The Australian Experience

OF PUBLIC SECTOR REFORM

AUSTRALIAN PUBLIC SERVICE COMMISSION
PREFACE

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ACKNOWLEDGEMENTS
This paper is the second in a series of APS Commission Occasional papers.

The paper was prepared in the first instance as the Australian contribution to the Country Profile series, published by the Commonwealth Secretariat in London. The Country Profiles are intended to ‘distil and analyse innovations and best public service management practice from across the Commonwealth’.

The Profile provides an overview of the Australian government and public administration framework. It describes significant reforms that have influenced public service management since the 1970s, their incorporation into current practices, and developments currently underway. While the principle focus is on the Commonwealth experience, this has been complemented by contributions from state and territory experience related to particular themes or topics.

Production of the Australian Profile has been achieved by way of a substantial cooperative effort by the staff of a range of APS agencies, state public services, and the APS Commission. Mr JR Nethercote prepared the introductory overview independently. The APS Commission undertook coordination and overall editing.

While the Profile is being published in the Commonwealth Secretariat series, I believe that there is benefit in making it more immediately and widely available through the APS Commission’s Occasional paper series. Its broad canvas and authoritative status should make it useful to many organisations and individuals, including international visitors and new entrants to the APS at all levels. It should be a valuable reference document on contemporary public service administration, and a guide to sources of more detailed official information.

The paper has been added to the Commission’s web site at www.apsc.gov.au.

Andrew Podger
June 2003
In the final quarter of the twentieth century, Australian governments, Commonwealth (national) and state, underwent extensive restructuring, a process which still continues. This restructuring has encompassed organisation, public personnel management, public sector workplace relations, remuneration and employment conditions, and management and operational practices. It has involved shedding or partial shedding of some major government business enterprises in transport, communications and banking, for instance.

Reform has included new and revamped revenue systems. It has embraced parliamentary and public scrutiny of administration. There has been significant change in relationships between government and citizens, including establishment of Ombudsman posts in all jurisdictions. There has been an overhaul of the workings of the federation itself. Relationships between government, business and private, not-for-profit organisations have been significantly recast. The latter, in the welfare field, are recovering a major role in provision of services lost as the welfare state, operated as well as financed by government, grew during the twentieth century.

Australian government as it has been restructured and remoulded is the subject of this book. It provides an account of Australian government administration as it stands at the start of the twenty-first century and Australia’s second century as a nation and as a federation. It is an important story in itself, and important as a study in successful, sustained modernisation of government administration in the light of domestic change in the nation, in the nation’s situation in the world, and changes in the technologies of office and daily life.

It is, moreover, an opportune time to survey contemporary Australian government administration. The processes of development are unfinished but the late 1990s nevertheless saw major consolidations of the changes under way in the previous two or three decades. At the national level these included new financial and audit legislation, a new Public Service Act, and other legislation covering government corporations and companies. Comparable legislative renewal and innovation may be found in all other Australian government jurisdictions, the six states and two self-governing territories, which constitute the federation.

* During the past thirty years John Nethercote held a variety of posts with the Public Service Board, the Royal Commission on Australian Government Administration, the Public Service Commission of Canada, and several public and parliamentary inquiries. He edited the Canberra bulletin of public administration from 1980 until 2000 and has been a joint editor of several books on government administration.
Restructuring of Australian governments in the late twentieth century has been diverse, extensive and comprehensive. It has also had diverse origins, domestic, demographic, technological and international in character. Changes in the economic and financial contexts of government have included especially the phenomena covered by the term ‘globalisation’. This reinforced a view, particularly after the floating of the Australian dollar in 1983, that while the Australian economy would be more open, Australian businesses themselves would have greater opportunities on the world scene. National boundaries were no longer seen as the barriers they had once been perceived to be.

Other factors of considerable significance were social and demographic developments such as increasing female participation in the workforce, adaptations necessary to facilitate integration of people who had come to Australia as part of the post-war migration programmes, comparable endeavours to include the Aboriginal people in the mainstream life of the nation, increasing levels of educational achievement, and progressive ageing of the population.

Dramatic advances in the technologies of the office and of modern life brought major change in the internal workings of administration and in the ways it related to the public.

Of central significance to the course of change in Australia, but reflecting comparable evolution in many industrial, urbanised nations, has been a major reconceptualisation of the role of government from that which marked the federation in its formative decades, and the middle years of the century, the years of the two world wars and the Great Depression.

From the late nineteenth century the governments of the Australian states and, from 1901, that of the new Commonwealth, followed active, interventionist philosophies. The centrepiece was the protective tariff. It served the dual purposes of providing the finance for many government services as well as being the major policy instrument for fostering manufacturing industry in Australia and, thus, employment. Public enterprise was likewise important, evident at state level in banking, ownership and management of railways, ports and often buses and trams. The Commonwealth on its establishment inherited the posts and telegraphs system. Its next foray into business was establishment of a bank which, as well as administering the currency, also provided trading and savings bank services, the former in competition with private banks.

Another key form of intervention was national and state workplace relations systems based on judicially-based, third party conciliation and arbitration. A particular rationale for this distinctively Antipodean approach was a pursuit of ‘equity’ and ‘fairness’ in the wages system, additional to (and sometimes notwithstanding) economic and business considerations.

The active, interventionist approach to government’s role in economy and society was also evident in the workings of the public sector itself. Public sector management was heavily influenced by the reform movements of the era, especially elimination of patronage and various corrupt practices (in tendering, for instance), introduction of competitive recruitment, and by scientific management in design of jobs, allocation of
work, and organisation of staff. These techniques were justified in terms of efficiency, economy and equity ('equity', comparable treatment of staff doing comparable work, was also reinforced by egalitarian views). Several Australian public services including, from 1920, the Commonwealth, established internal structures for handling workplace relations mirroring the national conciliation and arbitration system.

The two world wars had a major influence on public administration particularly through the preference given to war veterans in public employment, more generous in the case of those from the First World War, and this, combined with the absence of recruitment programs tailored to attract university graduates to public service, gave the hierarchies which flowed from scientific management philosophies a noticeably regimental character.

As the twentieth century advanced, the national public service, shaped by these ideas and circumstances, had to handle not only the early tasks acquired at federation—defence, customs and excise, posts and telegraphs—but new responsibilities as the work of government expanded, in the field of industry itself, development of international markets for Australian commodities and goods, transport (shipping and later civil aviation), welfare payments and services, and even greater activity in the workings of the labour market. Much publicly-funded infrastructure were promoted under a general rubric of 'development' and 'national development', terms which were frequently found in the names of government departments and agencies.

From the late 1950s activist, interventionist government, whether in the form of the tariff, centralised industrial relations, a managed exchange rate for the currency or public enterprise came under challenge. The critique was initially based on economic grounds but revitalised libertarian philosophies increasingly added weight.

Confidence in the use of market approaches was slowly restored. By the early 1960s the Commonwealth had recognised a role for government in promoting competitiveness when it introduced trade practices legislation, the direct forerunner of the role now played by the Australian Competition and Consumer Commission. Another sign of a different role for government was signalled by the successive changes of name of the historical overseer of protection, the Tariff Board, to Industries Assistance Commission, thence Industry Commission, and now the Productivity Commission.

These macro-political developments provided not only the context for change in government administration during the last decades of the twentieth century but also constituted the sources of many ideas applied in the overhaul of administration. A new circumstance, both facilitating and compelling change, was the revolution in office technology and communications symbolised by decline and demise of the typewriter and increasing use of word processors, the internet and e-mail.

Deregulation is an example of the impact of a general shift in opinion with extensive implications for the public sector. It was not only an idea which applied to a whole raft of public policy regimes; it was also a concept which had direct relevance to the internal
management and workings of public administration in terms of financial and personnel systems. Moves to attune government organisations to the particular circumstances of their operations inevitably challenged standardised, scientific management-style practices implemented through centrally-promulgated regulations.

The consequence of these shifts in the macro-political climate as applied to government organisations and operations has been emergence of a public administration which, whilst still carrying many of the distinguishing features whose origins are to be found in previous reform programmes, is discernibly different from its past during most of the twentieth century. These former features include the continuing, indeed enhanced and revitalised, centrality of merit as the paramount value in public personnel management. Another such feature is the ‘apolitical’ character of public service within a structure of responsible government and ministerial control of administration. The conduct of officials continues to be governed by the principle that neither an individual (nor a private organisation employing such an individual) should gain an advantage, financial or otherwise, from holding, or having held, public office.

These continuities with the past, however, may be contrasted with the differences. Conventional public services whose practices derived from that of Whitehall in the mid-nineteenth century developed on the basis of career service, with tenure until retiring age subject to satisfactory conduct. The framework of a career service essentially remains, but tenure has been replaced by contracts and a range of procedures for voluntary and involuntary redundancy where the workforce exceeds what is needed for current and foreseeable requirements. In Australia, several public services have for practical purposes abandoned the idea of a unified pay structure (even if they seek to retain a form of common grading structure).

Integral to these changes has been a greater focus on remuneration in terms of costs to the employer, leaving employees greater scope to structure remuneration in forms convenient to their personal situation—reduced salary in exchange for increased superannuation benefit or reduced hours (or both) is an example.

Clearly defined chief and senior executive cadres are a very visible component of the public service emerging from the twentieth century. Historically, Australian public services generally had a common personnel structure from recruitment grades to the top levels. Even at the highest levels distinctions were largely confined to methods of appointment (by the Government), pay (identifiable parliamentary appropriation), certain entitlements (class of travel, for example), and discipline. The pervasive egalitarianism of this system has given way explicitly to development of a separately defined senior executive cadre, still mostly drawn from the mainstream public sector workforce, with individually negotiated terms of employment.

A new department/agency-based management structure lies behind emergence of public services whose unity is expressed in terms of statutorily prescribed ‘values’ and ‘codes
of conduct’ and where uniformity of employment, pay and conditions has been abandoned. Management powers are now essentially vested in the department or designated agency (often expressly in the hands of the chief executive officer, even if in fact mostly delegated). There is no longer an overarching administrative authority such as, most usually, a public service board, with comprehensive powers over recruitment, establishments, pay and conditions of employment, or discipline including dismissal. Public service commissioners, where they remain, have a largely professional rather than an employment or management role, and are most visible in training and staff development activities, and articulation and promotion of ethical standards.

This model of central management is essentially still evolving. It has, in a decade and a half, undergone several changes already (though none of a major character). Accepted non-institutional mechanisms for handling government-wide matters without materially diminishing agency autonomy have not been established. Likewise, the question of independent public appraisal of efficiency and effectiveness, either of organisations or of government-wide policies and practices, may need shortly to be addressed. Under current structures, appraisals may be performed by agencies themselves (which would not be independent), the Public Service Commissioner, the Auditor-General, or an ad hoc inquiry (possibly by a royal commission). The desirability and viability of more systematic or comprehensive approaches remains an open question.

Transition to department (agency) based management is partly a consequence of change in the value attaching to the concept of a unified public service (first set out in the Northcote-Trevelyan report of 1853). But there are other reasons, basically of a practical nature, for the change. One is found in the costs entailed in the quest for a unified service, in contrast to the benefits. Another, perhaps more compelling factor, is the growth of agencies to a size where they can be reasonably expected to maintain and exercise an autonomous management capability subject to a pre-determined expenditure budget extending two or three years ahead. In Australia this latter situation was promoted by extensive departmental and organisational amalgamations which characterised machinery of government decision-making at the end of the 1980s and the early 1990s. Central agency arrangements are, in part, a function of the general configuration of the organisational machinery of government and as the latter has changed, so too has the form and style of central capability.

General personnel management including organisational practices warrant special mention. As already observed, for half a century after the First World War the general culture of administration was heavily affected by war veterans who had special entitlements and preferences in the public services. The veteran impact was felt in various forms from overt persistence of hierarchy to application of a merit principle heavily influenced by seniority considerations. There was a hostility to university graduates and to women except in auxiliary posts. More constructively, the veteran influence was evident in the growth of training as an active component of personnel
management after the Second World War, reflecting its widespread use in the defence services. By the late 1950s, mainly because of the veteran influence, Australian public services were seen generally as administratively strong but weak in policy development and review.

The veteran era was succeeded by an era dominated by university graduates in which women have steadily if slowly won a place in the middle and senior ranges of the public sector workforce, increasingly moving into chief executive ranks of government authorities and, if only infrequently, departments.

The rise of graduates in public administration combined with supplementation, supercession and replacement of the old tools of administration—the typewriter, the telephone, the telex and the postal service—with the photocopier, the facsimile, the personal computer and e-mail, to create the circumstances of modern administration. Tasks which previously took months can now be done in days if not hours. Computer competency is a vital skill in modern government, a qualifier for consideration for recruitment or promotion rather than a yardstick of merit.

Scientific management has given way to business management as the inspiration for new thinking on operations. In addition to business-style remuneration on a performance basis, and the use of various forms of performance appraisal and evaluation, public service organisations have sought to restructure work by concentrating on ‘core’ functions on a ‘managing for results’ basis. Supporting activities have been ‘out-sourced’ to contractors on a relatively major scale. This has included ownership and maintenance of property (combined with sale and leaseback), computing services, legal services and even performance of many routine aspects of the personnel system. It has also included policy work of various kinds as the growing role of consultancy organisations with public sector clienteles demonstrates.

A significant part of the new system of public administration has been redrawing the boundaries between management and labour unions. Particularly during the years of full employment, unions secured a prominent role not only in workplace relations but also personnel management, conspicuously as members of tripartite committees deciding appeals against promotion decisions.

Changes in the 1990s have generally altered the union role so that it now focuses on identifiable grievances rather than participating in essentially management decisions. Except where the provisions of the Public Service Act are involved, the union role in the public service is now more similar to that in the private sector. In the Commonwealth, public service workplace relations themselves come under the national Workplace Relations Act.

These extensive developments and changes in the conduct of administration have been accompanied by comparable change in the key relationships of administration with ministers, parliament and the public. Ministers themselves reflect similar demographic
changes which have had so marked an impact on the social composition of public services. They are now more likely to have had a university education than their counterparts of a generation ago; they are also younger and less likely even to want to remain in parliament until conventional retirement age; as in the public service, women are slowly winning a presence in parliament and also rising to ministerial positions. The private offices of ministers now contain a significant capacity for policy analysis and development and are much more than departmental outposts.

Parliaments have likewise enhanced their capacities, more in practice for scrutiny of administration than for legislating. Parliamentarians themselves have larger staffs, again with capacity, albeit restricted, for policy analysis and appraisal. Parliaments as institutions have similarly acquired policy capacities, mainly in the form of research services attached to libraries (themselves major resources) and to some limited extent in the secretariats of committees.

In nearly all parliaments committees have become a, if not the, major forum for parliamentary endeavour. Plenary sessions of the various houses are now essentially important as forums for the party battle, particularly at question time. The business of administration figures only sparingly in plenary proceedings, even in consideration of legislation. Government administration, by contrast, is the focus of committee work, including in consideration of legislation.

One of the earliest reforms to Australian government in the late twentieth century was adoption of administrative review of decisions on the merits combined with a simplification of avenues for judicial review of decisions. All jurisdictions established Ombudsmen. Several established tribunals to review specified decisions on the merits. Many agencies independently developed their own procedures for review and handling of complaints. In recent years, there have been several initiatives to broaden citizen opportunity to secure improved service by adoption of citizen's charters. Citizen access to administrative proceedings was also under-written by freedom of information laws.

Public opportunities to contribute to policy formation have undergone major change. The traditional royal commissions and public inquiries, if used much less frequently, remain significant instruments for investigations and policy development. Private organisations, however, are more actively organised to represent views on policy and administration to ministers, parliamentarians and officials. Whereas in the past they mainly came from business, they now cover most fields of policy from health and welfare to consumer and environmental protection. In some of the latter cases they are funded (at least in part) by government. Formal procedures for consultation (in preparing the annual budget, for instance) combine with informal consultations throughout the year. For agencies with national networks, there are also locally-focussed consultative arrangements.

In addition to their review and investigatory functions, public inquiries and royal commissions have an important general role in providing pointers to future tasks for
government administration in an era where change and development are explicitly recognised as being permanent preoccupations of ministers and senior officials.

In Australia, at national level, recent investigations have focussed on a range of issues which will figure prominently on the public agenda during the next decade and beyond. A Treasury report on intergenerational change has highlighted implications of an ageing population for the financing of government services, especially on health, aged care and pensions. It is also a reminder of the progressive recognition that human services, so much focussed on children and young people for most of the twentieth century, must now also address the needs of citizens as and after they leave the workforce. The length of retirement is now considerably extended, a consequence of longer life expectancy and (often) earlier retirement.

In the post-deregulation era the purpose of continuing government activity in industry is increased competition with consequential enhancements in productivity and efficiency, and the maintenance of integrity in the marketplace. Recent interventions by the Reserve Bank of Australia and the Australian Competition and Consumer Commission in the workings of the credit card market illustrate government's role in promoting productivity, strengthening competition and protecting the consumer position.

Government's increasingly explicit role in activities of a consumer or citizen protection character will be very prominent in the next few years when the royal commission into Australia's biggest corporate collapse, the insurance giant HIH, reports. Some of the implications of that collapse are already under review in a study of the various prudential and similar bodies within the Treasury portfolio. This review should shed important light on the performance of prudential responsibility in the deregulated financial system of the past two decades.

Lawful and orderly conduct of business is the subject of the Cole royal commission into the building and construction industry which reported in March 2003. The report has proposed a new national authority to oversee the workings of the industry, the purpose again being two-fold—enhanced productivity through effective competition and elimination of corrupt practices, and consumer protection.

A major source of government work in the next few years has ensued from the terrorist attacks on the World Trade Centre in New York and the Pentagon in Washington, DC on 11 September 2001 and the bomb in Bali in October 2002. Internal security of this type has been a growing function of governments in the last century but the recent attacks have given added new poignancy and significance to an ancient responsibility.

Ensuring that government has adequate means to address its continuing as well as new responsibilities is a complex task, combining attention to staff, finances, equipment, methods and locations of operations. In many respects it is a task which must be addressed iteratively and pragmatically by a range of departments and agencies. But it is also a task which needs to be viewed directly and strategically.
Several Australian governments, including the Commonwealth, together with the New Zealand government, in combination with a number of universities, have recently established the Australia and New Zealand School of Government (ANZSOG) to provide high level graduate education for staff with marked potential for the most senior posts in administration, as well as development programs for those already at very senior levels. ANZSOG, which commenced operations in mid-2003, represents a considerable strengthening of the means whereby Australian governments prepare themselves for administration in the twenty-first century.
The Commonwealth of Australia was established on 1 January 1901. The Constitution of the new Commonwealth had been drawn up by various contemporaries of colonial parliamentarians during the 1890s. It was endorsed by the people at referendums and embodied in a Act of the British Parliament in 1900, which authorised Queen Victoria to proclaim the establishment at federation.

Prior to 1901, the system of government in Australia had evolved progressively, from the time when the country had been proclaimed as a British possession in 1788, to the point where it comprised a collection of six self-governing British colonies, effectively under the control of the United Kingdom.

Upon Federation, the Constitution made provision for a national level of government referred to as the Commonwealth, with legislative power exercised through a federal Parliament comprised of a Senate and a House of Representatives. The former six colonies became six states. Each retained its own Parliament, able to exercise legislative powers, except as limited by the new federal Constitution.

*Figure 1: Map of Australia, showing states and mainland territories.*
A range of government functions and services is also delivered at the local or community level. Local government as such is not recognised specifically in the Constitution and is established under legislation of the individual states. The functions and funding of local government are discussed further below.

In 1901, Australia’s population was 3,773,800. As at 30 September 2002, the estimated population of the states and mainland territories of Australia was some 19,724,900, distributed as follows:

<table>
<thead>
<tr>
<th>State</th>
<th>Population</th>
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<tbody>
<tr>
<td>New South Wales</td>
<td>6,657,400</td>
</tr>
<tr>
<td>Victoria</td>
<td>4,888,200</td>
</tr>
<tr>
<td>Queensland</td>
<td>3,729,000</td>
</tr>
<tr>
<td>Western Australia</td>
<td>1,934,500</td>
</tr>
<tr>
<td>South Australia</td>
<td>1,522,500</td>
</tr>
<tr>
<td>Tasmania</td>
<td>473,400</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>322,200</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>197,700</td>
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(NB. Figures are rounded and exclude non-mainland territories.)

THE STRUCTURE OF GOVERNMENT

The Constitution provides for the powers of the Commonwealth to be exercised at three levels:

- power is conferred on the Parliament
- executive power, to assent to and administer laws, and to carry out the business of government, is conferred on the Governor-General, Ministers of State, departments, other government agencies, and the defence forces
- judicial power is vested in the High Court of Australia and other courts established by the Parliament.

Each of these levels is discussed further below.

ORIGINS

The national system of government in Australia draws both from the United Kingdom and the United States, as well as having its own unique characteristics.

It is a parliamentary system, where the majority in the House of Representatives determines the executive arm, and where Ministers are Members of Parliament.
It is a bicameral system with an elected upper house, the Senate, which is elected under a proportional representational voting system based upon equal numbers of representatives from each state, plus a smaller number of representatives of the mainland territories.

The House of Representatives consists of members elected in single-member electorates by compulsory voting of all those aged 18 and over, with a unique form of preferential voting system (as distinct from first-past-the-post voting).

**FEDERAL PARLIAMENT**

Broadly speaking, the Commonwealth Parliament (comprising the Senate and the House of Representatives) is able to make laws only in relation to a range of specific subjects listed in the Constitution. Major areas include taxation, defence, external affairs, trade, and immigration.

Over the years, the power of the Commonwealth has also broadened, through its increasing capacity to raise revenue through taxation (including customs and excise duties) (see further below) as well as growing trade and commerce across state and national boundaries.

Today, the Commonwealth has extensive capacity to influence business and community affairs notwithstanding the apparent limitations in the Constitution in many areas. It does so in close cooperation with the states, often drawing on its financial capacity. For example, although the Commonwealth has no specific constitutional power in relation to education, it has been able to influence significantly the operations of universities and other tertiary institutions in the states, by maintaining ‘tied’ grants as discussed below.

Beyond the clearly defined areas, Commonwealth legislation may be enacted under the Constitution's external affairs power, if the Commonwealth government considers it to be necessary to give effect to an international agreement to which it is a signatory. Elsewhere, the Commonwealth has legislated by agreement with the states, in areas with Australia-wide application, such as broadcasting, navigation, and food standards.

