are still falling back onto complicated processes not tailored to their needs which fail to balance the need for fairness and transparency in selection decisions with the need for timely, efficient and effective outcomes. The result is that the APS loses many good potential applicants, not only from outside the APS but within it as well. Some possible ways to improve the recruitment process and reduce barriers for applicants and agencies include:

- Better sharing and implementing ‘best practice’ recruitment and selection methods using examples from agencies within the APS and elsewhere as applicable. Under the current legislative framework, some agencies have developed innovative approaches such as greater use of e-recruitment strategies to simplify and speed up processes. This involves assessing applicants against key skills or resumes/CVs rather than using a rigid selection criteria approach. The development and sophisticated use of talent pooling arrangements is an area that should be actively explored and promoted in critical skill areas.
- A more pro-active facilitation of effective and efficient recruitment and selection requirements rather than continuing to rely on guidelines and best practice. This could include activities designed to move agencies to sensible recruitment processes through active encouragement and influence, such as managed pilots or leveraging better practice from across the service.
- Examining the ongoing need for reviews of promotion decisions. The legislative capacity to appeal against promotion decisions was introduced around the same time as the introduction of merit without regard to seniority. Traditionally, promotions in the APS had an emphasis on seniority. The introduction of promotions without regard to seniority required a radical

change in culture and behaviour, and was backed up by a regulatory framework to ensure it was enforced. It has now been some time since this kind of merit in employment decisions was introduced, and State of the Service data indicate that merit is well understood and supported. Today, the number of appeals compared to promotion decisions is very small and the percentage of successful appeals is even smaller. However every appeal investigated is costly for the APS and has both direct and indirect impacts for all the employees involved.

- Understanding the importance of probation and using it wisely. A probation period allows the agency to confirm that the new recruit is the ‘best fit’ for the job and the agency and vice versa for the individual. Even the best selection methods will fail from time to time. Many underperformance issues can be avoided if the probation of employees is actively managed and monitored, and is recognised as a continuation of the recruitment/assessment process. Agencies need to utilise this period to full effect to test the recruit’s suitability, through effective onboarding/induction programs.

Retention and development

Once we’ve recruited the right employees to the APS, we need to do our best to retain and develop them throughout their career path or ‘professional lifecycle’. Specific development opportunities for ‘leaders’ have been discussed above, but an overarching framework for development across the APS could also be implemented. Development itself could be delivered both centrally, by individual agencies or a mixture of both. Examples of particular activities to make a step change in developing our staff include:

- Facilitating service wide career planning by promoting a more holistic view of employee development in the context of individual career pathways. There is a need to promote greater customisation of skills development for individuals to ensure alignment between organisational requirements and individual capability to develop, and career and generational aspiration and motivation. The networked nature of the APS provides significant opportunity to promote careers rather than a series of jobs.
- Identifying and nurturing high potential or high priority employees (such as Indigenous employees) throughout their careers. The career progression of these employees could be ‘case managed’ so that new roles, coaching and mentoring, formal training and other development opportunities (such as experiences in other agencies or outside the APS) are identified for them in a strategic and proactive way. This could occur centrally and/or within individual agencies. Some of our suggestions under Part II, Leadership development and succession planning, would also fall under this category.
- Promoting better arrangements for coordinated development activity. Existing APS arrangements recognise the value of centrally coordinating some important development activity. The Commission delivers this value through its calendar program and tailored development approaches. However, funding arrangements (such as market based cost recovery arrangements) detract from these arrangements; in that they promote fragmentation of important development activities and outcomes. Alternative funding models such as changes to appropriation or levy arrangements on agencies should be explored by the Advisory Committee.

IV VALUES AND CULTURE

The reform discussion paper points out that if the APS is to be the best public service in the world, it needs to have a values-driven culture that encourages excellence and maintains public trust. There is a wide body of literature advocating the benefits of a values-based approach to management, including that it: helps organisations to move quickly in response to new and changing circumstances¹; leads to high organisational performance²; and pays off in the medium to long term when accompanied by a sound financial model³.