**THE EXECUTIVE**

As well as being a federation, Australia is a constitutional monarchy with the Queen as the formal Head of State. The Governor-General, appointed by the Queen on the advice of the Prime Minister, is the Queen's representative in Australia, and fulfils the traditional role of ‘advising, encouraging and warning’ in relation to the government of the day. The Governor-General exercises formal executive powers subject to the principles of responsible government and on the advice of Ministers. The Governor-General also performs a range of ceremonial and other functions.
Commonwealth Ministers must sit in Parliament, as Senators or members of the House of Representatives, and are appointed by the Governor-General on the recommendation of the Prime Minister. They have responsibility for administering the various Commonwealth Portfolios assigned to each Cabinet Minister. Each portfolio may contain one or more agencies. An example is the Foreign Affairs and Trade portfolio. The agencies that constitute this portfolio are the Department of Foreign Affairs and Trade, the Australian Trade Commission, the Australian Agency for International Development, the Australian Secret Intelligence Service and the Australian Centre for International Agricultural Research. The makeup of portfolios may change over time as governments review their policy priorities, with agencies moving between portfolios or new agencies being created.

The 17 portfolios in place at June 2003 are:

- Agriculture, Fisheries and Forestry
- Attorney-General
- Communications, Information Technology and the Arts
- Defence
- Education, Science and Training
- Employment and Workplace Relations
- Environment and Heritage
- Family and Community Services
- Finance and Administration
- Foreign Affairs and Trade
- Health and Ageing
- Immigration and Multicultural and Indigenous Affairs
- Industry, Tourism and Resources
- Prime Minister and Cabinet
- Transport and Regional Services
- Treasurer
- Veterans’ Affairs.

The government is constituted of the core departments of state, staffed by the federal public service.

Exercise of executive powers occurs in a similar manner in the Australian states, whose Parliaments generally comprise two legislative chambers (commonly titled Legislative, or House of, Assembly and Legislative Council). The Queen’s representatives in the states are the state Governors with roles similar to those of the Governor-General.

In practical terms, the principal decision-making bodies at both Commonwealth and state government levels are the respective federal and state Cabinets, comprising senior Ministers of the governments in office at any given time.
THE JUDICIARY

The federal Constitution provides for the establishment of the High Court of Australia. It is the final court of appeal in Australia on federal matters, and matters dealt with by state Supreme courts. One of the Court’s principal functions however, is to decide disputes about the meaning of the Constitution. In that context, it exercises ultimate authority in determining whether an Act of the federal Parliament is within the legislative powers of the Commonwealth.

The Commonwealth government is also empowered by the Constitution to create other federal courts, and to vest judicial power in such courts, and in courts of the states.

State constitutions and legislation provide for their own judicial systems, headed by the state Supreme Courts.

THE STATES

Subject to a few exceptions, the Constitution does not limit the subjects on which the states may make laws. The most important exceptions are that the states are precluded from imposing duties of customs and excise, and they cannot raise defence forces without the consent of the Commonwealth Parliament. Otherwise, state parliaments may pass laws on a wider range of subjects than the Commonwealth Parliament, on any subject of relevance to the particular state. Hence, primarily state laws regulate important areas such as education, health, roads, and criminal law.

There remain some significant constraints on state legislative powers. A state law is invalid to the extent of any inconsistency with a valid Commonwealth law on the same subject. As a result, a number of matters affecting all Australian citizens, on which the Commonwealth Parliament is able to legislate under the Constitution, are regulated almost entirely by Commonwealth law, for example immigration.

AUSTRALIAN TERRITORIES

The Commonwealth Parliament is empowered by the Constitution to make laws for the government of any Australian territory. Law-making powers extend to any subject, and are not shared with state Parliaments.

A large measure of self-government has been conferred on three territories, namely the Australian Capital Territory (location of the federal capital city, Canberra), Australia’s largest mainland territory, the Northern Territory, and Norfolk Island. The remaining territories, which include the Australian Antarctic Territory, are offshore and sparsely populated.
LOCAL GOVERNMENT

In June 2002 Australia had around 700 local governing bodies, and some 147 500 local government employees. Functions vary, but typically include local public works and services, town planning, licensing and inspection of community and business activities, and the delivery of certain community health and welfare services. State governments retain control of all major public works, and of policies of wider significance for all communities in areas such as education and health.

Funding of local government derives substantially from charges imposed on communities for the delivery of basic services, and revenue (rates) from varying forms of property taxes. Commonwealth and state governments provided additional funding in excess of A$2 billion in 2002.

The Australian Local Government Association is the federation of local government associations representing each of the Australian states and territories. It represents local government interests when dealing with the Commonwealth on national level issues, thus promoting the status of local government whilst maintaining effective working relationships at the local level.

THE WIDER PUBLIC SECTOR

At both Commonwealth and state levels, large numbers of government organisations have been established outside the core public services to perform a range of functions and provide a variety of services to the community.

Typically, organisations of this nature have been public utilities providing transport, electricity and water supply services. Increasingly, however, these types of organisations have been sold by governments, under arrangements providing for varying levels of private ownership.

Other public sector organisations include organisations operating outside the public service framework include public non-commercial broadcasting organisations, government-supported education and research institutions, authorities overseeing the marketing of primary production, and licensing and regulatory arrangements for those requiring professional or skilled trades qualifications.

PUBLIC SECTOR STAFFING

In June 2002 some 1.5 million staff were employed across the four sectors described above, with the smallest proportion (7.9 per cent) in the core Australian Public Service. Other Commonwealth employers accounted for 10 per cent, and local government, 9.8 per cent. State governments constituted the largest proportion, at 72.3 per cent. As indicated below, however, these staffing proportions are not reflected in the revenue and expenditure patterns for the different sectors.
GOVERNMENT REVENUE AND EXPENDITURE

Financial considerations have a significant impact on the exercise of government powers and patterns of expenditure at Commonwealth, state and local levels.

RAISING OF REVENUE

The Constitution precludes the states from imposing taxes, customs and excise duties. During the Second World War, income tax powers, previously exercised by the states, were transferred to the Commonwealth to provide the necessary expanded revenue base to meet wartime and post-war recovery needs. Those taxation arrangements have been maintained to the present time, for economic and political reasons.

As noted later, the effect is that the Commonwealth raises most of the revenue—around 80 percent—however, most spending is done by the states.

Various arrangements have been adopted to address this imbalance between the Commonwealth and the states. The Commonwealth Grants Commission, an independent statutory authority, established in 1933 has the principal function of assisting the Commonwealth to determine an allocation of general revenue assistance among the states and territories. The Commission’s recommendations are based on the ‘equalisation’ principle that each state and territory should have the financial capacity to provide a comparable range and standard of government services as the other states and territories, provided that it undertakes a comparable revenue effort and conducts its affairs with an average level of operational efficiency.

The Grants Commission now advises on the allocation of a substantial component of revenues to the states and territories based on this principle. Such moneys are general purpose ‘untied’ grants. In addition, the Commonwealth makes ‘special purpose grants’ or ‘tied’ funds to the states for hospital care, schools, housing, disability services and so on, subject to conditions and performance reporting. These latter grants are authorised under section 90 of the Constitution, which provides that ‘the Parliament may grant financial assistance on such terms and conditions as the Parliament thinks fit’.

Table 2 below summarises, in an accrual accounting framework, the general government operating statement for all Australian governments in 1998–99. The importance of inter-government transfers is made clear in the table:

- while Commonwealth taxation revenue amounted to A$140 billion, A$33 billion of this was transferred to the states in current and capital grants;
- while states’ taxation revenues amounted to some A$35 billion, they relied upon almost as much in grants from the Commonwealth.

The majority of the funds transferred (around A$24 billion) was allocated without condition on the basis of Grants Commission advice. The remainder (around A$9 billion) was for specific purpose grants.
Also clear from this table is the importance of transfers more generally in Commonwealth expenditure, not only to the states but also to individuals primarily through social security and medical benefits. The Commonwealth’s gross operating expenses, at A$41 billion, are substantially below those of the states (at A$64 billion).

The arrangements for transferring revenues from the Commonwealth to the states has been a source of continuing debate in the Australian federal system.

### Table 2: All Australian governments: general government, operating statement—1998–99.

<table>
<thead>
<tr>
<th></th>
<th>Commonwealth</th>
<th>Multi-jurisdictional (a)</th>
<th>States and territories</th>
<th>Local</th>
<th>All Austn govts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>A$ billion</td>
<td>A$ billion</td>
<td>A$ billion</td>
<td>A$ billion</td>
<td>A$ billion</td>
</tr>
<tr>
<td>Taxation</td>
<td>140</td>
<td>-</td>
<td>35</td>
<td>6</td>
<td>181</td>
</tr>
<tr>
<td>Current grants and subsidies</td>
<td>-</td>
<td>4</td>
<td>32</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Sale of goods and services</td>
<td>4</td>
<td>3</td>
<td>9</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
<td>1</td>
<td>15</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>152</strong></td>
<td><strong>9</strong></td>
<td><strong>91</strong></td>
<td><strong>15</strong></td>
<td><strong>225</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross operating expenses</td>
<td>41</td>
<td>8</td>
<td>64</td>
<td>13</td>
<td>127</td>
</tr>
<tr>
<td><strong>Current transfers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to states</td>
<td>31</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>to universities</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>to individuals</td>
<td>49</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>to other</td>
<td>8</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>147</strong></td>
<td><strong>8</strong></td>
<td><strong>87</strong></td>
<td><strong>14</strong></td>
<td><strong>215</strong></td>
</tr>
<tr>
<td>Net operating balance</td>
<td>5</td>
<td>-</td>
<td>4</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Less net acquisition of non-financial assets</td>
<td>1</td>
<td>-</td>
<td>4</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Net lending (+) &amp; borrowing (-)</td>
<td>4</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

(a) Multi-jurisdictional includes in particular, universities, supported by Commonwealth and state governments.

Note: Sums of individual levels of government may not agree with totals for all Australian governments due to transfers between levels of government, and rounding to the billion. (Derived from ABS 2001, 2001 Yearbook Australia, p. 925. ABS catalogue no. 1301.0.)
The Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations, signed in April 1999, radically changed the nature of inter-governmental financial relations. Under the Agreement, the Commonwealth passed legislation to provide that all of the revenue from a new Goods and Services Tax (GST) would go to the states and territories. The GST replaced a regime consisting of a wide range of differential taxation rates on items for retail sale. Providing all the revenue to the states removed the need for the Commonwealth and the states to haggle over the amount of general-purpose funds to be provided to the states. The GST revenue is still allocated according to Grants Commission formula, and the Commonwealth continues to provide special purpose payments to the states for health, education and public housing etc.

The Intergovernmental Agreement established a Ministerial Council comprising Commonwealth and state Treasurers to oversee implementation and operation of the Agreement and to ensure compliance with its terms.

Thus, while not resolving all state revenue concerns, introduction of the GST represented a significant adjustment of the fiscal balance between the Commonwealth and the states, reducing some major tensions over levels of Commonwealth funding to the states.

The final provision of GST revenue (amounting to A$26.6 billion) to the states in 2001–02 is illustrated in Figure 2.

*Figure 2: GST revenue provision to the states and territories, 2001–02 (in A$ millions).*

![GST revenue provision to the states and territories, 2001–02 (in A$ millions).](image)


**Patterns of Expenditure**

For 2002–03, total projected Commonwealth expenditure is A$170.2 billion, with about two thirds of that amount budgeted for spending on social security, health and education, as illustrated in Figure 3. As shown in Table 2, much of this spending is by way
of transfers—comprising social security and medical benefits paid to individuals and specific purpose payments to the states.

**Figure 3: Commonwealth general government expenses by function, 2001–02.**

The major expenditure areas for the states and territories are related to provision of primary and high school education, public health and welfare services, and public safety. By way of example, spending by the three most populous states (New South Wales, Victoria and Queensland) by major function is shown in Figure 4. These expenditures include some funds provided by the Commonwealth.

**Figure 4: State government expenses by function, 2001–02.**

Notwithstanding the funds provided by Commonwealth and state governments, local government frequently claims to have an inadequate revenue base to meet demands for an increasing range of services to their communities, such as health centres, aged care facilities and employment programs. A House of Representatives parliamentary committee is now inquiring into local government roles, responsibilities and funding in Australia. The committee is expected to report in mid-2003.
**INTER-GOVERNMENTAL RELATIONS**

The federal system in Australia involves continuing interaction between the three tiers of government—Commonwealth, state and local. Differing priorities and resources at each level underline the importance of maintaining effective arrangements for consultation and cooperation.

From the early years of federation the Prime Minister and the heads of each state government (state Premiers) held annual official meetings, called Premiers’ Conferences. These came to be directed mainly to settling the detail of Commonwealth–state financial relations, with occasional consideration of other business.

In 1992, the Council of Australian Governments (COAG) was established. It has now effectively replaced the Premiers’ Conferences, and operates, under the chairmanship of the Prime Minister, as the peak inter-governmental forum in Australia. It has representation from each level of government and addresses agendas beyond Commonwealth–state finances. The latter are now considered mainly at annual meetings of Commonwealth and state government Treasurers.

The role of COAG is to initiate, develop and monitor the implementation of policy reforms which are of national significance, and which require cooperative action by Australian governments. These have included reforms of electricity, gas and water supply utilities, consistent with national competition policy, as well as environmental regulation. With the introduction of the GST the main financial relations focus of the previous Premiers’ Conferences became redundant, allowing COAG to evolve even further as a forum for addressing structural policy priorities.

Meetings of COAG are arranged when a sufficient number of significant issues arise, but occur at least once a year. Particular issues may also be settled by correspondence.

In addition to COAG there are more than 40 Commonwealth–State Ministerial Councils currently facilitating consultation and cooperation between governments in specific policy areas. They initiate, develop and monitor policy reform, and solve problems where possible in areas such as energy, regional development, workplace relations, housing, consumer and environmental issues, Aboriginal and Torres Strait Islander affairs, and the operation of gambling facilities.

Councils usually comprise relevant Commonwealth, state and territory ministers. Ministerial Councils may choose to admit members from other countries. For example, New Zealand and Papua New Guinea are members of some Councils, and individual Ministerial Councils may choose to invite the Australian Local Government Association to be a member or attend particular meetings if appropriate. Ministerial Councils typically meet once or twice a year to discuss various issues and agreements, and have supporting forums of relevant departments.
There are long-standing arrangements for consultation and co-operation between Commonwealth and state Public Service authorities. Conferences of Public Service Commissioners, generally annual, have occurred since 1937. From an initial focus primarily on conditions of service matters, the conferences in recent years have turned their attention to broader policy issues of common interest. Matters addressed in 2002 included public service principles and values, leadership development, labour market shortages and an aging workforce, governance of information technology, and integration of services delivered by government.

The annual conference is supported by six-monthly progress and information reports from each public service jurisdiction, with either a mid-year teleconference, or a second meeting of the Commissioners.

Australian government arrangements at all levels continue to evolve, as a consequence of changes in international affairs, relationships with overseas governments, and the challenges of globalisation.

FURTHER INFORMATION:


Federal Budgets are at http://www.budget.gov.au/

State government Budgets:


Australian Local Government Association http://www.alga.asn.au

Parliamentary inquiry into local government
Prior to Federation, each of the six self-governing colonies in Australia had moved to establish and systematise their individual public services.

As with the systems of government generally, many of the fundamental principles of the colonial public services owed much to Australia’s inheritance from Britain, and the latter’s civil service reforms in the 19th century. In particular the Northcote-Trevelyan Report, with its clear rejection of patronage served to underpin the perceived necessity for establishing permanent career public services. In Australia, combating corruption was also an early goal of administrative reform.

The Australian colonies, unlike Britain itself, embodied their structures for public service management in legislation from a very early stage. Civil Service Acts in 1862 and 1863, in Victoria and Queensland respectively, went beyond those of the other colonies in attempting to limit political patronage by means of competitive examination entry. Subsequent reform legislation in Victoria provided for appointment of a Public Service Board of three members, to exercise strict control over appointment of outsiders to vacancies. It also defined the qualifications required for lower and higher grades, with promotion dependent on qualifying by examination.

Similar legislation was progressively enacted in the other colonies. In New South Wales, a Public Service Board of three Commissioners was also established, with control over both the staffing and management of the public service. By the date of Federation, public service legislation operated in all the colonies, although with varying content.

**THE FEDERAL PUBLIC SERVICE ACT**

The basic laws regulating the structure, responsibilities and management of the Australian Public Service (APS) have been the three successive Public Service Acts of 1902, 1922, and 1999.

As mentioned below, other legislation also impacts on the employment of federal public servants in various ways, but the Public Service Acts have set out the central framework.

**THE 1902 FOUNDATIONS**

The British Civil Service Commission and the New South Wales and Victorian Public Service Board systems were used as the principal models, for purposes of drafting legislation to govern the newly established federal Public Service.
The 1902 Commonwealth Public Service Act set out the essential elements of a career public service. These constituted merit-based competitive staffing of positions from the point of initial entry to the public service, subsequent progression by way of promotion on the basis of merit, security of tenure to retirement, and protection against arbitrary termination of services (i.e. termination only for cause by due process).

Control of the Public Service was highly centralised under the 1902 Act, administered by a Public Service Commissioner.

The first Commissioner (DC McLachlan) had initial responsibility for bringing together a number of departments formerly administered by the states, into a federal public service, and providing for the systematic introduction of a new system of classification and grading. His work strongly influenced the management and control of the public service well beyond his own term of office.

A significant change occurred in public service management structures in 1911 when public servants were allowed access to the Commonwealth Court of Conciliation and Arbitration for resolution of disputes about classification, pay and employment conditions. This acknowledged, for the first time among national public services, the principle of third party arbitration of disputes between employer and employee.

**THE 1922 ACT**

Reactions against strong central control, and the impact of the First World War on public service administration, led to pressures for change. The recommendations of two post-war Royal Commission reports (one chaired by McLachlan) brought about the passage of new public service legislation, namely the 1922 Public Service Act.

Administered by a three-member Public Service Board, the new Act distinguished more clearly the powers of the heads of public service departments, and of the Board itself. Under the Act, the ‘permanent heads’ (so designated) were responsible for the department’s ‘general working and...all the business thereof’ and for advising the Minister in relation to all departmental matters.

The Act provided a charter for the Board to review and promote public service efficiency and economy—responsibilities that became increasingly significant after World War II in the post-war reconstruction environment. The charter also provided a basis for the Board’s operational functions associated with recruitment to a career public service in accordance with merit principle provisions.

The fundamental structure and coverage of the 1922 Act remained in place for more than 70 years. In the intervening period, particular areas of APS administration such as recruitment, promotion, discipline, and redeployment-retirement were subject to major legislative reform. The legal framework was also enhanced during the 1980s through
insertion of equal employment opportunity provisions and further development of merit and anti-discrimination provisions.

As a consequence of these changes, the Act (along with the Public Service Regulations and associated instructions and guidelines), increased in size and complexity, resulting in growing pressure for fundamental review and simplification of the legislation.

The 1970s Royal Commission on Australian Government Administration (the Coombs Commission) contributed significantly to this pressure, and was a major influence on APS reforms over the remainder of the 20th century. (The Coombs Commission is discussed in more detail in the next chapter)

Some of the Coombs proposals were implemented progressively by the then Public Service Board. In particular, the Board, and from 1987 its successor the Public Service Commission, delegated to departments many of the detailed staff management powers assigned to the central personnel agency under the 1922 Act. Full devolution of these powers required major legislative change. This did not occur until 1999.

THE PUBLIC SERVICE ACT 1999

In 1996, the government decided that much more needed to be done to enable the Service to operate efficiently and competitively, and in line with best practice in overseas public services and in the private sector. This reflected recognition that the APS needed to be responsive to significant diversification of the workforce in the 1970s and 1980s and to changes occurring in the Australian community.

By this time the 1922 Act was more than 75 years old, had been amended on a piecemeal basis more than 100 times, was highly complex and technical, was almost 250 pages long, and promoted a legalistic approach to managing people.

Following an extensive review and consultation process, a new legislative framework was developed, with ultimate passage in the form of the 1999 Public Service Act (the PS Act). That Act represented a culmination of the reform measures pursued in the preceding two decades.

While retaining the essentials of a career public service, and the focus on merit selection in the 1902 and 1922 Acts, the new Act differs significantly in a number of key areas:

- For the first time it contains a declaration of APS values, reflecting public expectations of the relationship between the public service and the government, the Parliament and the Australian community, with specific reference to political impartiality, maintenance of the highest ethical standards, accountability for actions, and responsibilities to the government of the day. The 15 APS Values are reproduced in the Appendix.
• A legally enforceable code of conduct is articulated, setting out the standards of behaviour expected of those working in the public service.
• Specific provisions are included affirming the merit principle, prohibiting patronage and favouritism, and affording protection for public interest whistleblowing by APS staff.
• Staffing powers previously assigned to the Public Service Commissioner and delegated to the heads of public service agencies, are fully devolved to them. They are thus afforded all the rights, duties and powers of an employer in respect of their APS employees, with authority to engage, terminate and determine their employment terms and conditions.
• An APS employee is entitled to seek a review of any action affecting their employment.
• An office of Merit Protection Commissioner has been established with independent review and inquiry powers.

The 1999 Act also brought about changes in language.
• Departments and public (or statutory) authorities are now referred to as ‘agencies’.
• The heads of public service organisations, once called permanent heads, then departmental secretaries, have become ‘agency heads’, and this term also applies to the variously designated heads of statutory agencies, which have APS employees.
• Career staff who were commonly described as ‘permanent’ are now referred to as ‘ongoing’ staff, and represent the usual basis for engagement.
• Employees recruited for shorter periods or specific tasks are called ‘non-ongoing’ employees.

ADMINISTERING THE ACT

Overall administration of the PS Act is the responsibility of the Public Service Commissioner. Specific functions of that office include:
• developing, promoting, reviewing and evaluating APS employment policies and practices
• facilitating continuous improvement in people management throughout the Service
• coordinating and supporting APS-wide training and career development opportunities for staff of the Service
• contributing to and fostering leadership in the APS.

A key function of the APS Commission is to promote the APS Values and code of conduct, and to evaluate the extent to which they are incorporated and upheld through the management practice of APS agencies. Public Service Commissioner Directions have
been issued to agency heads and APS employees on minimum requirements for meeting each of the values. Directions have also been issued both on whether an APS employee has breached the code of conduct, and in relation to Senior Executive Service employment matters.

While the Values are generic throughout the Service, and the Act requires the heads of agencies to uphold and promote them in their organisations, they are encouraged to do this in ways that most suit their business and the culture of their particular workplace.

THE APS VALUES AND ACCOUNTABILITY

The Commissioner’s Directions constitute one element of the accountability characteristics of the PS Act. The legislation has been framed to provide an inter-locking system of powers and responsibilities, integrated within a departmental management framework. It provides a model of accountability in which the public interest is clearly articulated. A further key element is the requirement for the Commissioner to report annually to Parliament on ‘the state of the APS’.

The APS Values make specific reference to the broader accountability obligations of the Service. Thus, section 10(1) (e) of the Act states the APS is openly accountable for its actions, within the framework of ministerial responsibility to the Government, the Parliament and the Australian public.

The Values also underline the requirement for the Service to be responsive to the government-of-the-day in providing frank, honest, comprehensive, accurate and timely advice and in implementing the government’s policies.