The *Public Service Act 1999* articulates a set of ‘APS Values designed to articulate the culture and operating ethos of the APS, and public expectations of the relationship between public servants and the Government, the Parliament and the Australian community’.⁴

There are currently 15 APS Values, complemented by an APS Code of Conduct. The nexus between the Values and the Code of Conduct is important. The Code sets out the standard of behaviour expected of all APS employees and agency heads and acts as the basis for determining whether an employee has committed misconduct. Sanctions, set out in the Act, may be imposed for a breach of the Code.

One element of the Code provides that employees must ‘at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS’, ensuring the legislative enforceability of the Values and emphasising implicitly that they are not merely aspirational.

The nature of values required for good public administration has been considered by many countries. The Organisation for Economic Co-operation and Development has charted the shift in member countries public sector values over the past decade by type of value. While ‘impartiality’ and ‘legality’ remain the leading types of values, the number of countries identifying ‘transparency’ as a core value has almost doubled in the past decade with efficiency also being increasingly identified as a core value by member countries.⁵

In considering what values should guide APS behaviour, the Commission suggests that a holistic approach is required. This means that any value set proposed should:

- promote trust in the integrity of the APS, which the discussion paper defines as an APS that is ethical, apolitical and in which there is merit-based employment
- promote trust in the performance and professionalism of the APS
- be broadly-based, reflecting the totality of an employee’s work
- be grouped according to the key relationships with stakeholders and behaviours they affect (e.g. one group would be the relationship between the APS and the Government) as way of making them meaningful to employees, and could sit alongside employment principles
- be practical and enforceable rather than purely aspirational

¹ Corporate Leadership Council, *Conveying a spirit of one through core management processes – literature review, 1998* and *Imbedding Values Throughout the Organisation – literature review, 2001* in *Embedding the APS Values*, Australian Public Service Commission, Commonwealth of Australia, 2003

² Attracta Lagan, *Why Ethics Matter*, 2000

³ Lynn Sharp Paine, *Value Shift*, 2003

⁴ See Commonwealth of Australia: Australian Parliament - Explanatory Memorandum – Public Service Act 1999

⁵ Organisation for Economic Co-operation and Development, Government at a Glance, Public Governance Committee, 2009

- maintain and reinforce the nexus with the Code of Conduct
- be easily understood by all employees
- be fit for the long term, recognising that while values must change over time to meet the changing needs of the community it is also important that they are not seen as constantly shifting and therefore, not worth paying attention.

The Commission has a depth of knowledge and experience on which to draw if a new value set is developed.

Embedding values

Regardless of the value set developed, it is important to ensure that these values are properly embedded within agencies. The Commission's research suggests that successful integration of the APS Values into agency culture and operations involves three factors:

- Commitment, provided by guidance from leaders and managers who have the highest standards of behavior, who personally model the Values, who make clear expected standards of conduct and who integrate the Values into organisational strategic directions. All agency guidance systems are directed at encouraging the desired behaviour, including induction and learning and development. The 'tone from the top' is critical to the rest of the organisation.
- Management, provided by 'hardwiring' the Values into all management policies, instructions and guidelines that are readily accessible, clearly communicated and understood by employees.
- Assurance, having assurance and accountability mechanisms in place that enable the agency to demonstrate to stakeholders that the Values are being upheld, including systems and processes that encourage misconduct to be reported in the knowledge that it will be investigated fairly and reasonably.

The Commission supports the above framework with a checklist, case studies, and guidance material together with tools for delivering training programs on the APS Values. A consistent theme throughout the literature, and implicit in the Commission's framework, is the importance of leadership. The *Public Service Act 1999*, recognises this by requiring agency heads, SES employees and the Public Service Commissioner to play a proactive role in embedding the APS Values (s12, s14, s35, s41(e)).

Experience also suggests that embedding new values requires action at the APS-wide level, as well as at the agency level. Such a strategy recognises that the Values provide the APS with bedrock statements of 'who we are', and a set of unifying themes that recognise that no matter how different agencies are, and the kinds of work in which staff are engaged, there are fundamental commonalities that bind the service in the way work is approached. At the same time responsibility for employee performance and standards of conduct must remain with the agency head, and other strategies will need tailoring to match local business needs.

There are a number of possible approaches to improve the embedding of the Values including:

- As part of a mandatory onboarding program for SES, a values-education program could be implemented to raise awareness of how values can be used to drive organisational culture and performance, the risks to reputation and performance of not paying attention to them, as well as their role in embedding values and being attentive to emerging ethical issues.
- As a part of a new skills framework, comprehensive professional standards could be developed that describe the behaviours and expectations of employees at all levels in

promoting and upholding the APS Values. This could be matched to employees' key career 'lifecycle' events, such as promotion to supervisory positions.

- As part of a common SES performance management system, SES employees could be required to demonstrate their role in using the APS Values to drive cultural change.
- A national awards scheme could be introduced to recognise the efforts of agencies and individuals to embed new values and exemplifying behaviour consistent with the values.
- Attraction and recruitment strategies could explicitly advertise positions as having requirements based on the Values, state those Values and select for fit with the Values.
- Agency onboarding strategies could include raising awareness of the Values, including where to seek further information about them.
- Learning and development opportunities for all staff could include developing capability in applying and promoting the Values matched to role and classification.
- The values could be built into all management policies and ensuring they are prominent in strategic corporate documents such as Corporate Plans and Service Charters.
- The values could be built into performance and planning frameworks including individual performance plans so that individual performance is also assessed against the Values.
- Staff surveys could be used to assess perceptions, understanding and application of the Values.
- Review systems, including in relation to employment matters, could provide systematic feedback to agencies on systems and processes and their support of the Values.

V ORGANISATIONAL EFFECTIVENESS

Organisational effectiveness in the APS means being able to deliver on the Government's objectives efficiently, now and in the future.

At present, there are measures for assessing past performance within the Commonwealth, including Portfolio Budget Statements; the Department of Finance and Deregulation's Strategic Budget reviews and Agency Function and Financial Reviews; and ANAO's financial and performance audits.

However, there is no measurement process that provides a forward looking picture of actual and relative agency effectiveness, or that alerts agencies to areas that might benefit from attention. This is despite the potentially significant consequences of failures to achieve outcomes in terms of the economy, national security, the welfare of the community, and public confidence.

While measuring organisational effectiveness in the APS would not guarantee an absence of governance and performance problems in the future, it could act as an early warning sign about areas that early intervention.

The Commission considers there would be significant benefits to individual agencies and the APS as a whole in introducing a regular and ongoing system of agency effectiveness reviews. This would:

- enable agencies to map current capability and implement necessary improvements in a clear and structured way, with measurable results
- provide information on best practice and areas of strength that can be shared between agencies to encourage a culture of innovation and best practice

- underpin a set of organisational effectiveness standards that can guide and act as a catalyst for driving improved performance across agencies and the APS as a whole.

Through building a holistic picture of APS agency effectiveness, reviews would highlight if there are systemic issues impacting on APS capacity to deliver on Government objectives.

An increasing number of countries and some Australian jurisdictions have introduced or explored methods to better assess government agency performance. We can learn from these experiences to develop a review model with a combination of elements that best suits the APS.

Common measurement elements across all jurisdictions include:

- internal governance systems, including how an agency is organised, and how its resources and risks are managed
- leadership strength and people management approaches
- agency planning and renewal, including what systems are in place within an agency for it to measure how it is going
- strategic capability and delivery on agency outcomes.

Depending on the model, however, the scope of reviews can vary widely, including whether they focus on:

- overall agency effectiveness, or a particular aspect and/or project/program objective
- past success or likely future capability
- inputs and internal processes, such as governance systems
- outputs and outcomes, and achievement of external objectives
- or a mix of these elements.