These provisions recognise that the government and its Ministers determine the public interest in terms of policies and program priorities, and public servants, within the requirements of the legal framework, advise on and implement their decisions. The public service has particular responsibility for the public interest in upholding the law and ensuring due process.

The Act provides for a Management Advisory Committee, whose functions are to advise the government on significant issues relating to the management of the Service, and to be a forum for considering major management activities with APS-wide effect. This Committee is discussed in more detail in Chapter 5.
COMMISSIONER FOR PUBLIC SECTOR STANDARDS, WESTERN AUSTRALIA

The Western Australian Commissioner for Public Sector Standards was established under the Public Sector Management Act 1994 as an independent statutory officer appointed by the state’s Governor, and reporting directly to State Parliament.

The Commissioner advises Parliament on merit, equity, and probity in the state’s public sector. The Commissioner monitors and reports annually to Parliament on how well agencies comply with the Western Australian public sector code of ethics, which was introduced in 1996 and revised in 2002; and assists agencies to comply with the Code and to develop and monitor their own codes of conduct.

The WA code of ethics is a public statement of the principles, values and behaviour expected of all public sector bodies and employees, with a few exclusions, such as elected officials, local government employees, police officers, and universities.

Each agency is expected to develop its own code of conduct to reflect the values of the agency and set out guidelines for its employees. Responsibility for implementing agency codes of conduct rests with agency chief executive officers.

The Commissioner is responsible for nominating chief executive officers and advising on their reappointment or removal from office.
QUEENSLAND’S ETHICS LEGISLATIVE FRAMEWORK

Queensland has a well developed legislative framework to administer ethical standards in the state public sector.

A Public Sector Ethics Act 1994 covers all public sector organisations, including universities and local government employees, and identifies five fundamental ethical obligations of state public employees. They are: respect of the law and the system of government; respect for persons; integrity; diligence; and economy and efficiency.

The Public Service Act 1996 outlines public service employee rights and obligations and the Whistleblowers Protection Act 1994 protects those who appropriately report knowledge of maladministration or corruption.

Further strengthening this ethics framework was the appointment, in 2000, of Australia’s first Integrity Commissioner to advise senior public officials on conflicts of interest and public integrity standards.
**EVOLUTIONARY CHANGE**

The 1999 Act provided for the most significant and extensive deregulation of public service employment in the history of the APS. Attention to simple, clear and direct legislative expression substantially reduced the size and complexity of the Act, compared with its 1902 and 1922 predecessors.

The legislative framework for the current APS serves to underline the fact that the three Public Service Acts since federation have been characterised by some fundamental common principles, and recurrent provisions for the performance of particular functions. At the same time, there has been progressive evolution of the interpretation of those functions, along with the introduction of significant new provisions.

Changes through the 20th century, and increasingly over the last 25 years, have been characterised by a progressive move away from substantial, centralised control of the APS administration by a central agency, to an environment in which individual departments and agencies have prime responsibility for their own management decisions and actions. For example, earlier central agency management of the size of the APS had been replaced by direct control of staff numbers by individual agency heads, with closer integration into financial budgeting processes. The 1999 PS Act, together with the Workplace Relations Act, has represented a culmination of reforms of public sector management, with agency heads now responsible for managing their staff in order to maximise agency performance.

At the central personnel agency level, the strong directive and interventionist powers have now been replaced by a Public Service Commissioner with a quality assurance role. This role includes evaluation and annual reporting on the state of the Service, and providing management advice and assistance to APS departments and agencies. As with devolution of financial authority, the devolution of employment powers was in the context of substantial strengthening of accountability for performance in terms of program efficiency and effectiveness.

**THE WORKPLACE RELATIONS ACT**

One of the underlying principles of the 1999 PS Act was to adopt the same overall approach to APS staffing as that applying in the workforce generally. The Service would therefore operate as far as possible, consistent with its public responsibilities, under the same industrial relations and employment arrangements as applying generally. The legislation embodying this framework, within which the heads of agencies would exercise their staffing powers, was enacted in 1996.

The *Workplace Relations Act 1996* (WR Act), applies to employment arrangements across the Australian workforce. One of the main features of the legislation has been a shift to an individual organisation focus for the setting of wages and employment conditions.
As outlined in Chapter 4, Australian Workplace Agreements and Certified Agreements, negotiated under the WR Act, provide the mechanisms through which this is achieved.

The WR Act has modernised Australia's industrial relations system and has been an important element in achieving wider economic reform through a more flexible labour market based on realities faced by each business organisation. It represents a fundamental change from Australia's previously unique system of conciliation and arbitration.

Reflecting these industrial relations reforms, the PS Act gives agency heads direct power over engagement of staff, as well as authority to determine their remuneration and terms of conditions of employment. This authority must be exercised within the government’s Policy parameters for agreement making in the APS (July 2002), which provide agencies with flexibility to develop innovative collective or individual workplace agreements, which are tailored, under the WR Act, to their particular needs and circumstances, and benefit both employees and clients. The policy parameters promote the government’s interests as the ultimate employer of APS employees, for example, by requiring productivity gains and performance management while continuing to devolve responsibility for agreement making to agencies.

The WR Act established the framework relating to termination of employment, discussed further in Chapter 4.

The WR Act is administered by the Department of Employment and Workplace Relations in consultation, as necessary, with the Australian Public Service Commission.

**FINANCIAL MANAGEMENT LEGISLATION**

Legislative reforms and substantial devolution of employment powers to agency heads under the PS and WR Acts has been accompanied by major comparable reforms of financial management legislation.


The impact of these enactments is discussed in Chapter 6.

**OTHER RELEVANT LEGISLATION**

While the Public Service and Workplace Relations Acts provide the basic framework for APS employment, some employee entitlements, rights and obligations are set out in other legislation. These include: long service leave and maternity leave; employee
superannuation; compensation for work-related injury and employee rehabilitation; and occupational health and safety provisions. In most cases, the relevant provisions apply not only to the core public service but also to a wide range of other Commonwealth public sector employment.


Public servants are subject to a range of other statutory obligations, in areas such as disclosure of information and the handling of public monies. Common law obligations may also apply in particular situations, such as a duty of care in giving advice that may be relied upon by members of the public.

**SIMILARITY AND CHANGE**

The public service has been governed by legislation for more than 150 years. Despite the great changes that have occurred at both Commonwealth and state levels during that period, the key characteristics of the non-political, merit-based public service have been maintained consistently.

There have been other significant similarities in the directions of reform amongst the Australian jurisdictions. Public Service Boards and Commissions have devolved many of their powers to departments and agencies generally. Public Service legislation has become less prescriptive in nature, and has placed increased emphasis on stating values and standards applicable to public service and wider public sector employment.

There are differences in emphasis between the jurisdictions however. For example, some have retained a central employing authority which delegates specific powers to agency heads, and some have limited or even abolished the role of an independent Public Service Commissioner, and retained relevant roles within the Premiers’ Department. At this stage, Commonwealth reforms have been the most extensive, and are having substantial influence in other jurisdictions.
TASMANIA—LEGISLATIVE FRAMEWORK

In recent years, the *State Service Act 2000* has provided the basis for significant public sector reform in Tasmania.

Like its 1999 Commonwealth counterpart, the Act is less prescriptive and offers greater flexibility than its predecessors. It applies to the staff of all public service departments, and to some state authorities, such as the Tasmanian Audit Office and the Rivers and Water Supply Commission. It does not apply generally across the wider state public sector.

The Act includes 13 State Service Principles, providing an overarching statement as to both the nature and operation of the Service and what is expected of those who work in it. Heads of agencies must uphold, promote and comply with the Principles and all employees are required to uphold the principles.

The Principles affirm the apolitical nature of the Service, along with its accountability to the government, the Parliament, and the community. They require responsiveness to government in providing honest, comprehensive, accurate and timely advice, and in implementing the government’s policies and programs. They affirm the merit principle as the basis for employment decisions, and provide for a workplace that is free from discrimination, recognises diversity of the community it serves, and promotes equity in employment.

The Act sets out a code of conduct, applicable to all Service employees, including senior executives, which provides for investigation and imposition of sanctions on any employee who breaches the code. Whistleblower protection is provided for those who notify an alleged breach of the code.

The State Service Commissioner, an independent statutory office established under the Act, is responsible for upholding, promoting, and ensuring adherence to the principles, and for determining management and employment practices, procedures, and standards in the Service. Other responsibilities include providing advice to the Minister as the State Service employer, developing and coordinating training and education programs, implementing recruitment programs and determining qualifications and other requirements for Service employment.

Ultimate responsibility for State Service employment is vested in the Minister administering the *State Service Act 2000*, currently the Premier. Employment powers are delegated to agency heads, who must comply with any directions issued by the Minister or State Service Commissioner on matters relating to the administration of the Service.
**FURTHER INFORMATION:**

The *Public Service Act 1999* and all other Commonwealth enactments may be accessed on-line at http://scaleplus.law.gov.au


Office of the Public Sector Standards Commissioner, Western Australia
www.wa.gov.au/opssc


Change in management philosophy and practice in the Australian Public Service since the 1970s has been influenced significantly by a number of reviews.

The resulting reforms have progressively reduced centrally administered, detailed controls over departmental staffing and finances. As a result, individual departments and agencies now have opportunities for greater flexibility in how they manage their money and staffing. Most importantly, of course, this flexibility is subject to stronger aggregate financial controls and greater accountability for performance.

The reforms have given managers clear responsibility for their programs and performance and have placed greater emphasis on responsiveness to government, parliament and the community, whilst maintaining traditional public service ethical values.

This chapter discusses the influence of some of the most notable reviews of public service management. Chapter 6 discusses the parallel reforms to financial management, which similarly have devolved financial responsibilities to agency managers.

**ROYAL COMMISSION INQUIRY**

The Royal Commission on Australian Government Administration (the Coombs Commission), established in 1974, was the first independent, wide-ranging inquiry into Australian Government administration since 1918–1919. Set up to inquire into and report on nearly all aspects of Australia’s government administration, it undertook significant research under the chairmanship of Dr HC Coombs and eventually reported in 1976.

The Commission concluded that administration was unduly centralised and hierarchical, and that ‘better decisions will be made and better service given to people if authority and responsibility are devolved to officials close to where the action occurs’. The report asserted that public service management had become rigid and excessively structured.

Its research and recommendations reflected three themes that have emerged time and again in the reforms of the last 25 years:

- responsiveness to the elected government
- improved efficiency and effectiveness, including through more results-based management and less prescription
- community participation.
Increased responsiveness to the elected government was a key focus of the reforms in the 1980s, and can be seen in subsequent changes in the 1990s, such as contracts for departmental secretaries and performance pay.

With the drive towards achieving greater economic competitiveness, the focus on efficiency and performance increased. This led to program budgeting and progressive delegation and devolution of financial and personnel authority to agencies during the 1980s and 1990s; another development was the use of purchaser–provider splits, along with privatisation and outsourcing. These developments are discussed further below and in Chapter 6. This ‘managerialism agenda’ may be seen to have originated not only from international economic pressures on national budgets and restrictive government controls, but also from the unhappiness of government in the 1970s with the performance of the public service, and from the findings of the subsequent Coombs Commission.

Attempts to open employment in the Service to a more diverse cross-section of the community began before the Coombs inquiry, but gained momentum from the report’s support for equal employment opportunity policies and changed attitudes in the Australian community in the late 1970s and 1980s. A parallel development has seen a strong focus on involving members of the community in policy development and design of services.

The *Public Service Act of 1999* represents the culmination of these reforms, merging the new culture of performance and achievement orientation with traditional Westminster principles and a modern employment framework. It confirms the powers and flexibilities of agency heads but with firmer accountability requirements. The enduring framework is principles-based, defined by the APS Values.

Many of the Coombs Commission’s other recommendations, along with international influences, contributed to bringing about significant changes to APS administration over an extended period. These include:

- statutory expression of the merit principle in the Public Service Act
- special employment arrangements for Ministerial staff
- a separately defined Senior Executive category
- simplified processes for review of employment decisions.

**REVIEW OF COMMONWEALTH FUNCTIONS**

From the late 1970s, increased government emphasis was placed on maintaining strict control over the size of the public service. In 1980 the Prime Minister announced a Review of the Functions of Government and of Public Service Staffing Levels (Review of Commonwealth Functions—RCF) with the explicit aim of achieving smaller government by eliminating what the government saw as waste, duplication and unnecessary costs.
The RCF brought about substantial public service staff reductions. It resulted in many functions being deferred, wound back or transferred to the states or the private sector, and cost recovery being instituted for many of the services that were retained. The Review endorsed the existing Interchange Program, designed to improve communication and understanding between the public and private sectors, by way of short-term staff exchanges.

**REVIEW OF COMMONWEALTH ADMINISTRATION**

During 1982–83 a number of widely publicised problems in administration prompted the government to initiate a further examination of the federal bureaucracy. The Review of Commonwealth Administration (RCA) made recommendations on ‘the requirements for an efficient and effective public service in Australia’. The RCA was also required to take account of Service needs in respect of high standards of conduct, good morale, professional managerial skills, provision of constructive and imaginative policy advice, and accountability within a non-political career public service framework.

The report addressed:
- ministerial responsibility and accountability
- administrative review activities
- the role of central government agencies
- financial management
- management structures, practices and systems
- staffing the senior managerial ranks of the APS
- measures for achieving better Commonwealth administration.

A change of government early in 1983 meant that the RCA views and proposals were not implemented directly, but, again, they were to influence later reforms.

**PUBLIC SERVICE REFORM ACT 1984**

The incoming Labor government in 1983 developed its own reform agenda for the APS in a White Paper setting out its priorities and incorporating the main themes of the earlier inquiries, including:
- reassessing the roles of central agencies
- more effective central management
- creation of a Senior Executive Service
- improving the allocation of resources
- increased responsiveness to the elected government
- providing an equal opportunity for all Australian citizens to compete for positions in the APS.
The *Public Service Reform Act 1984* addressed the common theme in the three preceding reports—perceived needs for a more open and efficient public service. Devolution, deregulation and the integration of the APS into the national industrial relations and employment framework were all strong focuses of the reforms.

The 1984 Act provided a legislative basis for the establishment of the Senior Executive Service (SES) as a cohesive senior management group sharing core leadership skills and values, and, in principle, able to be redeployed across the Service in response to changing priorities.

**PUBLIC SERVICE ACT REVIEW GROUP**

In 1994, a further review was initiated to undertake a wide-ranging examination of the frequently amended 1922 Public Service Act. The Review Group was asked to make recommendations that would provide a modern and flexible management framework, while maintaining the reforms of the preceding decade in a fully accountable public service.

In its report, the Review Group noted that a new Act could focus more on values, principles and standards with Service-wide application, with the details being covered in regulations, awards, workplace agreements or central agency instructions and guidelines. The report also recommended that a new Act should incorporate a statutory code of conduct.

A change of government in March 1996 again affected the implementation of these recommendations.

**A NEW REFORM AGENDA**

On 21 June 1996 the Minister Assisting the Prime Minister for the Public Service announced the new government’s reform intentions in the following terms:

> The Government will embark upon a consultative process to develop a reform package for the Australian Public Service.

> ...to ensure the public service provides a professional and rewarding environment in which to work and is able to deliver a quality service to Government and the Australian people.

> ...to make certain that workplace structures, systems and culture in the APS emphasise innovation and recognise creativity and commitment.

The stated reform intentions were translated into a 1996 discussion paper, entitled *Towards a best practice Australian Public Service*.

Shortcomings of the then APS, as listed in the paper, included ‘outdated, rigid and cumbersome regulations, systemic inflexibilities and a culture which does not sufficiently
promote or recognise innovation’. Accordingly, the paper maintained that the Service had fallen behind best practice overseas, interstate, in the private sector and in government business undertakings. It was bound in red tape and continued to operate under terms and conditions no longer appropriate or realistic in a community-wide labour market.

The paper canvassed options for reform and addressed other issues, such as the need to maintain and better articulate important public service traditions; to enhance the quality of APS leadership; and to achieve effective devolution by giving heads of individual agencies much of the control over employment matters.

There were widespread discussions on the paper. The general outcome of consultations was twofold: firstly, to record general, wide-ranging support of the need for changes to the formal framework in order to achieve a better workplace environment for the APS. Secondly, to set out, in broad terms, the proposed framework of a new streamlined, principles-based Public Service Act.

The Public Service Act 1999 gave effect to a broad range of the proposed reforms and continues to provide the formal framework for the administration of the APS. The legislation was discussed in more detail in the previous chapter, and its impact in subsequent chapters.

STATE AND TERRITORY PUBLIC SECTOR REVIEWS

Significant public service and public sector reviews have been undertaken in all Australian states and territories since the 1970s. Reasons for these reviews have generally been similar to those which led to the APS inquiries, with varying focus on the functions and responsibilities of public service agencies, the efficiency and effectiveness of their operation, and their responsiveness, both to the governments they serve and to the wider community.

In some cases, reviews drew upon the same inquiry expertise. For example, prior to his appointment as Chairman of the Commonwealth Public Service Board in 1983, Dr Peter Wilenski had been a special adviser to the Coombs inquiry, conducted a review of the New South Wales public service between 1977 and 1982, and was a consultant to the governments of Tasmania (1977) and South Australia (1978) on machinery of government and public service questions.

As with the APS, more than one such review was undertaken in several jurisdictions during the period, in response to changed needs and policy objectives. While review outcomes have varied, all public services have benefited from being able to take account of lessons learned and proposals implemented in other jurisdictions. It has not been uncommon, therefore, for some similarities to be featured in public sector employment legislation throughout Australia.
Since the early 1980s, several key reviews have influenced the strategic directions of the South Australian Public Service.


In 1990, a Government Agencies Review Group was established to stimulate major public sector reform. It directed its attention particularly to identifying existing government activities of low priority; improving both public sector productivity and levels of service to the public; and fostering innovation in management–operational activities.

The activities of the Review Group resulted in significant restructuring and staff reductions without the necessity for forced staff redundancies.

Reviews of the South Australian economy, and of public sector finances and structures, were followed by a new Public Sector Management Act in 1995. The Act provides an increased focus on issues of management and accountability, and has generated ongoing discussion about the most effective balance between the responsibilities and accountabilities of central and line agencies.

A Senior Management Council was established in 1997 to provide a strategic focus on whole of government issues and leadership across the public sector. It comprises chief executives from the ten portfolio groupings of agencies covering all government business, with the Chief Executive, Department of the Premier and Cabinet as chair.

The Commissioner for Public Sector Employment is a member of the Council, and has a particular responsibility for leading strategic human resource management throughout the South Australian public sector.

Following recent reviews of the public sector, the Government, in 2003, is considering a range of recommendations directed towards achieving improvements in public sector efficiency, effectiveness, workforce capacity, and leadership.
FURTHER INFORMATION:

Public Service Reform Act 1984—List of Sections

For South Australian developments, see the SA Office for the Commissioner for Public Employment website http://www.ocpe.sa.gov.au/ or email ocpe@saugov.sa.gov.au

OLDER REFERENCES NOT ON THE INTERNET:


Review of Commonwealth Functions 1981, Ministerial statement (Sir Phillip Lynch, Chairman), AGPS, Canberra.

Royal Commission on Australian Government Administration 1976, Report (HC Coombs, Chairman), AGPS, Canberra.
CHAPTER 4 — STAFFING THE PUBLIC SERVICE

SIZE AND SHAPE OF THE APS

In Australia’s current population of almost 20 million around half are employed. Of this 10 million, a little over 1.5 million, or around 15 per cent, are employed by government. This public sector workforce is made up of the three levels of government—national (federal or Commonwealth), state and local government—of which the state government workforce is by far the largest at around 73 per cent of the total. This reflects the states’ dominant role in service delivery, including health, education, transport and policing.

The Commonwealth government sector is made up of two groups; those included in what is deemed to be the core public service and employed under the Public Service Act (PS Act), and usually referred to as the Australian Public Service; and those working in other administrative or regulatory statutory authorities, government business enterprises and government-owned companies, who are administered and employed outside the PS Act, often under their own legislation.

Figure 5: Public sector—employees in each sector as at June 2002

The size of the APS workforce has reduced significantly over recent decades and, as at June 2002, numbered almost 123 500. At its highest point, in 1975, it was more than double its current size, reaching 277 455, but the transfer of postal and telecommunications responsibilities from a department to two government authorities in 1975 resulted in 121 000 staff being transferred out of the APS.

From then until the mid 1990s, the main reductions have come from further transfer of functions and staff into other government organisations and from corporatisation and privatisation. Between 1996 and 1999, significant functional cuts, efficiency
improvements and market testing, leading to contracting out of functions, resulted in a rapid decline in absolute numbers—from around 143 000 to around 113 500. Since then, the long-term decline in the size of the APS has plateaued out and in fact reversed a little.

The APS workforce is ageing, with a greater concentration of older employees at more senior levels. The median age for all staff has increased from 37 in 1993 to 41 in June 2002. The APS is also older than the Australian workforce in general, interestingly with both fewer young employees and fewer old employees than elsewhere.

Figure 6: Age of Australian employees compared to APS employees

![Graph showing age distribution of Australian employees and APS employees](image)

Source: Management Advisory Committee 2003, *Organisational renewal*.

It is also becoming better educated, with an estimated 62 per cent of all those recruited in 2001–02 having tertiary qualifications. Since the removal, in 1966, of legislation that prohibited permanent employment of married women, the proportion of women employed has increased, so that women now constitute 52 per cent of all career public servants.

Figure 7: Ongoing* public servants by gender 1993–2002

![Graph showing ongoing public servants by gender](image)


*NB. Ongoing employees are career public servants. See the later section—Categories of employee.
A typical new recruit in 2001–02 would be aged 32 and more likely to be a woman than a man.

Further demographic information is included throughout this chapter and the sources are identified at the end of the chapter.

**DEVOLUTION AND THE APS VALUES**

As noted in previous chapters, responsibility for staffing the public service has been devolved from central agencies to the array of departments and agencies that make up the APS, and the various authorities and government business enterprises operating outside the core public service. Central agencies have become predominantly advisors and facilitators. Agency heads now have employment powers, subject to the workplace relations framework, including hiring and firing of employees, and the setting of remuneration and terms and conditions of employment.

These powers are exercised within a framework of the APS Values together with a code of conduct for all APS employees. This Values framework, along with enhanced accountability for agency performance, balances the devolution of powers.

Since their incorporation into the 1999 PS Act, the Values have established ‘the way we work around here’, guiding relationships between public servants and the government and Parliament, relationships with the public, relationships in the workplace, as well as personal ethical behaviour. They reflect the APS’ particular institutional framework, but also reflect universal principles such as honesty, integrity, diligence and respect.

The Values are generic throughout the Service, and agency heads are required, under the Act, to uphold and promote them in their organisations. The Public Service Commissioner evaluates the extent to which agencies uphold the Values, and the adequacy of their systems and procedures for ensuring compliance with the code of conduct. The Values framework is designed, however, to give agencies flexibility to address their particular business needs and respond quickly to change.