In addition to the type of model used, important considerations relating to governance, processes and resources need to be considered. These include, for example:

- a range of governance issues such as who has overall responsibility for agency reviews, their establishment, terms of reference as well as the reporting of the outcomes
- process issues such as how often the reviews are conducted (targeted or on demand) and their methodology as well as the potential alignment of review outcomes with performance management systems and future resource allocations
- resource issues around how will the reviews be funded and what kind of follow up support is provided to agencies identified as needing assistance post-review.

Consideration of these types of issues will be necessary as part of the overall development of a review framework.

A model for the APS

The Commission considers there are some key requirements that should be included in an APS system for measuring organisational effectiveness and sustainability.

An APS review model should be clear about what it wants to measure and why. One approach could be to develop a review system measuring performance in the key areas that have been identified through the Reform of Australian Government Administration process:

- a values driven culture that retains public trust

- high quality, forward looking and creative policy advice
- high quality programs and services that put the citizen first
- flexibility and agility so the agency can adapt quickly to new challenges
- effectiveness and efficiency
- attracting and retaining people of the highest quality.

Reviews should focus on building future capability. Agencies should be supported to improve their capability, in response to review outcomes with a plan for improving their capability based on their assessment. Support for follow up actions in areas of concern should be provided by central agencies, by agencies that perform well in the area of concern, and/or through the provision of additional resources.

Review results should be collected, shared and used to set standards across agencies. Sufficient and consistent information should be collected to allow benchmarking comparisons within the APS and against international performance, as well as to identify and share best practice with other agencies. Developing a set of performance standards will embed a culture of continuous improvement based on a review cycle.

Reviews should be conducted on an ongoing basis in order to allow progress to be monitored over time. However it may not be necessary to conduct a comprehensive review very often; rather, reviews focusing on areas of concern could be repeated more frequently. Targeted snapshot reviews on specific topics may also be appropriate. A robust tool will also allow agencies to undertake self assessments in between more formal assessments as they consider necessary.

A review system should ensure agency buy-in. This could be done by encouraging APS leaders to help shape the review process as well as encouraging agencies to take a key role by, for example, initiating reviews; participating in reviews, and/or using the review process, to undertake self assessment; as well as incorporate recommendations arising from reviews to build capability.

Reviews should leverage other performance reporting processes such as those undertaken by Finance and the ANAO, and make use of existing sources of information. While new sources of data may need to be drawn on (for example, stakeholder or citizen surveys to provide external views of current agency performance and capability), reviews should be designed to avoid duplicating existing processes or information sources.

Individual performance management systems should align with reviews. Agency review recommendations should be reflected in the individual performance agreements of senior leaders who have a key role in driving improvements in agency capability and implementing review recommendations.

A system of agency reviews could be implemented in the APS in a number of ways. It could be implemented comprehensively across all APS agencies over time; or focus on agencies with high-risk responsibilities; or be implemented on a voluntary opt-in basis. Each approach has its pros and cons; however the Commission considers that a mixture of all three approaches could be implemented over the long term. For example, high-risk agencies might be reviewed as a priority, with other agencies opting in as they wish, with a long-term goal of having all agencies assessed to some level. A similar approach might be taken in deciding whether to impose an external review or to allow agencies to self-review.

CONCLUSION

The Commission believes the APS is a highly professional and talented organisation with an enviable reputation around the world. However, with commitment and investment there are opportunities to bring about substantial improvements in certain areas.

In particular, we could strengthen and develop our workforce by being more strategic and long-term, and by implementing more cohesive and holistic approaches across the APS. We should be seeking ways to collaborate to achieve a more capable and sustainable workforce that is ready to meet current and future challenges.

We should also be seeking opportunities to further build public trust through a more clearly articulated, values-based culture. The APS Values are well understood, but could be simplified and better embedded in all our training and development approaches.

Finally, if we can measure and improve the effectiveness of individual agencies, we stand to improve APS performance as a whole in delivering on Government priorities.