**STAFFING THE SERVICE THROUGH MERIT**

One of the core principles of APS employment is recruitment and advancement on the basis of merit. Merit means:

- open advertising to ensure all eligible applicants in the community have a reasonable opportunity to apply for APS employment
- the selection process is transparent, and is seen to be applied fairly to all applicants
- the assessment process is able realistically to match the qualities of the applicant to the qualities genuinely required for the job
- there is no patronage or favouritism and no Ministerial involvement in individual staffing decisions.
These principles are now embodied in the current PS Act and the Public Service Commissioner’s Directions.

Historically, most recruits to the APS entered at junior or base level jobs with few opportunities for entry to the Service at middle level or higher classifications. Central testing, usually administered on a state by state basis, was used to assess the large number of applications for clerical and administrative opportunities. But, since the late 1980s, recruitment has been gradually devolved to agencies, and changing technology and increasing complexity of work has led to falling demand for lower levels of clerical staff.

This has been reflected in a very significant and long-term drop in recruitment numbers at the lowest levels (APS 1–2) from 85 per cent of all recruits in 1981–82, to 53 per cent in 1991–92 and just 17 per cent in 2001–02. In association with this, the proportion of recruits aged less than 20 has also dropped—from 8 per cent in 1991–92 to only 2 per cent in 2001–02—though those aged 20 to 24 have increased.

While agencies have considerable flexibility in how they design their job structures, the typical structure groups jobs into eight classification levels up to the Senior Executive Service (SES)—from APS 1, the lowest, through to APS 6 then Executive Levels 1 and 2—and three levels within the SES. There are also training classifications—for graduates, cadets and administrative trainees and other trainees—where employees who complete the training programs are then allocated an appropriate classification in the APS 1 to APS 6 range.

*Figure 8: Recruits by classification 1992–93 to 2001–02*

![Graph showing recruitment by classification from 1992-93 to 2001-02](source: APSC 2002, State of the Service report, 2001-02)

The level at which most employees enter the Service has risen, and the base, in the sense of the typical base entry level, is now mostly at APS 3–4 levels, with these making up almost 42 per cent of all recruits. These are typically graduates, or people with considerable work experience, rather than school leavers. Agencies also recruit many suitably qualified people at higher levels more commonly than in the past. The numbers of lateral recruits at APS 5 and above have more than doubled in the last decade.
Excluding two large agencies, Centrelink and the Australian Taxation Office, the proportion of recruitment to middle management levels has increased from 18 per cent in 1996–97 to 34 per cent in 2001–02.

Centralised recruitment ceased in 2000 as a response to both the declining number of opportunities and the increased autonomy of agency heads. Each agency head is now responsible for all recruitment and selection in their agency, though some choose to manage their graduate recruitment programs cooperatively with other agencies. Within the provisions of the PS Act and other guidance, they may tailor recruitment and selection methods to meet their organisation’s unique operational needs.

As required by the merit principle, agencies must give the community reasonable access to jobs in the APS and around 99 per cent of all career employment opportunities are now open to the public. Around 45 per cent of all employees recruited during 2001–02 were working in the private sector prior to entering the APS.

All vacancies are advertised in a weekly newsletter of public service vacancies and staff movements, the *Public Service Gazette*, accessible through the internet, and many middle and more senior level vacancies are also advertised in the press. All applicants, whether members of the public or already employed in the Service, may compete for the same job, and over the last four years it is estimated that between 20 to 40 per cent of vacancies have been won on merit by those from outside the APS.

Some temporary vacancies are not open to the public but provide opportunities for career development of APS staff to move within or between agencies.

Selection methods vary. The traditional method is a comparative assessment of applications, interview performances and comments from referees. While this is still used for most vacancies, agencies are increasingly adopting new methods such as use of assessment centres, online recruiting, psychometric testing and work-based testing—depending on suitability for particular jobs and the labour market.

Certain conditions are required, or can be imposed, on those who wish to join the APS. Australian citizenship is required although an agency head may decide in exceptional cases to forgo that requirement. Other conditions are more discretionary; and agencies may require conditions such as educational qualifications, health and security clearances, and a probationary period to assess work performance.

Selection of the Senior Executive Service and agency heads, the leaders of the Service, is discussed in the next Chapter.
ADVERTISING JOBS ELECTRONICALLY IN THE TASMANIAN STATE SERVICE

The jobs.tas.gov.au employment portal has been successfully operating since its launch in May 2000. It was the first dedicated whole-of-state government niche employment and recruitment site in Australia. All State government agencies use the jobs site for all permanent or fixed-term vacancies of, or more than, 6 months duration, and for fixed-term employment registers.

In the three years since it was launched, the site has advertised approximately 5600 jobs, averaging 54 jobs per week with approximately 100 jobs on the site at any one time.

The site provides a simple interface for all State Service agencies to enter and edit vacancies, staff movements and selection information, and the State Service Commissioner can monitor vacancy adverts in relation to redeployment, workplace diversity, and compliance with Commissioner’s Directions.

The jobs.tas.gov.au site automatically compiles vacancies for electronic delivery to the printer of the Tasmanian Government Gazette, and to the advertising contractor to place vacancy notices in the print media, journals and external websites.

The site has averaged 553 000 requests each month and about 31 400 job kits are being downloaded each month. Job kits provide everything needed to apply for the advertised vacancy, including a statement of duties, application forms and agency information, and give user choice of downloading via email, fax or mail.

A 2002 redevelopment of the site was funded by all agencies through a user-pays arrangement, and includes new features which allow members of the public to be informed via email when new vacancies are posted; provides a specialist marketing area for agency and whole-of-government use; highlights the availability of, and procedure for using fixed-term employment registers; and includes staff movements and direct selection notices.
CATEGORIES OF EMPLOYEE

Career public servants, referred to in the PS Act as ‘ongoing employees’, make up the large majority of APS staff. Also employed under the PS Act is a second category of public servant, called ‘non-ongoing’ staff, who currently make up 9.2 per cent of APS staff, though proportions vary widely from agency to agency reflecting agency functions.

Non-ongoing staff may be employed for:
• a specified term—which cannot exceed three years, in response to a temporary increase in workload, a need for specialised skills, the absence of an ongoing employee, or pending ongoing filling of a vacancy
• a specified task—where the duration of the task can be estimated and the services of the employee will no longer be required after the completion of the task, or
• duties that are irregular or intermittent.

These PS Act staff—ongoing and non-ongoing employees—are frequently supplemented by staff supplied by job placement companies who are supplied under contracts between their company and the agency. Staff can also be employed under other legislation on a short-term or sessional basis where the work of an agency requires it. The Australian Electoral Commission, for example, employs staff for short periods to help conduct federal elections under the Commonwealth Electoral Act.

Agencies use staff from job placement companies for the following reasons:
• greater flexibility
• obtaining specialist skills not available in the agency
• quick coverage of unpredicted absences
• preference by some specialists not to be engaged as non-ongoing employees
• ease of administration, including easier termination, should work be finished ahead of schedule, or for poor performance.

Most are employed in clerical, technical or administrative support work in the APS 1 to APS 4 classifications. There are no centrally available records of the numbers of these employees.

Agencies also enter into arrangements with independent contractors, including consultants, ranging from individuals to large companies. Because a number of functions traditionally performed within the APS, such as information technology and corporate management, have been contracted out, contractors and consultants are widely used in these areas and for particular projects requiring specialist skills.

Despite the flexibilities these staff accord agencies, there is no evidence so far of a major shift away from use of career staff and non-ongoing staff in the APS. All staff—whether employed under the Public Service Act or through other means—are expected to understand and uphold the Values and the code of conduct in relation to how they work and deliver services to the public.
WORKPLACE DIVERSITY

Opening the APS to a wide range of people and skills brings to the workplace different perspectives that can add to the innovation, creativity and overall productivity of agencies, and result in greater capability and greater affinity with the public. In Australia, workplace diversity is about the Service making the best use of the talents of its employees, and recognising and valuing the knowledge, skills, backgrounds and perspectives that people bring to their work because of their experiences, age, gender, ethnicity, social background or other factors.

The APS Values require agencies to provide ‘a workplace that is free from discrimination and recognises and utilises the diversity of the Australian community it serves’ and one that ‘promotes equity in employment’. Each agency is required to develop a workplace diversity program that includes measures to prevent all forms of discrimination, whether direct or indirect, consistent with federal law.

In particular, each agency must take action in relation to those groups that have been disadvantaged in Australian society and establish measures to eliminate employment-related disadvantage on the basis of:

• being an Aboriginal or Torres Strait Islander
• gender
• race or ethnicity, or
• physical or mental disability.

The effectiveness of some aspects of these workplace diversity programs can be assessed by monitoring and evaluating demographic trends in the employment of these four groups in the APS. In 2002, the APS-wide database showed, for example, that as the number of women in the Service has increased—to the current 52 per cent of all ongoing staff—so has their representation at more senior levels, though this remains well below 50 per cent. Women continue to outnumber men in graduate entry programs and now comprise 37 per cent of those at EL 1–2 levels and 28 per cent of the SES.

The figure below shows the change in the number of women at different classification levels between 1993 and 2002. The numbers have been weighted to eliminate the effects of changes in the overall size of the Service.
According to the 2001 Census, round 410,000, or 2.2 per cent, of Australia’s population are Indigenous Australians. Indigenous employment in the APS is currently double that in the workforce in general—2.4 per cent compared to 1.2 per cent. Even though Indigenous representation in the APS has increased in almost all classification levels in the past 10 years, their total representation has not increased since 1998. There is some growth in representation at more senior levels, but career paths are limited at lower levels and retention rates are low.

As a result, the average length of service remains well below that for non-Indigenous employees. Representation is concentrated among agencies with responsibility for Indigenous-specific programs and there is limited mobility of Indigenous employees to other agencies. The reduction in jobs at the lower classification levels also poses a risk for the future, as this is where the Service has traditionally recruited Indigenous people.

As one of its strategic priorities for 2002–03 the APS Commission is undertaking work to assess obstacles to Indigenous recruitment and retention, develop revised strategies and a good practice guide, and implement on a trial basis APS-wide collaborative and agency-based initiatives.

Since the early 1990s there has been a consistent decline in the APS of employment of people with a disability, and it is now a much smaller proportion than in equivalent occupations outside the APS (3.6 per cent compared to 9.7 per cent). The APS Commission has begun further analysis and is seeking alternative recruitment strategies and career pathways in partnership with external agencies to turn around the current trend.

The proportion of employees currently identifying themselves as from non-English speaking backgrounds (NESB) is 9.6 per cent, which, again, is lower than in equivalent occupations outside the APS (12.8 per cent).
The figure below shows the change in the number of these four groups of disadvantaged employees between 1993 and 2002. Again, the numbers have been weighted to eliminate the effects of changes in the overall size of the Service.

*Figure 10: Change in population, weighted and indexed for four groups of employee, 1993 to 2002.*


Reporting of diversity data is voluntary for APS employees, and as a result, there is likely to be some under-reporting. The APS Commission is working with agencies to develop a framework that will enable them to better evaluate the effectiveness of their workplace diversity programs and to improve their collection and use of diversity data, such as by setting up online facilities that employees can update regularly.

Since the mid-1970s the public service has introduced flexible working arrangements that have helped employees manage the balance between personal, family and work commitments. Paid maternity leave was introduced in 1973, flexible working hours and part-time work have been available since the mid–70s, and most agencies now offer flexible leave arrangements which can be used for dependent care or school holidays, according to the needs of their employees.
WUR-CUM BARRA: CREATING EMPLOYMENT OPPORTUNITIES FOR INDIGENOUS PEOPLE IN THE VICTORIAN PUBLIC SECTOR

Wur-cum barra, meaning ‘to work’, is a whole-of-government state initiative, developed through broad consultation, to create employment opportunities in the Victorian public sector for Indigenous people.

With a population in the state of Victoria of just over 4,600,000, just over 14,500 of those aged 15 to 64 living in Victoria identified themselves as Indigenous Australians in the 2001 Census. Of these, 18 per cent were unemployed compared to 6.8 per cent of the workforce as a whole. As at June 2001, the Victorian public sector employed 242 Indigenous Australians.

The goal of Wur-cum barra is to employ at least 230 new Indigenous staff in the public sector by July 2005—almost doubling the current numbers—and so increase opportunities for Indigenous Victorians and the diversity and responsiveness of the public sector.

To achieve this, individual Indigenous employment targets have been set for every agency, each of which must establish an ‘Indigenous Employment Plan’ and contribute to whole-of-government performance indicators through:

- developing pathways and practices to build the capacity of Indigenous people to seek careers in the public sector
- designing appropriate induction, work support and career development programs that build the professional skill base of Indigenous staff
- changing the workplace culture to improve cross-cultural awareness, and
- increasing the number of services provided through Indigenous community organisations rather than through public sector organisations.

Government-wide activities to support this strategy include a network for Indigenous public servants, upgrading the Indigenous Graduate Recruitment Scheme, a best practice strategy ‘toolkit’, and improved data collection and monitoring of performance indicators.
AQIS—WORKING WITH INDIGENOUS COMMUNITIES IN NORTHERN AUSTRALIA

The Australian Quarantine and Inspection Service (AQIS), part of the Department of Agriculture, Fisheries and Forestry—Australia, is breaking new ground in its collaborative work with remote Indigenous Australian communities across northern Australia.

AQIS has had a long-term policy of employing Indigenous quarantine staff in its strategically important quarantine regions of northern Australia and employs Indigenous quarantine officers on all of its 14 island locations in the Torres Strait and on the northern tip of Cape York in Queensland. Community involvement has translated to a high level of quarantine awareness and support in the Torres Strait, minimising incursions of exotic pests into Australia through this potential transit route.

Building on this success, AQIS has turned its attention more recently to strengthening links and collaboration with Aboriginal communities in the Northern Territory. A full-time liaison officer has been employed in Darwin and is training Aboriginal rangers in quarantine techniques. Aboriginal ranger groups have been keen to undertake this training and to carry out quarantine surveillance work on behalf of AQIS, and the support of these community-based groups has greatly increased the agency’s survey capacity in northern Australia.

In the Northern Territory and Western Australia much of this land is Aboriginal-owned. Aboriginal rangers have an intimate knowledge of their land and this makes them well placed to identify exotic pests and diseases that may enter Australia from countries to the north. In the event of an incursion, any eradication program would directly affect Aboriginal communities and their support would be vital to its success.

This example illustrates the involvement of stakeholders by AQIS in ways appropriate to their particular backgrounds and cultures, to protect Australia’s relationship with its land.
WORKFORCE PLANNING

A systematic approach to workforce planning continues to be a challenge for many APS agencies. Few can successfully identify current and future skill needs, develop and retain the required skills and knowledge to deliver on their outcomes, and develop strategies to meet those needs over time. Many agencies have found it necessary to make significant investments in upgrading their human resource (HR) systems in order to access reliable staffing data to undertake demand and demographic analysis.

Two recent reports provide guidance for improved workplace planning initiatives—a 2002 Australian National Audit Office report, Managing people for business outcomes, and a Management Advisory Committee (MAC) report, Organisational renewal, published in 2003.

The Audit Office report examines people management practices across 14 agencies and concludes that there is considerable room for improvement in how people management planning is integrated into business planning.

The report outlines suggested future action for agencies and set out some better practice principles. It concludes that line and HR staff should be working more closely together to identify business critical priorities, and to adopt creative approaches that are well designed, implemented and evaluated. This includes using information from HR systems to inform decision-making and to assess performance, and drawing on relevant better practice principles.

The MAC report focuses on APS-wide workforce planning and examines the challenges of attracting and retaining staff in an environment in which the APS staffing profile constitutes a growing proportion of older workers, staff reaching retirement age and a declining proportion of staff under 25 years of age.

The study identifies strategies relating to the ageing of the APS and the wider Australian workforce and analyses changes in career and work expectations. It is hoped this will assist agencies to develop their own strategies to retain older workers, to better manage the risk of loss of corporate knowledge and skills, and to recruit and retain more young people and graduates in the APS.

The Australian Public Service Commission also promotes workforce planning in its HR forums and training programs as an important element in enabling agencies to meet current and future business objectives and build individual and organisational capability. Amongst its recent publications is Managing succession within the APS, published in 2003.

PERFORMANCE MANAGEMENT

In recent years APS agencies have increasingly emphasised developing and implementing performance management systems.
The public sector reforms of the 1990s focused on effectiveness and achieving organisational objectives. The legislative framework that followed provides agency heads with opportunities to pursue results and to tailor their approaches to managing performance to best suit the needs of their own organisations. It also requires each agency to link improvements in pay and employment conditions to productivity and to report annually to government on achievement of outputs and expenditure against Program Budgeting Statements under an outcomes and outputs framework discussed more fully in Chapter 7.

In the same vein, the APS Values require agencies to focus on achieving results and managing performance, aiming to place capability and effective performance at the centre of APS management.

The legislative framework does not set out how performance management is to be implemented in individual agencies but each agency is now expected to:

- have the organisational capacity, flexibility and responsiveness necessary to achieve the outcomes expected
- have a culture of achievement, planning time and priorities to deliver on intended results
- report on the effectiveness of the agency's outputs
- demonstrate that resource priorities match agreed outcomes
- have a fair and open performance management system that covers all APS employees, guides salary movement, is linked to organisational and business goals and the maintenance of the Values, and provides each employee with a clear statement of performance expectations and an opportunity to comment on those expectations.

Agency heads are not excluded from performance assessment. The federal government introduced performance assessment for departmental Secretaries and executive agency heads in 1999 and this is discussed in the next Chapter.

A STRATEGIC FOCUS

A key report by the Management Advisory Committee in 2001—*Performance management in the APS: A strategic framework*—saw performance management as a tool to assist agencies improve organisational capability, meet broad organisational objectives and deliver high quality policy advice and program administration. Recognising the diversity of government agencies, and the need to tailor approaches to the specific business requirements of each agency, the report identifies the elements of good practice in performance management systems in the APS as operating to achieve:

- alignment—within a values–based framework that recognises the organisation’s culture and history, and the maturity of its systems
- credibility—it applies across the organisation and is seen as fair, transparent and rigorous
- integration—it integrates organisational objectives with the performance of teams and individuals.
Current challenges are seen to be improving the credibility of the process, greater staff involvement, giving better feedback, improving reward and recognition strategies, and managing underperformance.

Many agencies are now focusing on improving their performance management to integrate it with their business and workforce planning by:

- clarifying performance objectives and linking individual and business plans with organisational plans
- periodic performance appraisal of individual and team performance against achievements and behaviours linked to the Values
- recognising and rewarding performance
- counselling and effectively managing poor performance
- learning and development to build individual and organisational capability
- evaluating the contribution of individual and organisational performance.

**MANAGING UNDERPERFORMANCE**

The other side of performance management is managing underperformance. While the procedures for handling underperformance will vary depending on the culture and circumstances of each agency, it is important that they:

- are an integral part of a culture of active performance management
- have regard to procedural fairness
- balance the needs of the agency and the employee
- are streamlined and efficient
- are consistent with relevant legislation, including that relating to workplace relations, discrimination, record keeping and privacy.

Agencies may, if necessary, terminate employees’ employment, reduce their classification, or assign them to other duties.

**REMUNERATION, REWARDS AND PERFORMANCE PAY**

There is no single approach to remuneration and rewards in the APS. Agencies have considerable scope to develop approaches to suit their culture and business needs within a government policy framework that establishes the boundaries of action. This is a direct consequence of the 1996 Workplace Relations Act which did away with a centralised system for managing employment conditions in the workforce and instituted one that devolved to individual organisations—referred to as ‘enterprises’ in the legislation—in all sectors, responsibility for negotiating, within limits, agreements setting employment conditions and pay arrangements within their organisations. The results of these negotiations are called enterprise agreements or, occasionally, workforce agreements.
Public servants and contractors are able to choose whether they wish to join public service unions or employer associations and may not be discriminated against because of this choice. The devolved environment created by the 1996 WR Act has substantially changed the role of public sector unions.

Since 1996 there have been no formal government–public sector union consultative mechanisms, although government representatives do on occasion meet with representatives of public sector unions to discuss various issues. This reflects the replacement of the single Service-wide union-negotiated employment agreement of the early 1990s with a workplace relations environment in which each agency is separately responsible for determining its terms and conditions of employment.

Agency heads are required to ensure consultative arrangements encompass all employees, whether they are union members or not.

These negotiated enterprise agreements—Certified Agreements (CAs) or Australian Workplace Agreements (AWAs)—have legal force and the processes and arrangements included in them must be consistently followed. Certified Agreements in the APS are collectively negotiated and, at this stage, tend to cover most staff between APS 1 and EL 1. AWAs are individually negotiated between each employee and their agency, can take into account the particular circumstances of each individual and, to date, have tended to be used primarily for some middle managers and the SES.

Agencies are now recognising that different organisational cultures require different approaches and there is growing variation in the approaches taken to conditions of employment to suit their particular needs.

Since 1997 agencies have been required to link improvements in pay and conditions to improvements in organisational productivity, and to fund any increases from within agency budgets without increasing prices or reducing the quality of services they deliver.

Concern that differences in pay and conditions between agencies would reduce the effectiveness and cohesion of the APS has not, as yet, eventuated to the extent which some predicted. In part, this is due both to the government’s policy framework, and the need for agencies to meet the cost of any pay increases from their productivity improvements, resulting in more modest rises and variations than originally anticipated. Most of the variations appear to reflect genuine labour market requirements (to pay particular experts, or to reward top performers, for example) and reflect exactly the intent of the flexibility provided. Not surprisingly, where agencies are employing people within the same labour market, remuneration does not vary widely.
While agencies may choose the level of detail in their employment agreements, they generally include those elements of their performance management system that set out how assessments of individual employee performance are linked to improvements to pay and conditions.

All APS agencies link remuneration to individual performance in one way or another. The two most common approaches to performance-based remuneration are:

- performance-linked advancement—a base salary increase for satisfactory or higher performance, usually in terms of either incremental progression through pay points or through a percentage increase and/or
- performance-linked bonus—usually a one-off bonus payment in recognition of higher than satisfactory performance.

Most remuneration schemes now link salary, rewards or bonuses, skill development and the work environment in their agency agreements. Agencies may give non-monetary rewards to individual employees in recognition of high achievement, such as formal awards, certificates or plaques, gift certificates, development opportunities, or conference attendance. Some agencies have adopted team-based reward systems, although not all have been successful.

Agencies are required to report annually to Parliament on the level of performance payments to employees without infringing on the privacy and confidentiality of individuals.

**TERMINATION OF EMPLOYMENT**

The *Workplace Relations Act 1996* establishes the framework for all sectors, private, voluntary and public, regarding an employer's power to hire and fire staff in Australia. The APS is subject to the same termination of employment provisions as the rest of the community under the WR Act. The Public Service Act operates within that framework to ensure that public service practices broadly mirror those in other sectors.

An APS employee, like employees in other sectors, may apply to the Australian Industrial Relations Commission for review of their termination on the basis that it was harsh, unjust, unreasonable or unlawful under the provisions of the WR Act. Remedies for unfair termination include reinstatement or compensation in lieu of reinstatement.

In 2001–02 agency heads terminated the employment of 2818 employees. Of these, almost three quarters were because the employee was redundant—deemed to be excess to the requirements of the agency—and retrenched.

Other grounds for termination include: failure to meet a condition imposed at engagement (such as probation, citizenship, formal qualifications, security or character clearance, health clearance); unsatisfactory performance of duties; and a breach of the code of conduct.
In relation to termination for breaches of the code of conduct, agencies are required to have due regard to procedural fairness and are to comply with a set of basic procedural requirements established by the Public Service Commissioner.

**REDUNDANCY AND RETRENCHMENT**

As noted above, redundancy occurs when an agency head concludes that the agency has staff who are excess to its functions or structure. Redundancies are not used to deal with the performance of individuals, which is dealt with through performance management or disciplinary provisions.

The PS Act does not specify the basis on which employees should be formally declared excess or how to manage excess employees. Redundancy decisions are made by each agency according to its needs and the arrangements for redundancies are included in their enterprise agreements.

Excess APS employees are typically given two options:

- acceptance of voluntary retrenchment with a redundancy payment calculated on the basis of the employee’s length of service, or
- retention in employment for seven or 13 months, depending again on an employee’s length of service, during which time the employee seeks to be redeployed elsewhere in the APS.

The level of redundancy benefit is broadly comparable to that applying in most state and territory public sectors and a number of private sector companies, but exceeds the current community standard minimum, now being reviewed.

The current redundancy arrangements proved very effective in facilitating the major downsizing and restructuring that took place in the APS during the 1990s, with most redundancies over this period being voluntary and not involving any significant industrial disruption.

Redundancy arrangements for the Senior Executive Service are dealt with somewhat differently and are outlined in the next Chapter.

**REVIEW OF ACTION**

Any APS employee, excluding those in the SES, is entitled to a review of an action (including a failure to act) that relates to their employment, except when that action involves the termination of their employment—in which case, as already noted, they may take their case to the Australian Industrial Relations Commission.

Reviews of action are primarily the responsibility of agency heads. Where an employee is dissatisfied with the outcome of the agency head’s review they may apply for a secondary
review by the Merit Protection Commissioner (an independent statutory officer located within the office of the Public Service Commissioner), who can make recommendations to the agency head.

WHISTLEBLOWING

Legislative protection for APS whistleblowers introduced in 1998 recognised that whistleblowing can be a valuable safeguard in protecting the public interest against corruption, fraudulent behaviour or wasteful practices. The 1999 Public Service Act made similar provision and prohibited victimisation or discrimination against APS employees who report breaches of the code of conduct.

Agency heads are now required to establish procedures, having due regard for procedural fairness, for inquiring into whistleblower reports. In most cases, reports are made to the head of the relevant agency who must arrange for an investigation, unless they consider the report to be frivolous or vexatious.

A report can be made directly to the Public Service Commissioner or the Merit Protection Commissioner when a report to an agency head might be inappropriate—if, for example, the agency head, or an employee they worked closely with, were implicated—or if an employee is not satisfied with the outcome of an inquiry conducted by their agency.

During 2001–02 the Commissioners received 14 reports, of which only three met the criteria for investigation. One related to administrative decision-making rather than the conduct of a specific employee, and the other two, both under investigation, related to a matter of privacy and alleged interference in tendering.

FURTHER INFORMATION:

Further statistical information is available from the APSC web site at http://www.apsc.gov.au, in particular, three annual documents: APS statistical bulletin, the Workplace diversity report and the State of the Service report.

The two Management Advisory Committee reports, Performance management in the APS: A strategic framework (MAC report 1), and Organisational renewal (MAC report 3), are on the same site at http://www.apsc.gov.au/mac/index.html

ANAO’s 2002 report, Managing people for business outcomes, is on its web site at http://www.anao.gov.au


The Public Service Act 1999 and all other Commonwealth enactments may be accessed on-line at http://scaleplus.law.gov.au


The Tasmanian job site is at http://jobs.tas.gov.au
The importance of strengthening the leadership cadre for the APS was highlighted with the creation of the Senior Executive Service (SES) in 1984.

The emphasis on devolution over the last 20 years also required significant improvements in the skills of senior officers across the Service, initially in financial management and later in people management.

The theme of increased responsiveness to the government was also reflected in a series of changes in arrangements for agency heads.

**PROMOTING BETTER MANAGEMENT**

A key initiative in 1984 was introduction of the Financial Management Improvement Program (FMIP), with the objective of improving public service management and accountability. Recommended by the Review of Commonwealth Administration and jointly promoted by the Department of Finance and the Public Service Board, the Program aimed to help managers to focus on ‘managing for results’, rather than directing their efforts to inputs and processes, in order to obtain greater resource efficiency and effectiveness. Underpinning FMIP were the principles of management devolution, improved corporate and business planning, increased public accountability and increased emphasis on evaluation of effective performance. The Program was also associated with increased use of user pays and the development of ‘internal markets’.

The initiatives introduced with the FMIP remain influential today in the broad framework of continuing reform and renewal. In particular, ‘managing for results’ remains a central focus of the Service, and is a key component of leadership development.

The FMIP agenda was progressively extended through collegiate processes under the then Management Advisory Board and its Management Improvement Advisory Committee. A series of reports promoted good practice in a range of areas including people management, ethical conduct, training and development and the management of finances and assets.

The APS Commission and the Australian National Audit Office also directed increasing attention to leadership development and good practice in human resource management. In 1992, the Commission published a Human Resource Management Framework, incorporating strategies for an integrated approach to people management in the workplace and emphasising the crucial link between human resource management policies and practices, and effective corporate management. The Commissioner now has
a statutory responsibility for promoting leadership in the APS, and the Commission has
developed a contemporary model of the capabilities required of senior executives.

Management and leadership development in the APS is organised by agencies themselves, as well as through the APS Commission (see further below).

AGENCY HEADS

Under the 1999 PS Act, agency heads include both Secretaries of departments of State and heads of other agencies with executive, advisory, research and statutory functions. Departmental Secretaries are responsible to their Minister both for departmental management and for advising the Minister in all matters relating to the department. This includes provision of policy advice to the Minister, and implementation and administration of policy. They must also assist their Minister to fulfil his or her accountability obligations to the Parliament. Other agency heads are also responsible to Ministers for administration of their agencies (depending on the specific requirements of the legislation they administer). Their policy advising role is usually limited. All agency heads are required to annually provide a report to their Ministers, for submission to Parliament, on the activities of their agency.

TENURE IN AN APOLITICAL SERVICE

For most of the last century departmental Secretaries were appointed as permanent employees with tenure, but the introduction in 1984 of an emphasis on greater mobility and an option for fixed term appointments, had gradually led, by further legislative change in 1994, to all Secretaries accepting fixed term appointments.

The new arrangements provide more flexibility for the government to appoint people it considers are best able to meet the responsibilities of Secretary positions and to address the government's policy priorities. The government has always had the power to make Secretary appointments, but permanent tenure constrained its ability to do so. Changes were achieved either by agreement to take alternative appointments, or by some restructuring which led to abolition of the department and creation of a new one.

While there has been some increase in mobility in and out of the APS at Secretary level, the vast majority of Secretaries are career public servants with a proven record of performance.

AGENCY HEAD SELECTION

Since 1994 Secretaries of departments have been appointed for a fixed term by the Prime Minister for a period of up to five years. The Prime Minister is advised in a report by the Secretary of his department after consultation with the current or anticipated agency
Minister. The Public Service Commissioner provides this advice to the Prime Minister in relation to the selection of the Secretary of his department.

Heads of executive agencies are selected and appointed for up to five years by the Minister responsible for the agency function after a report about the vacancy from the Secretary of the Minister’s department.

Heads of other government agencies, statutory authorities and government boards are selected and appointed by the Minister responsible for the particular function. The Minister may take advice from the departmental Secretary but there is no legislative or policy requirement that they do so. The means of selection is decided by the relevant Minister. A vacancy may be advertised in the press or a field of applicants may be identified through professional search agencies.

In most cases, Ministers will consult the Prime Minister or the Cabinet before making any of these appointments.

While the majority of agency heads have contracts of up to five years, some are appointed for longer periods under agency legislation (as are the Commissioner of Taxation, the Commonwealth Ombudsman and the Auditor-General). Appointment for a further period after an initial appointment expires is at the discretion of the government.

The issues of tenure were tested in 1999 when tensions arose between a departmental Secretary and his Minister, and his appointment was terminated. The matter was contested in the Federal Court, which found in favour of an entitlement to procedural fairness, and of the Secretary being provided with a statement of reasons for the termination decision, and being afforded an opportunity to respond. But it also confirmed the government’s authority to terminate appointments and the limited rights of a Secretary to test the reasons.

**Performance Assessment of Agency Heads**

The government introduced performance assessment for departmental Secretaries and executive agency heads in 1999. The Prime Minister determines the assessment for each Secretary after receiving advice from the Secretary of his own department and the Public Service Commissioner, who consult with the line Minister. Assessment of each executive agency head is made by their Minister, again on advice from the Secretary of the Prime Minister’s department and the Public Service Commissioner, and usually after consultation with the relevant portfolio Secretary.

There are no required criteria for assessment, though there is guidance on the areas to be considered, including meeting the government’s objectives for the agency in the whole-of-government context, policy advice to the Minister, management of the agency, leadership and promoting the APS Values.
Secretaries and executive agency heads are eligible for annual performance bonuses not exceeding 15 per cent of their remuneration as a result of these assessments.

Some agency heads with statutory agency powers, such as the Auditor-General and the Public Service Commissioner, are not subject to performance assessment by the government, and receive a standard payment in lieu of performance pay. Some other agency heads are subject to performance assessment by agency boards and may be eligible for performance pay within parameters set by the Remuneration Tribunal, which advises the government on the remuneration of Parliamentarians, judges and agency heads. Ministers are commonly consulted.
AGENCY HEAD AGREEMENTS

In the Northern Territory public service annual performance agreements are signed between Ministers and agency chief executive officers. Each agreement identifies objectives which the Minister and CEO have agreed are aligned with and contributing to government priorities for the 12 month period.

Guidelines identify generic performance criteria which relate to human resource and financial management, and service delivery. Portfolio specific criteria are subject to government priorities and agency initiatives. Each performance agreement is endorsed by Cabinet to ensure consistency of approach.
COLLEGIATE FORUMS

The 1999 Act provided for a Management Advisory Committee (MAC) as successor to the Management Advisory Board, established in 1987 to advise the government on public service management issues, and to be a forum for consideration of the management of the Service as a whole. All portfolio Secretaries are members of MAC along with some other agency heads; there are no external members.

Issues recently considered by MAC include performance management, the governance of information and communications technology, and organisational renewal in the APS.

Other, less formal forums also aim to inform and coordinate discussion at senior levels of the Service. Portfolio secretaries meet monthly to discuss current and emerging issues, particularly those arising from Cabinet requiring policy or program coordination. Round Table meetings of portfolio secretaries and major agency heads are also held regularly to discuss issues connected with their roles as employers in the devolved workplace relations environment.

SENIOR EXECUTIVE SERVICE

The SES, the leadership cadre of the APS, was created in 1984 to make the Service at senior levels more open, mobile and competitive and to achieve a greater degree of management leadership in development and placement of senior staff. The intent of the legislation was to reshape the cadre of senior employees into a more unified and cohesive group responsible for higher level policy advice, managerial and professional responsibilities. All SES vacancies became open to applicants from outside the Service, as well as from serving officials. Arrangements for staff selection, development, mobility, promotion and tenure were designed specifically to meet common requirements at senior levels. SES staff were to be deployed so as best to meet the requirements of the Service.

Management arrangements for the SES are spelled out in the PS Act:

The function of the SES is to provide a group of APS employees each of whom, within his or her Agency:

(a) provides one or more of the following at a high level:
   (i) professional expertise;
   (ii) policy advice;
   (iii) management; and
(b) promotes co-operation with other Agencies; and
(c) by personal example and other appropriate means, promotes the APS Values and compliance with the code of conduct.

As at June 2002 the SES constituted 1763 staff. The large majority is aged between 40 and 54 with just 11 per cent being younger than 40. Although the proportion of women in the SES has doubled in the last ten years, it is still only 28 per cent.
**SES SELECTION**

Selection arrangements for the SES operate under a tighter framework than those for non-SES employees. Some aspects are the same—each agency head has the same power to engage, promote, or move people to SES duties, and SES vacancies must be advertised in the *Gazette*. Additional requirements are set out in the Public Service Commissioner's Directions.

These require that each vacancy be advertised in external newspapers or other media, and that each SES selection committee includes an agreed representative of the Commissioner, who must report back at the end of the process certifying that the exercise has satisfied all requirements of the Act and Directions. The Commissioner must endorse this certification before the agency head can proceed with any recruitment or promotion action.

Recruitment to the SES from outside the APS has fluctuated substantially during the last decade—ranging between 14 per cent in 2000–01 to 25 per cent in 1992–93—with no trend becoming apparent.

Like all other APS employee positions, SES staffing decisions by agency heads are not, by law, subject to direction by Ministers. The PS Act (s. 19) states that ‘an Agency Head is not subject to direction by any Minister in relation to the exercise of powers ... in relation to particular individuals’.

**SES REDUNDANCIES**

Like non-SES staff, an SES member may be deemed to be excess to agency requirements. Unlike non-SES staff, the PS Act requires the Public Service Commissioner to agree to the size of the redundancy payment before retirement action can proceed—although the benefit is normally calculated on the same formula as applies in non-SES redundancies. There are also no retention periods applicable to these retirements and the separation date is as agreed between the individual employee and their agency head.

Most SES redundancies occur when agencies restructure their organisations and redeployment is difficult.

**LEADERSHIP CAPABILITY**

In line with its responsibility to promote leadership in the APS and to support its quality assurance role for SES appointments, the APS Commission developed a framework identifying critical success factors for performance in APS leadership roles now and into the future. This Senior Executive Leadership Capability Framework complements the APS Values by promoting behaviours and relationship management in line with modern requirements that emphasise inspiring and motivating, rather than commanding and enforcing.
The leadership capabilities that comprise the Framework are that the individual:

- shapes strategic thinking
- achieves results
- cultivates productive working relationships
- exemplifies personal drive and integrity, and
- communicates with influence.

As illustrated below, these capabilities are described in clear language that provides meaningful support for assessment and development.

*Figure 11: Senior Executive Leadership Capability Framework jigsaw, representing the five capabilities.*
Assessment against the five capabilities are required by the APS Commission for all recruitment into the SES. They are also used by the Commission for assessing development needs, including through 360-degree feedback (an evaluation process involving co-workers aimed at identifying all aspects of an employee’s performance).

A Career Development Assessment Centre has been established to assess members of the SES feeder group, principally EL 2 staff, to help identify their development needs for possible future promotion to the SES. It uses the Senior Executive Leadership Capability Framework in assessing participant performance through a series of formal scenario activities, and in supporting 360 degree feedback. Program participants are provided with detailed feedback to guide their future development.

The Assessment Centre has become an important part of succession planning in the APS, which has been promoted by the APS Commission since 1999–2000.

LEADERSHIP DEVELOPMENT

Management and leadership development initiatives are organized both by individual agencies and the APS Commission. Agencies typically contract external providers to deliver programs specifically linked to their particular business, while the Commission’s development programs tend to focus on developing common leadership capabilities that support the strategic focus of the Service.

COMMONWEALTH SES

The APS Commission conducts leadership development programs particularly for the SES. These programs are conducted on a user pays basis (cost recovery is around 95 per cent), and agencies can choose whether to send their employees to these, or whether they prefer to focus on their own internal training, based on their agency business requirements. The core programs offered by the Commission include an orientation program aimed at all new SES appointees, and a Senior Executive Leadership Program involving more substantial and intensive development for those with a few years’ SES experience. Other programs include SES breakfasts, SES updates and lunchtime seminars. These are supplemented by SES News, a regular newsletter compiled by the APS Commission. The Commission also offers training in particular areas of management such as project, human resource, and performance management. Programs and services can be customised to meet the particular needs of agencies in a flexible, cost-effective way, and for many government organisations this has become their preferred option.

Participation by SES members in APS-wide leadership development programs can assist them to develop an understanding of the broader agenda beyond their agencies, to develop an appreciation of where their agency goals fit into the goals of the Service, and the impact of government reforms upon the future of the Service. Participation facilitates
shared learning, accelerates implementation of effective performance strategies, and encourages managers to build strategic linkages across the Service.

STATE SES

The states and territories have also invested substantially in leadership and management improvement. Most have established an SES as the leadership cadre. They have introduced more structured training and development in management, and systems to support management reform. While there are differences between jurisdictions, such as the extent of devolution and the degree of contracting out, the general direction has been consistent with a greater focus on results, competitiveness and leadership.
LEADERSHIP AND DEVELOPMENT IN NEW SOUTH WALES

A continuing aim of public sector reform in NSW has been a more efficient and productive public sector. The NSW Senior Executive Service was established in 1989 to raise the overall standard of management and leadership in the public sector and to assist in the achievement of continuing productivity increases.

The employment of Chief Executive Officers and the SES, who constitute the senior management structure, is governed by a contract of employment between the officer and the employer for a term of up to five years. Contracts include written performance agreements incorporating government targets and involve annual performance reviews. Information gained from these performance reviews assists in executive placement, counselling, and in planning for management development.

Policies and programs to support SES officers in achieving performance and career objectives include:

- a NSW Executive Capabilities Framework—a common set of capabilities reflecting the requirements of individuals in executive roles
- a Code of conduct and ethics for public sector executives sets a framework for ethical decision-making and standards of executive behaviour
- an SES mobility system, designed to match officers with opportunities to gain experience in other agencies.

Programs to meet the development needs of SES and non-SES officers with executive potential include:

- an Executive Development Program to develop knowledge and skills in leadership and management techniques
- the non-government Sydney Leadership Program which brings together senior level managers from private, public and non-profit organisations, to work collaboratively on strategies to address key social, economic and environmental issues affecting communities
- the nation-wide Public Sector Management Program for middle to senior level managers, and the Management Development Program for Aboriginal People in the Public Sector, which offers a Diploma in Government (Management).
SENIOR MANAGERS—EXECUTIVE LEVEL

The APS Commission offers a range of development programs, devised particularly for Executive Level staff, and also arranges in-house leadership and management development activities in areas such as policy change, organisational communication, governance, coaching and mentoring, financial management, and strategic writing. The programs provide staff at this level with development opportunities through a variety of seminars, interactive workshops, and a quarterly electronic newsletter briefing on key APS-wide issues.

The Senior Women in Management Program is a prestigious and unique APS senior officer development program designed for women by the APS Commission. The program has been in operation in various formats since 1988, with between 20 and 30 employees participating each year. It provides high achieving employees with the opportunity to focus on further development through a program that combines high quality coursework, group work and challenging work placements over a 12 month period. It has proven to be highly successful in offering women with potential the opportunity to widen their experience and outlook, and position themselves for future senior appointments.

DEVELOPMENT OF MIDDLE MANAGERS AND THEIR FEEDER GROUPS

As well as promoting improvement of the SES and the SES feeder group, programs are conducted by the Commission to improve the skills of middle managers and those who could reach middle management. These programs include:

- a year long Public Service Management Program, a joint venture between Commonwealth, state and territory governments which, providing to middle level managers across Australia training in financial management, human resources management, team management and project management
- a program for APS 1–6 employees, directed towards developing knowledge and skills in areas such as developing client satisfaction, project and contract management, policy development and communication. The learning objectives of each program have been linked to the competencies within the Public Services Training Package, a nation-wide training and education system, based on agreed standards for public service work
- a coordinated series of programs designed for new APS graduate staff to complement individual agency’s in-house graduate programs
- a program currently being designed to address the particular training and development needs of Aboriginal and Torres Strait Islander APS employees.
LEADERSHIP DEVELOPMENT IN THE DEPARTMENT OF DEFENCE

The Defence 2000 White Paper recommended that the Department of Defence move from a ‘bureaucratic culture’ to a ‘leadership culture’. In response, Defence has been building an improved climate of trust among its 200 or so senior leaders. This is being achieved through cross-functional teamwork, more open channels of communication, and an organisational development strategy tagged ‘results through people’. This strategy is aimed at holding leaders to account, not only for the hard-edged results they achieve, but also for the climate they create in their workplaces.

The organisational strategy aims to foster a workplace culture that will position Defence, not only to deliver today’s results for government, but also to ensure that it has the capacity to sustain this capability over the longer term by drawing on a more diverse talent pool.

This ‘results through people’ approach involves broadening the criteria for leadership beyond technical competence, to include the so-called ‘soft skills’ such as interpersonal relationships and team building (that are so hard to get right and so easy to get wrong.)

An investment in improved staff attitude survey methodologies, more widespread use of 360-degree feedback, and informal ‘roundtable’ discussions with mixed-rank groups of people are helping improve information about the quality of Defence’s senior leadership. Improved information systems enable the Chief of the Defence Force and the Secretary of Defence to direct attention to leaders who have not been taking seriously their individual contribution to a leadership culture that will help Defence win its share of the young men and women entering the workforce in ten years’ time.
THE AUSTRALIA AND NEW ZEALAND SCHOOL OF GOVERNMENT

The Australia and New Zealand School of Government commenced operating in May 2003. It was established by a consortium of the Australian, Victorian, New South Wales, Queensland and New Zealand governments, and various universities. Its aim is to develop a future generation of public sector leaders by equipping them with the policy and management skills for an increasingly complex public service environment. It offers two core programs, a two year Master of Public Administration program aimed at high flying employees in the SES feeder group, and a short, intensive Fellowship program aimed at top, experienced SES officers expected to be candidates for agency head positions.

BUILDING CAPABILITY

The Commission has been working closely with agencies throughout the Service to address some of the strategic issues around building capability in the APS.

In 2001, it decided to address the development challenges of one particular group of employees, those working in human resource management areas. The role of human resource (HR) practitioners has broadened in the APS as attempts to integrate HR planning, policies and practices increasingly link it with organisational change, workforce planning and achieving business outcomes.

An HR Capability Model, launched in 2001, articulates the capabilities required of effective HR staff in the Service. To support agencies further, and in conjunction with 13 agencies that contributed to its funding and realisation, the Commission designed an HR Capability Development Program to assist participants to develop their capabilities against the Model.

The program runs over six months and consists of seven modules. It relies heavily on internal and external mentors to challenge the thinking of participants and apply their learning back to their home agency. A specifically designed 360° feedback questionnaire, which can be used by agencies as a means of identifying the development needs of HR staff, complements the Model.

A second initiative addressed a broader audience. A 2002 Australian National Audit Office performance report, Management of learning and development in the APS, identified opportunities in the planning, integration and delivery and evaluation of learning and development. Since then, the Commission has been working in association with the Audit Office to address these issues more rigorously and to inform and influence senior and line managers and those with direct responsibility for learning and development.

A better practice guide, called Building capability—a framework for managing learning and development in the APS, was prepared jointly with the Audit Office and launched in 2003. It aims to provide a better practice model for a managing learning and development
processes across the APS; foster an APS learning culture for better business outcomes; and provide a source of audit criteria for any future evaluation in this area.

Further research into good practice in evaluating and measuring learning and development investment is currently being undertaken.

FURTHER INFORMATION:


Senior Executive Leadership Capability Framework


Department of Defence www.defence.gov.au

The Australia and New Zealand School of Government


New South Wales Senior Executive Service


Successive Australian governments have implemented reforms in the financial, public service and workplace relations fields with the aim of achieving a performance culture within the public sector and of improving the responsiveness of the public sector to the needs of government and the community.

The financial management reforms have included:

- new financial management legislation
- implementing an outcomes and outputs framework, building on earlier work on program budgeting
- introducing whole-of-government financial reporting on an accrual basis and budgeting on an accrual basis across the general government sector.

The financial management reforms have been founded on the principles of greater flexibility, devolution and empowerment with clearer accountability for results. They have also been underpinned by a robust performance monitoring and evaluation regime. The major thrust of these public sector reforms has been to remove unnecessary constraints and restrictions on public service managers, in effect to untie their arm.

The purpose of the financial management reforms has been to:

- put the Commonwealth public sector on a more business-like footing
- foster a more competitive environment
- shift the focus from complying with rules to managing for results
- plan, budget and report on an accruals, outcomes and outputs basis.

The reforms, taken together, provide a framework for public sector operations and management. Effective financial management is closely connected to the public sector’s ability to meet the expectations of governments regarding the delivery of their objectives.

Ensuring sustainable public finances has been a critical part of sustaining strong economic growth. The primary objective of the federal government’s medium-term fiscal strategy is to maintain budget balance on average, over the course of the economic cycle.

**LEGISLATING FOR FINANCIAL MANAGEMENT**

Financial management was modernised through three pieces of legislation designed to improve the quality and clarity of understanding of the Commonwealth’s financial management framework. These were the *Financial Management and Accountability Act*...

Together with the full adoption of accrual-based budgeting in 1999, the current arrangements have aimed at achieving:

- improved accountability
- improved outcomes and outputs based budgeting and reporting
- better understanding of the true cost of government.

**CHARTER OF BUDGET HONESTY ACT 1998**

The Government’s disclosure requirements and principles of sound fiscal management are enshrined in the Charter of Budget Honesty Act 1998.

The Charter Act provides a framework for the conduct of government fiscal policy, requiring fiscal policy to be based on principles of sound fiscal management. By facilitating public scrutiny of fiscal policy and performance, it requires government to adhere to principles of sound fiscal management and to:

- manage financial risks faced by the Commonwealth prudently—requiring the Budget economic and fiscal outlook report to have a statement of risks that includes contingent liabilities, publicly announced government commitments (not already in the estimates)
- release publicly and table half yearly fiscal strategy statements
- use external standards (GFS and AAS standards)
- prepare a 5-yearly inter-generational report which assess sustainability of current government policies over a 40 year period, including taking into account the financial implications of demographic change
- provide a pre-election economic and fiscal outlook report within 10 days of the issue of a writ for a general election
- define processes for costing election commitments.

**FINANCIAL MANAGEMENT AND ACCOUNTABILITY ACT 1997**

Under the Financial Management and Accountability Act 1997 (FMA Act) agency heads have gained greater flexibility and autonomy in their financial management while still being required to promote the efficient, effective and ethical use of Commonwealth resources.
The purpose of the FMA Act is to provide the framework for the proper use and management of public money, public property and other Commonwealth resources and provide a governance framework for organisations that do not have a separate legal identity. The Act deals with departments of State (such as the Department of Foreign Affairs and Trade, or the Department of the Environment), parliamentary departments (such as the Department of the Senate) and prescribed agencies that deliver a government program under the financial umbrella of the Commonwealth. These organisations range from Centrelink, a key service delivery agency (see Chapter 8), to the Australian Taxation Office.

Compared to its predecessor legislation that assumed a prescriptive and centralised approach to financial management, the new act was based on a more devolved, principles-based approach, with agency Chief Executives being given significant responsibility in defining detailed financial management procedures for their agencies.

The FMA Act sets out the rules for how public money is dealt with and the accountability mechanisms for this process. Under the Act, the agency head (referred to in the legislation as the chief executive) is responsible for the use and management of public money. This usage must be efficient, effective and ethical.

To assist the chief executive, the *Financial Management and Accountability Regulations 1997* (FMA Regulations), made under the authority of the FMA Act, provided for more specific matters, such as to give the agency head powers to issue instructions about how the agency’s resources will be used—the *Chief Executive’s Instructions* (CEIs). These instructions specifically deal with handling, spending and accounting for public money, making commitments to spend public money, and recovering amounts owing to the Commonwealth.

Another major area regulated by the FMA Act is commitments to spend public money. Essentially, any person entering into some form of legally binding arrangement that involves the spending, or likelihood of spending, public money is required to comply with the FMA Regulations. The Act also covers the collection and custody of public money. Essentially, any public money collected by the Commonwealth must be placed into an approved official bank account.

An important limit on spending public money is the need for a drawing right before making a payment of public money. A drawing right is an authority from the Finance Minister to make a payment of public money for a specified purpose. In turn, it must be supported by an appropriation, in accordance with the Constitution.

The FMA Act imposes various accountability requirements on agency heads. They must institute a fraud control plan and convene an audit committee; pursue debts owed to the Commonwealth; and ensure adequate accounts and records are kept in line with the Finance Minister’s Orders. Finally, they must provide the Auditor-General with financial statements in the required form.
COMMONWEALTH AUTHORITIES AND COMPANIES ACT 1997

The Commonwealth Authorities and Companies Act 1997 (CAC Act) replaces the former disparate accountability, financial and auditing requirements relating to various Commonwealth authorities and companies with a clearer set of core reporting and auditing requirements for their directors. The Act is loosely modelled on the governance framework incorporated in the corporations law that applies to private sector bodies in Australia, although there are specific clauses supporting ministerial accountability and reporting in the general government sector and whole-of-government sector reporting contexts.

Under the CAC Act these organisations are separate from the Commonwealth both legally and for financial purposes. They are accountable for receipts and uses of their own money.

Commonwealth authorities

High levels of public accountability are achieved through comprehensive financial reporting requirements. Directors of a Commonwealth authority are required to prepare an annual report audited by the Auditor-General, and provide it to the responsible Minister. The full obligations of Commonwealth authorities depend on any requirements specified in their enabling legislation.

The CAC Act imposes on Commonwealth authorities a range of other restrictions and obligations. There are, for instance, restrictions on banking and investment and a range of care, diligence, good faith and conflict of interest obligations. The rules applying to authorities and their directors and officers largely mirror those applying to companies, although specific exceptions may be stated in the authority's enabling legislation, which sets their specific governance regimes.

Commonwealth companies

Companies that are wholly owned, or in which the Commonwealth has a controlling interest, must comply with obligations as companies under both the Corporations Act 2001 and the CAC Act. The additional requirements imposed on Commonwealth companies by the CAC Act include the following:

- the Auditor-General must either be the company's auditor or provide a report on the company's financial statements
- where the company has subsidiaries, the Auditor-General must audit each subsidiary's financial statements
- if the company is wholly owned by the Commonwealth a particular sort of audit committee must be established
- all companies must provide annual reports with the reporting requirements being outlined in the Finance Minister's Orders and budget estimates
- strategic control being exercised by the relevant shareholder Minister.
Commonwealth authorities and companies which are designated government business enterprises (GBEs), such as the Medibank Private Limited, the Australian Postal Corporation, and Telstra, have additional obligations—in particular, they must develop corporate plans. The nature and role of GBEs is dealt with in more detail later in this chapter.

**AUDITOR-GENERAL ACT 1997**

The *Auditor-General Act 1997* sets out the main responsibilities and information gathering powers of the Auditor-General, as well as establishing the Australian National Audit Office (ANAO). In contrast to the *Audit Act 1901*, which it replaced, the Act focuses on audit goals rather than processes and better defines the status of the Auditor-General and the role of the ANAO.

The Act establishes the Auditor-General as an independent officer of the Parliament, with an auditing mandate extending to all Commonwealth departments, agencies, authorities, companies and subsidiaries. That mandate extends to GBEs to the extent outlined in the previous paragraphs. Additionally, the Auditor-General may undertake performance audits of wholly owned GBEs at the request of the responsible Minister, the Minister of Finance, or Parliament’s Joint Committee of Public Accounts and Audit.

Through the ANAO, the Auditor-General provides an independent review of the performance and accountability of the Commonwealth public sector in its use of public resources. That role is discussed in more detail later in this chapter.

**BUDGETARY REFORMS**

Australia has a long-established forward estimates system which projects ministerially agreed estimates of expenditure patterns for three years ahead of the current Budget year, based on existing policy. This provides a sound basis for governments to consider incremental changes to the amount of funding appropriated to agencies in each Budget.

Each agency estimates the funding it needs to carry out the role assigned to it by government and these estimates are drawn together on a portfolio basis. Portfolio Ministers then put forward new proposals and estimates of funding required, provide information on how the proposals will contribute to a planned outcome, and identify any offsets in terms of savings that might be required to make funding available for such initiatives (a common budgetary requirement).

These Portfolio Budget submissions go to an Expenditure Review Committee, the medium through which the Government considers budgetary changes. The Committee, comprising the Prime Minister and senior Cabinet Ministers, also takes into account advice from the Department of Finance and Administration, which consults with the Departments of Prime Minister and Cabinet, and the Treasury. This advice draws on central agency perceptions of value for money and relative priorities.
Based on the Committee’s recommendations, Cabinet makes the final decision on levels of funding that will be appropriated against each outcome, and the funding split that will be made between departmental outputs (goods and services produced by agencies), and outputs related to administered items (for example, unemployment and other benefit payments, program moneys, grants, and transfers to other levels of government). The internal allocation of funds to particular agency outputs is a management issue for agencies.

REFORMS OF THE 1980S AND 1990S

Australian budgeting and reporting have undergone significant changes over the past two decades. Prior to the 1980s, funds were appropriated primarily through annual Appropriation Acts with detailed specification of individual items of expenditure. In 1983 a government White Paper, titled Reforming the Australian Public Service, noted the need for a complete overhaul of public sector practice—a shift in management emphasis from ‘compliance’ to a greater degree of performance control.

Amongst the many changes that followed, key ones included:

- the publication of the forward estimates, approved and endorsed by the Department of Finance and Administration, and the requirement of transparency for any adjustment to the estimates whether through policy decisions or parameter changes (for example, prices or population)
- the introduction of program budgeting, requiring the specification of program objectives and targets, and the certification of all appropriations related to that program objective. This became the basis for the preparation of all portfolio budgets by the government, and for subsequent annual reporting by agencies
- the introduction of the ‘running costs’ system applying to non-program expenditure, where detailed line items for agency administration costs were replaced by aggregate appropriations allowing agencies the flexibility to move funds between, for example, salaries and administrative purchases
- the introduction of annual efficiency dividends based on annual potential for productivity gains from running costs appropriations
- ‘carry-over’ arrangements for running costs items, allowing agencies to carry forward unspent moneys, or to borrow from future appropriations, within agreed limits
- common services reforms, involving a sequence of changes in arrangements for common services such as property, cars and publishing, starting with user pays, and then choice of provider, then commercialisation of the government provider (including accrual accounting) and, finally, privatisation in many cases.

In partnership with increased flexibility came additional discipline. Apart from aggregate controls, such as efficiency dividends, planning and reporting reforms were introduced.
These included identifying and reporting against efficiency and effectiveness indicators, and for a period, a formal process of evaluation was introduced to cover all programs.

OUTCOMES/OUTPUTS FRAMEWORK

In 1999 the Commonwealth moved from reporting performance on its programs to an accruals-based outcomes and outputs reporting framework. An integrated framework of accrual budgeting, accounting and reporting, and specifying outcomes and outputs, was first implemented for the 1999–2000 federal Budget. This built on the program budgeting arrangements established in the 1980s. Reporting on programs tended to identify what had been done and what services had been delivered. Reporting on outcomes identifies what results have been achieved by delivering those services.

The essential purpose of the outcomes and outputs framework is to answer three questions: what does government want to achieve (these are the outcomes); how does it want to reach those achievements (these are the outputs); and how does it know if it is succeeding? (these are the indicators).

Outcomes are the key results the government-of-the-day seeks to achieve, and define for each agency the purpose of their business. Typically, they are at a higher (more aggregated) level than programs under the former program budgeting system. Outputs are discrete activities or set of activities, a product or a service, performed by an agency as part of achieving its outcomes.

Agencies are now required to specify and cost their outputs against planned outcomes and identify performance indicators and targets. Importantly, appropriations are now made at the outcomes level. Outcomes, and the supporting administered and departmental outputs, therefore form the basis of an agency’s operating budget and external reporting framework.

The framework focuses on the outputs the public sector is producing and their contribution to the outcomes set by government, and is aimed at assisting the tracking of results and progress towards targets. The output component of the framework also facilitates tracking and benchmarking of process, and hence is an important aid to improved efficiency.

By way of example, the outcomes and outputs framework for the Department of the Environment and Heritage includes the following three outcomes:

- Outcome 1: The environment is protected and conserved
- Outcome 2: Australia benefits from meteorological and related science and services
- Outcome 3: Australia’s interests in Antarctica are advanced.
Selected outputs contributing to Outcome 1 are illustrated below.

*Figure 12 Outcomes and outputs framework of the Department of the Environment and Heritage.*

Because Parliament appropriates monies for agency outcomes, the nature and purpose of the outcome must be sufficiently clear in a legal sense to form a valid appropriation under the Australian Constitution. Unlike outcomes, the formal and detailed specification of agency outputs is not part of the legislative requirements for Parliament’s Appropriation Bills. However, their inclusion for Commonwealth budgeting purposes enables closer links to be established between portfolio Budget documentation and agency annual reports. This enables Parliament, Ministers and external stakeholders to scrutinise (ex ante) how appropriated monies will be spent, and to judge (ex post) how expenditure was used.

The outcomes/outputs structure also distinguishes between administered expenses and departmental expenses.

**Administered expenses**

Administered expenses relate to those funds that are managed on behalf of government by some external agency or person. They may be associated with particular legislation, inter-governmental agreements, contractual arrangements or other expressions of government policy.
Using the example of the Department of the Environment and Heritage above, several of the outputs of outcome 1 are administered items, examples being: managing air quality (part of output 1), feral animal control (part of output 2), and all the programs (such as marine biodiversity, species protection and protected areas; Coastcare; wastewater and stormwater management; and coastal and estuarine policy) under output 3.

Examples of administered items in other portfolios include: benefit or welfare payments, various program grants, and transfers to state governments.

Administered expenses comprise about 80 percent of total government spending by the Commonwealth.

Whether they are authorised by special appropriations or annual appropriations, administered expenses are directly linked to the outcomes set out in the Appropriations Acts and Portfolio Budget Statements and other related documentation, and agencies are required to identify and report on their efficiency and effectiveness accordingly.

**Departmental expenses and outputs**

Departmental expenses are included in global appropriations for each agency, and finance the products and services—the outputs—agencies produce to contribute to outcomes. In effect, they replace the former ‘running cost’ appropriations, and comprise about 20 percent of the budget. Requiring only approval of the relevant Portfolio Minister, agency heads are given flexibility for the design and mix of outputs that will maximise their contribution to effective outcome delivery.

Where an agency has more than one outcome to support, the Portfolio Budget Statements and annual reports will identify the departmental expenses against each outcome, but this is notional because there is flexibility to reallocate departmental expenses as required. Agencies must subsequently account for such changes in their annual reports for the relevant year.

Departmental expenses are identified against particular outputs, or discrete activities, performed by the agency.

Agencies are encouraged to divide and price their activities so that their final outputs can be compared with outputs of other agencies and potential alternative providers. This facilitates improved costing of outputs and benchmarking across agencies. Generic examples of outputs include policy advice, program design, regulatory activity, or the direct delivery of services. Costings of all proposed new activities are agreed with the Department of Finance and Administration at an early stage of the Budget process, prior to Cabinet consideration.

More than half of the Commonwealth’s agencies have structured their outputs within output groups that reflect their major business lines. Output groups are not themselves goods or services, just categories for logically grouping together related outputs.
An example of agency outputs from the Department of Education, Science and Training, illustrates their use of output groups:

Department of Education, Science and Training
• Enhance the quality of teaching and learning (Output Group 1.3)
  — Administration (Output 1.3.1)
  — Policy advising (Output 1.3.2)
  — Ministerial and Parliamentary services (Output 1.3.3)
  — Research, analysis and evaluation (Output 1.3.4)

Experience so far with the implementation of the outcome/output framework suggests that better, lower level program information is necessary for monitoring purposes within government. This is being introduced from 2003–04 onwards. Agencies are also being encouraged to increase the number of, and specificity of, outcomes to address concerns about some agencies having outcomes that were too few and broad in nature.

FINANCIAL MANAGEMENT REFORMS

ACCRUAL ACCOUNTING

Following recommendations from the 1996 National Commission of Audit, accruals-based budgeting was introduced in the 1999–2000 Commonwealth Budget. Prior to this, accrual annual financial reporting had been introduced from 1994–95 onwards with audited statements based on Australian Accounting Standards. Accrual budgeting uses both the AAS standard and the, accrual-based Government Finance Statistics Standard of the International Monetary Fund. The consolidated financial statements for the Commonwealth have also been reported on an accrual basis since 1994–95 (initially on a trial and unaudited basis until 1996–97 when audited statements were introduced).

In accrual accounting, items are brought to account and included in the financial statements as they are earned or incurred, rather than as they are received or paid. Accrual management involves a fundamental change in the way the public service measures business performance financially.

Commercial organisations within government had been reporting on an accrual basis for many years. In the early 1990s the combined impact of measures to introduce commercial disciplines, to allow management flexibility, and to institute new accountability standards, pointed to the need for more comprehensive and timely information about financial performance. Many Commonwealth organisations, particularly those charging for their services, had found that accrual information had enabled managers to better:
• identify the assets controlled by the agency and evaluate decisions concerning resource allocation and management
• reveal the extent of the liabilities of an agency
• make informed judgements about program and agency performance
• account more comprehensively to Parliament for the use of appropriated moneys.

After several departments participated in a pilot program, all departments of State commenced reporting on an accrual basis in 1994–95. Full accrual budgeting at the federal level was adopted in 1999–2000 in the context of the new outputs/outcomes framework discussed earlier.

Accordingly, federal government budgetary deliberations can now be made in the knowledge of the full costs of proposals. While there is no doubt that cash considerations remain prominent, the availability of full accrual information assists decision-making.

The new accrual budgeting framework has changed both how and what governments measure for budgeting, accounting and reporting purposes. The former form of reporting—cash measurement—focused on cash flow over time. It ignored assets and liabilities and could not account for income earned or expenses incurred during the financial year. As a result, governments could not fully assess the financial health of agencies or compare one financial year’s performance with the next.

A major benefit of the outcome-output based accrual budgeting framework has been the improvement in the information base underpinning all public sector activity. It provides governments with:
• a clearer picture of the full cost of the goods and services agencies provide, including indirect costs, depreciation and maintenance
• the information necessary to manage the financial health of agencies
• improved communication with stakeholders on priorities and achievements via consistent, streamlined reporting arrangements.

Regular use of accrual information by managers can also result in more effective asset and liability management; better assessments about the true and full cost of outputs; and further opportunities for performance improvement.

The changes associated with the introduction of accrual budgeting required a major investment in retraining financial managers, and the infusion of new staff familiar with accruals.

The move to accruals does not diminish the continuing need for Ministers and for agencies, to be aware of cash management issues. Partly this arises from the importance of cash in fiscal policy, but also to ensure that departments manage their cash reserves prudently.

FINANCIAL ESTIMATES AND REPORTING SYSTEMS

The introduction of accrual budgeting in 1999–2000 required Australian agencies to redevelop what had formerly been cash-based financial management and reporting systems. This also applied to the central budget system.
For internal management purposes agencies maintain their own systems. No particular systems were mandated for internal use—agencies developed their own financial management information systems for their individual needs. Whereas budget estimates were previously input by the Department of Finance and Administration, this function was devolved in 1999 to line agencies who entered the data in the central Accrual Information Management System, with the central agency responsible for quality assurance, monitoring and consolidation of this data.

More recently, the federal government has decided that the current central management information system will be replaced with an estimates and actuals management system better able to manage program (largely administered items) and cash information requirements. The interface with agency systems will also be carefully considered. These changes represent a strengthening of central agency information gathering, monthly monitoring, and financial performance analysis. In coming years, the changes are also intended to lead to more timely financial reporting.
REFORMING FINANCIAL MANAGEMENT IN NEW SOUTH WALES

New South Wales’ financial management legislation has been incrementally amended over recent years, clarifying fiscal principles and extending the Auditor-General’s powers.

A Financial Management Framework for the general government sector was established by the NSW Treasury in December 2000. The Framework advances five principles for improving value for money: clarity of objectives; proper allocation of responsibility; incentive structures; performance management; and integrity of information.

The Framework links resources to performance, promoting transparency in budget resource management. It also facilitates adherence to NSW’s fiscal strategy, which sets short, medium and long-term targets for the major Budget operating statement and balance sheet measures and provides the basis for preparing the state’s annual Budget.

Treasury promotes improved resource allocation through performance management by a series of Service and Resource Allocation Agreements which it negotiates with key general government agencies. These Agreements are outcomes focussed agreements that describe agency strategic issues and capture what agencies are trying to achieve; how they are trying to achieve it; how much it will cost; risks, and how the agency will manage them; and efficiency and effectiveness measures.

While the main mechanism for performance reporting by each government agency in NSW is its annual report, the Council on the Cost and Quality of Government, a key management advisory body, reports annually from a whole of government perspective. Its Overview of NSW government services provides a summary of expenditure, service efforts and service achievements, together with a description of the community context within which these occur.

Budget papers for 2001–02, were published on compact disc for the first time to ensure convenient access to Budget information. Treasury’s manual data collection system was replaced with an online electronic collection system, reducing the time and effort needed to collect and verify agency data.
PERFORMANCE REPORTING AND BENCHMARKING

The financial management framework is centred on underpinning the effectiveness of policies and programs and the quality of service delivery. Accountability to Parliament is also seen as vital, as discussed later in the chapter. The federal Parliament has a well-developed scrutiny process with an extensive range of committees, some specialising in the estimates, performance forecasts and achievements of particular portfolios, while others take an overall interest in the maintenance of an appropriate accountability regime. The former type of committee can, where their concern is the Finance or Treasury portfolio, also take an interest in broader budget strategy.

While the Departments of Finance and Administration and the Treasury produce the main Budget papers, a devolved approach applies to agency-based budget-related documents (the Portfolio Budget Statements). In the latter case, the Department of Finance and Administration provides principles-based guidance, with the onus on agencies to produce documentation both meeting their Minister's requirement, and satisfying any particular needs advised by and agreed with parliamentary committees scrutinising the portfolio.

As mentioned earlier, Budget appropriations are made for outcomes, and the Portfolio Budget Statements identify these together with the associated outputs and administered items. At Budget time, performance indicators are also published, often accompanied by targets for planned performance, with the onus on agencies to report publicly (in annual reports) within four months of the end of the relevant financial year on actual performance against these indicators. Any changes made during the year to the suite of indicators must be explained, together with material performance variations between predictions and results. Both at Budget time and following the end of each year, Ministers, agency heads and their agencies are subject to a well-developed process of parliamentary scrutiny.

This consistency in reporting at year-end against the same outcomes, outputs, administered items and associated indicators identified earlier at Budget time, is valuable in clarifying accountability. This performance management regime has been reinforced by other initiatives, such as market testing, outsourcing, purchaser-provider and business partnership arrangements, and privatisation. In situations where agencies deliver services directly to the public, they are also expected to implement and report against service charters.

OVERSIGHT OF GOVERNMENT BUSINESS ENTERPRISES

Government business enterprises (GBEs) are Commonwealth authorities or companies prescribed as GBEs in Regulations under the CAC Act. The 1997 Governance arrangements for Commonwealth government business enterprises, provide a framework for overseeing these organisations. The Commonwealth's relationship to its GBEs is
similar to the relationship between a holding company and its subsidiaries, features of which include:

- a strong interest in its performance and financial returns
- reporting and accountability arrangements that facilitate active oversight by the shareholder
- action by the shareholder in relation to the strategic direction of its GBEs where the GBE prefers a different direction from the one proposed by the shareholder.

The Commonwealth’s ownership interest is represented by ‘Shareholder Ministers’, of which there are typically two, one being the Minister responsible for the portfolio in which the GBE is located, and the other being the Finance Minister. On occasions, the Finance Minister is the sole Shareholder Minister.

The governance arrangements are a transparent and effective mechanism to enable active oversight and enhanced accountability of GBEs. Their guiding principles are:

- Shareholder Ministers exercise strategic control consistent with their accountability to the Parliament and the public, set clear objectives, and must be consulted on matters of significance
  - any community service obligations that a GBE is to undertake are generally specified through contractual arrangements.

- The directors develop the business strategies and handle the day-to-day management policies and ensure that
  - activities are conducted so as to minimise any divergence of interests between the GBE and the shareholders
  - GBEs are managed in the best interests of the shareholders
  - GBE officers maintain the highest standards of integrity, accountability and responsibility.

- Required standards of disclosure must be satisfied, in particular, timely disclosure is to be made by GBEs of information:
  - which may affect the shareholder value of the organisation
  - which may influence government decisions in relation to the GBE or
  - in which the government has a legitimate interest.

- Information is produced for the shareholder and the community according to the highest standards and, where appropriate, should enable ready comparison with other relevant information.
GOVERNMENT BUSINESSES IN NEW SOUTH WALES

In New South Wales the state government has introduced a commercial policy framework that seeks to replicate, within its government businesses, the disciplines and incentives that lead private sector businesses towards efficient commercial practices. A financial monitoring policy, for example, sets out the framework under which government businesses negotiate an annual agreement on financial performance targets and quarterly monitoring of results against those targets. The *Performance of NSW government businesses*, reports annually on recent microeconomic reforms, and on the efficiency of each GBE, its services and its financial performance.
IMPROVING TENDERING AND PROCUREMENT PROCEDURES

Procurement policy is articulated through the Commonwealth procurement guidelines & best practice guidance, which set the framework within which agencies undertake procurement and the agenda for a whole-of-government approach to procurement.

The guidelines were revised in 2002 to support a continuing commitment to reducing red tape for industry, cut the cost of doing business with government agencies, streamline and simplify practices, and increase flexibility in the process. They also provide greater opportunities for business to participate in government markets.

Value for money is the core principle governing Commonwealth procurement. This is strengthened by the supporting principles of:

- efficiency and effectiveness
- accountability and transparency
- ethics
- industry development.

Value for money is evaluated on a whole-of-life basis for the property or service being procured, and is influenced by factors such as the procurement method adopted, market maturity, performance, financial considerations, and the anticipated disposal price.

Within this framework, agencies are encouraged to assess the value of innovative procurement strategies and select the option that represents best value for the Commonwealth. The use of tenders is not mandatory, and sole-sourcing, strategic partnerships, consortia, restricted tenders, expressions of interest and requests for quotation are some examples of other processes that are used.

Making government services contestable has been a central plank of the recent reform agenda. Competitive tendering and contracting, discussed in more detail in the next chapter, encourages public service managers to demonstrate that they are providing best value for the taxpayers' dollar.

STRENGTHENING ACCOUNTABILITY

THE ROLE OF THE AUDITOR-GENERAL

The Auditor-General and the ANAO play a key role in monitoring and reporting on the performance and accountability of the Commonwealth public sector in its use of public resources. That role extends to providing guidance and leadership in relation to some elements of good government.

As an independent officer of the Parliament, the Auditor-General, appointed for a term of 10 years, is not subject to control or direction by any individual Minister or other Member.
or Senator of Parliament, and has the ultimate responsibility for setting the scope of his or her activities. Independence is reinforced by the application of parliamentary privilege to performance and financial statement audit reports tabled in the Parliament. This privilege can operate to protect the Auditor-General and ANAO staff from being held liable for statements contained in audit reports. This allows the Auditor-General to report freely, openly and responsibly on matters examined in the course of audits.

**FINANCIAL STATEMENT AUDITING**

The preparation of financial statements by Commonwealth organisations to report on their financial position and financial performance has become a universally established part of normal financial management in the last decade. These annual financial statements are subjected to external audit by the Auditor-General.

The auditor's report provides an independent examination of the financial statement in order to express an opinion as to whether the statement is prepared in accordance with auditing standards, and other mandatory professional reporting requirements. The audit report is included in the agency's annual report, which becomes a public document when it is tabled in Parliament, providing assurance to the Parliament and other stakeholders of the financial position of the organisation. It also provides an appropriate level of transparency and accountability in the management of the Commonwealth's financial affairs.

Financial auditing has evolved from a narrowly based procedure, which concentrated on the examination of individual transactions, to a risk based business approach, which is practised today. This methodology focuses on the examination of key elements of financial statements, coupled with the practice of bringing issues of concern to the attention of management early in the process to facilitate timely corrective action. This approach provides the assurance required by Parliament and at the same time adds value by assisting management in improving their operations.

**PERFORMANCE AUDITING**

Performance audits involve assessing the management and operational performance of Commonwealth organisations and consider questions of economy, efficiency and administrative effectiveness of the operations for which management is responsible. Performance audits are wider in scope than the well-defined boundaries of financial statements audits and provide Parliament and the public with critical evaluations of a wide range of public sector activity in all Commonwealth organisations.

Performance audits are designed not only to report on performance, but also to add value to public sector administration with constructive criticism and recommendations for improvement. These audits are also tabled in Parliament, are subject to scrutiny by its Joint Committee of Public Accounts and Audit, and become public documents.
Performance audits do not comment on government policy. However, they often deal with current and controversial issues about the implementation of policy, which can attract considerable attention in Parliament and by the media in general. Performance audits are an important source of independent and objective assessment of public sector performance. They are a valuable source of information to assist Parliament in its role of holding the government-of-the-day to account.

Performance audits have been instrumental in achieving considerable savings in public money through improved administration. A related activity by the Auditor-General has been the issue of Better practice guides, which aim to improve public administration by ensuring that better practices are recognised and promulgated to the whole of the APS. This can involve examining practices in both the public and private sectors in Australia and overseas. Better practice guides issued over the last four years include:

- Managing Parliamentary workflow, 2003
- Internal budgeting, 2003
- Administration of grants, 2002
- Performance information in Portfolio Budget Statements, 2002
- Life cycle costing, 2001
- Some better practice principles for developing policy advice, 2001
- Internet delivery decisions, 2001
- Planning for the workforce of the future, 2001
- Contract management, 2001
- Building better financial management support, 1999.

RISK MANAGEMENT

Since the early 1990s there has been an increasing focus on managing risk in the APS. This reflects a shift in the prevailing culture which many regarded as risk averse and process-driven, to a more strategic approach for identifying and managing risk.

In 1996, the Management Advisory Committee's predecessor (the Management Advisory Board) produced the Guidelines on managing risk in the Australian Public Service. They are broadly based on the information contained in the Standards Australia publication, Australian/New Zealand standard for risk management, and are an integral part of APS reform.

The guidelines are intended to provide a broad overview of risk management, and agencies are to interpret the guidelines in the context of their own environments. They aid in the development of specific risk management approaches, and encourage managers and staff to manage risk in a systematic and comprehensive way.
The objectives of the guidelines are to:

- provide a generic framework for managing risk
- be a reference point for managers and staff when developing processes, systems, and techniques for managing risk, which are appropriate to the functional organisational context of their agency.

The guidelines outline how to develop a risk policy or program and specify the responsibilities of agencies at all levels. They particularly include the need for each agency to be able to satisfy scrutiny through the principal APS accountability mechanisms, which include Parliamentary committees, the Administration Appeals Tribunal, the Australian National Audit Office, the Commonwealth Ombudsman, and the Australian Public Service Commissioner.

In 1998 these guidelines were strongly reinforced by the Charter of Budget Honesty Act which requires half-yearly disclosure of fiscal risks and contingent liabilities which may affect the Budget balances. The Finance Minister’s Orders require disclosure of contingent liabilities in agency annual financial statements.

**RISK MANAGEMENT OF INFORMATION TECHNOLOGY**

Governments in Australia have been keen to take advantage of the capabilities of developing technologies and the internet to extend community access to government information and improve services to business. The impact of these initiatives is discussed in Chapter 8.

Further implementation of the e-government agenda presents public service managers with managerial, technical and accountability challenges. Exchanging information content from agency to agency, and providing cross-agency management information, adds to the challenge of collaboration and integration of services. And, as delivery of government services is shared with, or transferred to, the private or non-government sectors through contracts or partnership arrangements, agencies need to carefully consider issues of privacy, confidentiality and the security of data provided by citizens to government.

In 2002 the Management Advisory Committee completed an investigation into what will be needed, from a whole-of-government perspective, to improve the compatibility and interoperability of the Commonwealth’s governmental information communication technology. The report, *Australian government use of information and communications technology*, aims to find a balance between a strategic, whole-of-government approach to maximise efficiency gains and benefits to governments and citizens in terms of service delivery, and the responsibilities of agencies to manage their own IT procurement, strategies, and development.
MAC has established a high level Information Management Strategy Committee to provide leadership and advice to the Service on ICT strategic and governance issues with support from a group of key business strategy and support decision-makers—the Chief Information Officer Committee—and, where appropriate, working groups to address specific matters.

The report notes that new arrangements have been established for protecting critical infrastructure and enhancing e-security. New efforts are being made to develop stronger authentication of individuals with access to private information as data linking between agencies, with appropriate safeguards, will increasingly be required to improve government efficiency and the service provided to citizens.
HEALTHCONNECT AND THE EDGE SYSTEM

A proposed network of electronic health records will allow consumer health information to be collected electronically. To be known as ‘HealthConnect’, it will ensure that information is safely stored and exchanged between authorised health care providers within strict privacy safeguards that rely on the consent of the individual client. ‘HealthConnect’ is currently undergoing two-years of research and development, funded by Commonwealth, state and territory governments.

The ‘EDGE System’, used by Centrelink, is a decision support system that applies legislative and policy rules to the assessment of clients’ entitlements to payments and services. The range of employment support, health and welfare related payments and services offered by Centrelink are complex, wide-ranging and subject to high levels of change. The aim of the system is to improve the accuracy, consistency, clarity and comprehensiveness of information given to clients with regard to their entitlements.
FRAUD CONTROL

Fraud imposes a significant cost on Australian society. In 1997, the Australian Institute of Criminology estimated that fraud cost the community between A$3 billion and A$3.5 billion per year. Fraud against the Commonwealth is also a major concern to government.

The changing environment in which the public sector is now operating has increased the opportunity for fraudulent activity. Agencies are now required to develop strategies to identify possible fraud risks and how these risks will be managed and minimized, and where fraud does occur, it is rapidly detected, effectively investigated, appropriately prosecuted and losses minimised.

The Attorney-General's Department is responsible for providing advice to the government and Commonwealth agencies on the Commonwealth's fraud control policy. The policy is designed to counter fraud against the Commonwealth, either by those external to the Commonwealth or by Commonwealth employees.

The 2002 Commonwealth fraud control guidelines have updated the Commonwealth's approach to fraud control by providing a framework for fraud risk management and control which incorporates the latest developments in corporate governance, modern business practices and fraud control initiatives. Some features of these guidelines include:

- facilitating the integration of fraud risk management into corporate and business risk management strategies
- greater specification of fraud control arrangements for outsourcing
- introducing mandatory training qualifications for fraud investigators
- improved fraud reporting to government
- establishing a Fraud Trend Information Network.

The Fraud Trend Information Network acts as a forum for agencies to meet and report on the nature and extent of fraud against their agencies and against the Commonwealth in general.

All agencies covered by the FMA Act, and those agencies subject to the CAC Act that receive 50 per cent or more of their operating costs from the Commonwealth or a Commonwealth agency, are required to certify in their annual reports that they have complied with the requirements of the guidelines on fraud.

INTERNAL AUDITING

Internal auditing systematically examines, evaluates and monitors the adequacy and effectiveness of the control structure of organisations with the aim of promoting ethical business practices, improving risk management, enhancing decision-making and performance reporting, and promoting effective governance. Internal auditors assist management in meeting their obligations to manage efficiently and effectively. To be
effective, internal audit must be responsive to the needs of the agency, taking into account key business processes and critical business risks.

An Audit Committee, comprising a mixture of senior management and external representatives, generally manages the function. The Committee will generally report directly to the agency head, possess appropriate authority to direct a broad and comprehensive audit program, and remain independent of the activities audited.

PARLIAMENTARY SCRUTINY

The APS Values require the Service to be accountable, within the framework of Ministerial responsibility, to the Government, the Parliament, and the Australian public. For its part the Parliament has established a committee structure, comprising members of one or both Houses of Parliament, for purposes of scrutinising the activities of Ministers, their departments and other agencies coming within the particular portfolio responsibilities of individual Ministers.

Parliamentary committees are empowered to conduct inquiries into matters related to their specific charters, or as otherwise assigned to them by Parliament. Committee processes include taking written submissions on the subject matter, hearing witnesses and reporting to Parliament their conclusions with any related recommendations.

Committees may direct their attention to policy issues, scrutiny of legislation and the conduct of public administration by government agencies. Their inquiries may involve overseeing the expenditure of public money, and may be directed to calling on the government or the public service to account for their actions and to explain or justify administrative decisions. In that general accountability context, a number of the committees have particular significance for APS agencies. The work of two of these is outlined below.

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

The JCPAA has a statutory base in the Public Accounts and Audit Committee Act 1951.

In broad terms, the Committee's charter is to scrutinise, usually by means of public inquiry, the performance of all Commonwealth agencies in spending the funds appropriated to them by the Parliament. In this way it is the Parliament's watchdog, helping ensure that Commonwealth agencies are held to account for their use of public money.

The authority to consider and report on any circumstances connected with reports of the Auditor-General, or with the financial accounts and statements of Commonwealth, is one of the main sources of the JCPAA's authority—it gives the Committee the capacity to initiate its own references and, to a large extent, to determine its own work priorities. This power is unique among parliamentary committees and gives it a significant degree of independence from the executive arm of government.
Its duties are described in its Act as being to:

• examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General
• examine the financial affairs of authorities of the Commonwealth to which the Act applies and of inter-governmental bodies to which the Act applies
• examine all reports of the Auditor-General (including reports of the results of audits) copies of which have been laid before the Parliament
• report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed
• report to both Houses of the Parliament, any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys
• inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to the House upon that question.

The Committee also sets the guidelines for agency annual reporting. The Public Service Act requires each agency to report to its Minister at the end of each financial year on the agency’s activities during the preceding year. Those reports must be prepared in accordance with guidelines approved, on behalf of the Parliament, by the JCPAA.

Outside its responsibilities in relation to monitoring expenditure of public moneys, the Committee conducts inquiries which assess APS resource management frameworks, standards and practices, and reviews relevant Bills, as and when they are referred by the Parliament. In the last few years, its activities have included the following reports on:

• Review of the accrual Budget documentation, 2002
• Contract management in the APS, 2000
• Corporate governance and accountability arrangements for Commonwealth business enterprises, 1999
• Provision of an advisory report on the Public Service Bill 1997 (which was ultimately to become the 1999 Public Service Act), 1997
• Accrual accounting—a cultural change, 1995
• Public business in the public interest—an inquiry into commercialisation in the Commonwealth public sector, 1995
• Managing people in the APS—dilemmas of devolution and diversity, 1992
• Review of the independent auditor—watching the watchdog, 1992.
SENATE COMMITTEES

In 1970, a comprehensive system of legislative and general purpose standing committees, which would stand ready to inquire into any matters referred by the Senate, was introduced. Estimates committees were also established at this time to scrutinise the particulars of proposed government expenditure and providing a further avenue for achieving greater accountability to Parliament.

In October 1994, the Senate restructured its committee system by establishing eight standing committees each of which covers a particular range of subjects. Each committee operates as both a Legislation committee and a References committee in its area of responsibility.

Legislation committees are responsible for inquiring into, and reporting upon matters referred to them by the Senate relating to estimates of expenditure, Bills or draft Bills, annual reports, and the performance of the particular departments and agencies allocated to them. The annual reports of all government departments and agencies are automatically referred to one of these eight committees for consideration.

References committees inquire into, and report upon, any other matters referred to them by the Senate.

Legislation Committees

The Legislation committees provide an opportunity for the Parliament to examine ‘line by line’ the government’s expenditure proposals. These estimates are contained in the main appropriation Bills introduced into Parliament as part of the Budget, usually in May, and in the additional appropriation Bills, usually introduced in November to January.

Committee consideration typically involves the following process:

- hearings are held twice a year
- the process for most portfolios is an extended one—to at least a full day (ten to twelve hours) on each occasion
- the Minister, or Senator representing the Minister, also attends, but most questions are answered by the senior managers of each agency
- while questions are ostensibly focussed on the appropriation Bills, it is accepted that questions will range broadly, including any matters of interest to the Committee in the agency’s annual report. Few questions will be about proposed expenditure per se.

The practice of referring more Bills to one of the Committees at an early stage has integrated the Committees’ work more closely into the legislative process itself. Through their consideration of annual reports the Committees are given a mandate to monitor the performance of departments and agencies.
The Finance and Public Administration (F&PA), one of the eight standing committees, has a particular responsibility for public administration issues. (While the House of Representatives has a similar titled committee, the Standing Committee on Economics, Finance and Public Administration, this has tended to focus more on economic and financial issues than issues of public administration.)

The F&PA Legislation committee has particular responsibility for overseeing the Parliamentary Departments and those agencies in the Prime Minister's portfolio and the Finance and Administration Minister's portfolio. These include the APS Commission and the Australian National Audit Office.

When operating as a References committee, the scope of interest of issues referred to the F&PA by the Senate has been broad, as illustrated by the select list below:

- Recruitment and training in the APS (current inquiry)
- The necessity for public accountability of all government services provided by government contractors (current inquiry)
- Re-booting the IT agenda in the APS—final report on the Government's information technology outsourcing initiative, 2001
- APS employment matters, first report: Australian Workplace Agreements, 2000
- Consideration of legislation referred to the Committee: Provisions of the Public Service Bill 1997
- Contracting out of government services: information technology, 1997
- Service delivery by the APS, 1995
- Inquiry into the implementation of performance based pay in the APS, 1993
- Development of the Senior Executive Service: performance based pay, 1990
- Development of the Senior Executive Service, 1990.
FURTHER INFORMATION:

The Department of Finance and Administration web site at http://www.finance.gov.au includes the guidelines and reports on financial management, GBE oversight and procurement referred to above.


Federal Budgets are at http://www.budget.gov.au/


ANAO's web site http://www.anao.gov.au


Key Commonwealth fraud control policy documents, including the *Guidelines*, are available on the Attorney-General's Department's website at http://www.ag.gov.au/fraud


OLDER REFERENCES NOT ON THE INTERNET:


The dynamic economic changes that have been undertaken by governments around the world are evident in Australia. Microeconomic policy reforms, introduced by the federal government progressively since the 1980s, have included: the floating of the Australian dollar in 1983; marked reductions in barriers to trade and foreign investment; commercialisation, and some privatisation, of the government business enterprises which dominate large parts of Australia's economic infrastructure; strengthening domestic competition; and increasing labour market flexibility.

These policy initiatives reflect the belief by successive Australian governments that to compete successfully in the global economy requires Australia to reduce rigidity and prescription in its regulatory frameworks and achieve greater efficiency in its taxation and public spending arrangements.

These reforms have been a key driver in increasing and sustaining Australia's productivity performance. The continuing reform of the public sector has been seen as a vital part of that reform agenda by successive federal governments.

The public sector reforms of the 1980s and 1990s were, in part, heralded in the mid 1970s by the Royal Commission into Australian Government Administration’s advocacy of more rational management—stressing the need for a clear focus on objectives and assessing performance on the basis of results—and were carried out against a background of international economic pressures.

Specific structural reforms initiated in the public sector since the early 1980s have occurred on three main levels:

- broad reforms of the public sector, which have influenced the size, composition and functions of the APS
- changes at agency level to reflect changes in program structure inherent in program budgeting, flatter structures, devolution, decentralisation or regional initiatives
- changes at the workplace level to improve ways of working.

As Australian governments have become more tightly focused on their strategic purposes, they have increasingly commercialised, completely or partly privatised, or outsourced functions that are either commercial by nature, or no longer considered the core business of government. As a result, and as noted in Chapter 4, public service employment has shrunk.
Strategic and business planning in federal agencies was an essential part of the reform agenda of the 1980s. While strategic or business plans within the general government sector have not been mandatory, a 1992 evaluation of a decade of management reform found that there was widespread acceptance of, and support for, corporate planning in agencies, and that most saw corporate plans as setting strategic direction and articulating corporate values, and in one umbrella document, providing links to more specific plans within the organisation.

Since that time, the increased focus on outcomes and outputs rather than inputs and processes, as discussed in the previous chapter, has reinforced interest in and application of strategic planning. Since 1997 the Financial Management and Accountability Act has required departments and those agencies within its scope to report on corporate governance structures and process in their annual reports, including on corporate and operational plans and associated performance reporting and review.

The way the federal Budget is organised in Australia creates a strong link between agency strategic plans and their funding.

The outcomes/outputs budgeting framework (described in Chapter 6) involves setting for each portfolio the outcomes to be achieved and the funding to be provided. When all Budget decisions have been made by Ministers, separate documents for each portfolio, titled the Portfolio Budget Statements (PBS) are presented to the Parliament with the other Budget papers. The Statements are signed off by the responsible Minister(s) and describe the outcomes to be achieved along with the Government's priorities and new initiatives. They identify the funding to be provided, and set out performance targets and expected departmental outputs and total price of outputs as well as administered funding.

The PBS provides an important base for agency corporate plans. Typically, agency corporate plans focus on the management strategies to be adopted to help achieve the outcomes and targets set out in the PBS. They also identify the agency's vision and mission, and address agency capability requirements for the future.

Agency performance management systems frequently include business and work plans for each business or work area, flowing from the PBS and the corporate plan. Individual performance plans and appraisal are also closely integrated.

Agency heads are required to report annually to Ministers against the PBS outcome statements and performance targets, and these reports are tabled in the Parliament.
DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES—CORPORATE PLANNING

Outcomes and outputs are critical to the Department’s corporate planning framework. The Department’s outcome/output structure is developed through close consultation between senior management and the Portfolio Minister (who ultimately must agree to the proposed structure). Measures of performance against agreed outcomes and outputs have been developed. One of the Department’s current outcomes is:

- enhanced economic and social benefits through a strengthened national system of innovation

The Department delivers two outputs which contribute to the achievement of the outcome:

- program management services
- policy advice.

Information on quality, quantity and price is used to measure performance against the outputs. To measure the quality of its policy advice, for example, the Department measures elements such as:

- stakeholder satisfaction
- timeliness of Ministerial briefs and correspondence
- achievement of program objectives.

The Department also uses a ‘traffic light’ reporting tool to report on and oversee performance against its outputs. Each month the tool allows a green, amber or red light to be assigned for each key performance area, depending on whether its performance is on track, experiencing difficulty or performing poorly.

During 2001–02, the Senior Executive Service members of the Department met on a number of occasions to consider the Department’s strategic direction, including future policy and service delivery priorities; development of an information technology strategy; and the best approach to financial reporting. These considerations were reflected in the Department’s corporate plan 2003–05.

Business plans for each policy area of the Department were developed at a level below the corporate plan and the business planning process then cascades down to plans for work units and the performance agreements of individual employees.

The Department conducts an annual survey of its stakeholders and has continued its surveys of program customers throughout the year. The survey results are used to assess the effectiveness of our policy and programs in relation to our outcome and output performance and for process improvement.
COMMERCIALISATION AND CHOICE

Since the late 1980s Australia has seen an active microeconomic reform agenda aimed at improving the productivity and efficiency of the economy. In terms of public sector reform this took the form of increasing use of market-type mechanisms and of attempting to make state owned monopolies subject to competitive pressures.

An early initiative was the progressive introduction of user charges for a variety of goods and services provided by agencies that had previously been available at no cost to the user. User charges were introduced both between agencies and for external customers of government services. The aim of the charging policy was to make public servants and other users more aware of the cost of public activities, thereby removing any tendencies towards overuse of services because they were seen as being free.

Flowing on from this was the gradual opening up of choice for agencies in their suppliers. Government agencies had, in the past, been required to use services provided by other government agencies. One effect of competition was that providers were forced to be more responsive to client demands and to adapt their services to meet the needs of each customer. In the short term, some of the government service providers found considerable difficulties in meeting competitive prices while constrained by administrative, legislative and financial limitations imposed by their being part of the public sector. In the longer term, some of these government service providers were privatised.

STRUCTURES FOR DELIVERY OF GOVERNMENT SERVICES

Starting in the 1980s, driven by pressures for increased service quality and efficiency and greater community expectations, governments in Australia began to rethink the role of government. Governments at all levels began to make changes to the way they provided services, and to the range of services they provided.

Since the early 1990s, as in many other countries, non-commercial federal agencies have been encouraged to concentrate on core functions and to consider alternative methods of delivery for internal common services or incidental functions. It has been accepted that there are times when governments should fund services, but need not, and perhaps should not, actually provide them. There is also a recognition that some services could be better provided competitively, and that governments could serve public interest better through regulation without ownership.

The intended benefits of this to governments include being able to concentrate on outcomes and outputs instead of inputs, encouraging the new suppliers to provide innovative solutions, and cost savings. An ongoing challenge, however, is to administer these contracts effectively to ensure promised value for money is actually delivered.
COMPETITION AND CONTESTABILITY

One of the greatest impetuses’ for the application of market principles to government came from the report of the National Competition Policy Review, *National competition policy*, in 1993. Commonwealth and state governments accepted the principles outlined in the report (known as the Hilmer report after the name of the chairman) and, in their Competition Principles Agreement, agreed not to restrict competition unless it could be shown that restrictions were in the public interest. They also accepted the report’s recommendations in relation to competitive neutrality between government and the business sector and the structural reform of monopolies to allow competition.

The policy of competitive neutrality required the removal of state–based impediments to competitive national markets and for government agencies to compete on a ‘level playing field’ with private sector businesses. Government agencies and trading enterprises were subjected to the same regulatory and taxation regimes as private sector businesses, thereby ensuring that they have no financial advantages over any private sector competitors.

The *Competition Policy Reform Act 1995* extended the coverage of the Trade Practices Act to all markets—to public utilities, the professions, agricultural marketing boards and much of the health sector, for example. The natural monopoly elements of GBEs and government trading companies were separated out from the regulatory elements and then subjected to competition. Thus state electricity authorities were split, with the state retaining control of the transmission element and the electricity generating part opened to national competition.

Departments and agencies were required to identify functions or services that could be contestable and transferred, in whole or part, to the private or non-government sectors. It was argued that only when the public service clearly adds more value than might be achieved elsewhere was service delivery to be retained. Agencies were to benchmark themselves against all sectors to determine what they do best, what they can improve, what is more effectively delivered by the private or other sectors, or what should be discontinued.

Nothing was to be excluded. The provision of policy advice by departments, for example, was also contestable.

Contestability is less about ownership than competition, or the threat of competition. The prospect of competition is intended to act as a spur to enhance productivity and program effectiveness, and from the purchasers’ perspective, to provide them with greater choice of quality goods and services.

The view was that, as far as possible, funding of government programs should be separated from the actual delivery of the services involved. Service delivery was to be competitive with suppliers required to tender or otherwise compete for the right to deliver government services. Subject to safeguards to protect service quality, enlisting the knowledge and skills of the private sector and other sectors in delivering government services would help ensure service efficiency.
Governments were now exploring and adopting demanding tests of what services should be provided and by whom. Opening the provision of services to competition, being a purchaser rather than a provider of services, and shedding non-core functions, have become global themes.

**CORPORATISATION**

Australian governments have always availed themselves of a wide range of governance structures in meeting the changing needs of public administration. While departments of State have been central to the administration of government policy-making, they have, since 1920, been accompanied in the business of managing public affairs by statutory authorities and publicly owned companies. As the federal government began, shortly after its foundation, to undertake a variety of commercial and regulatory functions as well as the more traditional administrative functions, new administrative forms, considered to be better suited to new functions, were created.

The first significant statutory body staffed outside the Public Service Act was the establishment of ‘the peoples’ bank’, the Commonwealth Bank of Australia, in 1911. In the same year, the federal government entered into an inter-governmental agreement with Britain and New Zealand and joined its first multi-member board, the Pacific Cable Board, to construct and operate a submarine cable between Britain, New Zealand and Australia.

The first Australian government company, established in 1920, was the Commonwealth Oil Refineries Ltd in which the federal government joined with what has become British Petroleum to establish a jointly-owned company, to construct and operate Australia’s first oil refinery. While, at the time, this was seen as a one-off arrangement to handle an unusual public-private partnership, it can now be viewed as an early example, not only of such a partnership in the Australian context, but also of Australian use of the company form in government.

Corporatisation is in simple terms the creation of a corporate form, either a company under the general companies legislation, or a statutory authority under its own legislation. In either case, an organisation is established to manage an operation, with its own board of directors responsible for making all decisions about the performance of its functions and the delivery of its services.

Australian governments have used this governance model to corporatise a wide range of government service providers. Some have been longstanding monopolies, like postal services, telecommunications and water and electricity provision; and some have been in areas, like banking, aviation and shipping, where government businesses have operated alongside private operators over many years. National postal and telecommunications services were corporatised to become Australia Post and Telecom Australia, subsequently Telstra, the government owned telecommunications corporation, as early as 1975.
By the middle of the 1980s decisions over many years had led to the existence of more than 250 Commonwealth statutory authorities and 18 government business enterprises. The government decided it was time for a reassessment. In 1987, after considerable consultation, a set of policy guidelines articulated a framework for their oversight by government. The guidelines recognised the diversity of these organisations but called for all of them to pay continued attention to ‘bottom-line’ performance to maximise resource allocation.

The government of the time asserted a policy of using departments of State where possible, and a commitment to make sparing use of other forms of administration, with proposals to do so to be rigorously examined to guard against unnecessary fragmentation of government administration. But, recognising the size of the corporatised sector of government, the guidelines made clear the importance of their efficiency and accountability to Ministers and Parliament.

Late in 2002, a further review of statutory authorities was commissioned to examine structures for good governance, as well as the relationship between statutory authorities and office holders and portfolio Ministers, Parliament, and the public, including business. The review is focussing particularly on those agencies with close business relationships. An expected outcome is a broad template of governance principles for authorities and office holders. The review is likely to report in mid 2003.

In many recent cases, the introduction of commercialisation of government services has been a first step leading to corporatisation, and the opportunity for subsequent privatisation.

Where services have been commercialised, whether there are private sector competitors or not, governments have used corporatisation as a tool for improving their delivery.

As noted in the previous chapter, the independence of a corporatised organisation will normally be limited by government, which will provide broad policy direction, set targets and use its ownership to ensure community service obligations are met. These requirements are now set out in the Commonwealth Authorities and Companies Act 1997, discussed in the previous chapter, ensuring that authorities and companies are appropriately accountable to Parliament through a Minister. In other respects, however, a corporatised organisation is generally expected to operate in a fully commercial fashion.

OUTSOURCING AND CONTRACTING OUT

Another tool used to improve public sector efficiency and effectiveness is outsourcing. Outsourcing refers to an arrangement where a private or non-government sector provider performs an activity previously undertaken by a government agency. Under outsourced arrangements the agency retains overall responsibility and accountability for the activity, function or service irrespective of the service delivery method. Outsourcing may involve market testing through a competitive tendering and contracting (CTC) process.
In association with the introduction of the national competition policy, government agencies reviewed their activities to see how performance tools, such as benchmarking, business process re-engineering, purchaser–provider arrangements and CTC, could be used to improve efficiency and effectiveness. The use of CTC was advocated as a means of delivering more client–focused services while achieving savings and maintaining accountability. Guidance to agencies was issued to provide an overview of the key issues that need to be considered.
Like most other governments, Australia’s federal government owns and manages property within its borders and overseas. Property within Australia includes commercial office buildings, law courts, laboratories and heritage properties, totalling over 165 properties valued at more than A$948 million. The overseas property consists of offices as well as residential properties primarily associated with Australia’s diplomatic and consular activities and comprises 141 properties in 49 countries with an estimated market value of A$1.19 billion.

Day-to-day management of both the domestic and overseas property portfolio was outsourced in 2000 to a commercial service provider.

Current contractual arrangements are intended to give the government access to international best practice in the domestic property management arena and meet set performance indicators to:

- maintain the condition of the portfolio to industry standards
- meet the future needs of tenant agencies as agreed by government
- pay dividends from operations
- make equity repayments to the Commonwealth from the divestment of property.

Under their contract, the Department of Foreign Affairs and Trade, the agency responsible for overseas property, directly manages and measures the service provider’s performance—its global portfolio management, long-term assets management, day-to-day property management, day-to-day facilities management, and management of the divestment program and capital works.

Through this systematic approach to property management the government is aiming to optimise investment return on its property, whilst also acknowledging public interest considerations, the need to maintain tenant satisfaction and the condition of the portfolio.
Specific government decisions have since been made to promote CTC in the areas of information technology (IT) and corporate services, recognising that the markets for these services are well established.

In 1997, the Commonwealth government announced its in-principle agreement to the outsourcing of IT infrastructure across budget-funded agencies through the undertaking of a competitive tendering process to increase efficiency and provide broader access to technical expertise and technology support. From 1997 to 2001 this program was run centrally to manage market approaches, and agencies were grouped together to take advantage of economies of scale. Contracts included industry development commitments to promote the domestic IT market.

A series of reviews—including an Auditor-General performance audit, and an independent inquiry—endorsed the Government’s policy to market test and outsource the Commonwealth’s IT infrastructure requirements. The reviews also recognised that the policy delivered benefits and savings, and the establishment of a more sophisticated IT market and development of the Australian IT and telecommunications industry. The reviews also identified that outsourcing presents a number of implementation risks that must be managed, and were critical of aspects of the administrative processes. This led to a change in the program. Since 2001, responsibility has been devolved to agency heads within a whole-of-government framework, and agency heads have flexibility to tailor their IT procurement to meet their specific business needs.

Australian governments have also been using contracting out to introduce market competition, empowering consumers and providers with choice, increasing access to innovation and international networks, and using prices to guide production and consumption decisions.
JOB NETWORK

The Job Network, established in 1998, is one of the first comprehensive attempts internationally to apply market principles to the provision of active labour market assistance for disadvantaged job seekers. The mechanisms used to supply publicly subsidised employment services include contracting the provision of training, client management and other services to competing agencies in the private and non-government sectors, flexibility in the way services are delivered and rewards for the better providers.

The Department of Employment and Workplace Relations has contracts with more than 109 non-governmental organisations to provide employment-related services to the unemployed (such as job-search assistance) in 986 locations across Australia. Within the Department’s guidelines, the Job Network providers tailor their services to meet specific client needs, offering a greater degree of flexibility and choice than was previously possible.

A Productivity Commission report on Job Network in 2002 supports the use of public–private providers and notes that the total costs of the program are much less than previously. Competition between providers and the use of outcome payments have created incentives for improved efficiency and better outcomes. Job seekers have some choice of provider, and employers are more satisfied.
State and territory governments have also embraced outsourcing to varying degrees. During the early 1990s the state government in Victoria was one of the most enthusiastic supporters of outsourcing. It outsourced major toll road construction and operation, hospitals, prison construction and operation, and the city train and tram public transport services. As well as public sector outsourcing, Victoria introduced competitive tendering legislation to apply to municipal councils.

Not surprisingly, considering the newness of the policy of outsourcing, many of these initiatives at federal or state level have been hotly debated and not all have been equally successful. The costs of implementing outsourcing include the immediate costs of staff retrenchments; the inflexibility that can occur in contracts; the need for high level commercial, project and contract negotiation and monitoring skills in the public service; a lack, in some areas, of competition in the bidding process; and in some cases, the difficulties of meeting accepted standards of accountability. On the other hand, the process has successfully challenged internal providers with longstanding monopoly arrangements. While figures on the savings made by governments by outsourcing are hard to come by, a wide number of services are provided on a contract or outsourced basis throughout Australia, ranging from rural postal services to the operation of prisons.

**PRIVATEISATION**

In recent years, Australian governments have gradually withdrawn from the provision of some services, and privatised the government agencies involved. This has applied particularly to the corporatised businesses operating in the commercial sphere. Several corporatised functions such as the Commonwealth Bank, Qantas airline, defence industries and dockyards, have been privatised, sold either through listings on the stock exchange or through competitive trade sales. Changes in government regulation of rapidly changing areas of the economy, such as telecommunications, meant the introduction of new privately owned competitors, and led to the partial privatisation of the government owned telecommunications corporation, Telstra.

Australia has had one of the largest privatisation programs in the OECD countries, second by value to the UK and, relative to GDP, to New Zealand. Sales of federal government assets and businesses began in 1986 and escalated during the late 1990s.

The proceeds of these asset sales are paid into the Commonwealth’s consolidated revenue, thus benefiting the taxpayer. Where government ownership was previously seen as essential, succeeding governments have argued that the public interest can be protected by better regulation. This allows the sale of the asset without risk of the monopoly being abused. The asset or business could be expected to have better management, with less constraint on its capital needs, and to be more focused on the needs of its customers. The federal government has sold the major city airports on that basis, and many utilities have been sold by state governments.
Regulation of privatised assets by the federal government may include controls on prices and anti-competitive behaviour. Owners of a monopoly asset are required, for example, to provide access to other operators on reasonable terms and conditions. The new owners of airport terminals, for example, must give reasonable access to new airlines, and transmission networks must be open on reasonable terms to operators wishing to transmit from existing towers.

Similarly, governments have determined that community service obligations can be delivered by direct budget funding rather than cross subsidies hidden in prices. In the telecommunications area, for example, the standard of service to be provided in rural Australia is determined and telecommunications companies tender to provide that service. The cost of the successful tender is met directly from the federal budget.

Governments have not only privatised operations where external customers are involved, but they have also privatised some of the services where they themselves are the customer. Areas such as government printers, transport services and staff canteen operations have been sold to private operators. Governments normally now buy those services from the private sectors as they need them, often using competitive tendering to obtain best value for money.

Sales of government organisations are typically managed by central agencies, usually treasury or finance departments, with contracted support from specialised professional advisers. Sales have normally been by initial public offer on the stock market or competitive tender for trade sale of a business. In a few cases, governments have agreed to management buyouts. The organisations themselves are involved in the preparation for the sale, but do not control the sale process.

There are considerable costs involved in privatisations—the cost of specialist advice; the administrative cost of the tender or stock market offer; and the ongoing costs involved in regulating private monopolies, if they eventuate. But, as shown above, they have significantly assisted governmental balance sheets and allowed Australian governments to finance new priorities and programs.

PRIVATE FINANCING

Traditionally, infrastructure development has been undertaken by governments in Australia. With the trend to privatisation during the 1980s and 90s, however, the introduction of private financing and operation of infrastructure projects has been a reasonably natural progression.

Since 2000, almost all Australian states and territories have developed private financing policies, recognising that, used appropriately, public/private partnerships can offer governments the opportunity to deliver public services more efficiently.
The term ‘private financing’ refers to the use by governments of private sector capital to finance, wholly or partly, investment in infrastructure or other assets or services that would normally be funded or provided directly by government. Although financed by private capital but ultimately funded by government, the private funding is often acquired through a process of repayments or long-term leases.

As such it is another form of government procurement. The main attraction of private financing for governments is that it may allow the achievement of better value for money. In particular, it may offer opportunities for efficient risk transfer and access to more innovative solutions and best practice project management. There is a perception that private financing can assist governments that are hampered by debt levels or that are keen to avoid debt. However, private financing arrangements are recognised in the public sector’s balance sheet, which demonstrates that financial structuring is not the primary motivation for their use. In many privately financed projects the ownership and operation of assets will eventually transfer to public hands after an agreed period when it is expected that private investors will have recouped their initial outlay and made a profit on their capital.

Most Australian states and territories have been using private financing to help them deliver public services requiring large investments in infrastructure (for example, the provision of hospitals, schools and arterial roads and water treatment plants). The states’ greater scope for use of private financing results from their greater responsibility for services involving substantial infrastructure—the type of service shown to date, in Australia and internationally, to be most amenable to these public/private partnerships.

An example of a private financing arrangement used in Victoria is the Country Court project, which was one of the first to be completed under the Victorian government’s Partnerships Victoria policy. The Victorian government sought the involvement of the private sector to overcome difficulties experienced by the public sector in providing best practice judicial administration in the outdated County Court facilities. In June 2000, a private consortium was contracted to provide accommodation and other services at a new A$140 million County Court building, which is located in Melbourne’s central business district. The consortium, which owns the facility, provides essential services related to the effective functioning of the building, such as building security, maintenance and information technology. The government provides all services relating to the administration of justice, notably case and list management, and custodial operations in the facility.

As at November 2001, New South Wales had contracted the private sector to build, own, operate and transfer over A$5.5 billion of capital infrastructure, covering over 20 projects. The majority of this expenditure, A$3.4 billion, has been associated with transport projects. A prominent example of a privately financed project in this regard is the Sydney Harbour Tunnel. Similarly, in Victoria, the Melbourne City Link project, which
is one of the largest infrastructure projects ever undertaken in Australia and cost approximately A$2 billion, was privately financed.

At the national level, the Department of Finance and Administration released the federal policy framework, *Commonwealth policy principles for the use of private financing*, in 2001. The three core principles for assessing whether private financing should be the preferred procurement method used are:

- **Value for money**—should be assessed on a whole-of-life and whole-of-government basis. Factors which add value to a private financing proposal include innovation, risk transfer, improved asset use, ownership and management synergies, and improved project management. They also include qualitative criteria, such as the quality of service delivery.

- **Transparency**—the use of private financing should not diminish the availability of information to Parliament, taxpayers and other stakeholders on the use of government resources.

- **Accountability**—government agencies continue to be responsible for the delivery of their outputs even through the use of private financing. Agencies are not able to transfer accountability to a private sector organisation, irrespective of the procurement method.

Private financing should be used by Commonwealth agencies where it is able to provide better value for money than other available alternatives. The federal government is yet to conclude any private financing arrangements.

There can be considerable risks associated with private financing, and proposals must be adequately analysed for long-term value for money. One of the main reasons for private financing is that it can transfer risk from the taxpayers to the private sector. However, this is not always the case. The NSW state government, in the late 1990s, was forced to assume the risk of the Sydney Airport Rail Link after the private firm did not meet creditor payments. Private financing involves a long-term commitment, typically lasting 15 to 30 years and contracts need to be augmented by a cooperative relationship between the parties. It requires, therefore the public sector to invest in contract management and relationship building over the long-term.

**PURCHASER/PROVIDER ARRANGEMENTS**

During the last decade, the federal government has increasingly involved other sectors in the delivery of government services and in implementing policy through establishing contractual arrangements involving a wide range of providers. For some departments this has become the standard way that many of their services are delivered. As an example, the Department of Family and Community Services, one of the largest Commonwealth portfolios, responsible for family and social welfare policies, currently spends A$730 million on partnership arrangements with 15,000 non-government organisations.
By drawing on the capabilities of many providers it, and other agencies working in similar ways, can encourage greater experimentation and innovation where one solution is unlikely to successfully address the whole problem. As a result, government agencies have been able to concentrate on setting out the standards of service that the contracted provider will deliver and overseeing performance, without directly delivering the service.

The major partnership administered by the Department of Family and Community Services is with Centrelink, the Commonwealth’s one-stop service delivery agency (discussed in more detail in the next chapter), which provides services on behalf of federal and state government agencies under purchaser/provider arrangements known as Business Partnership Agreements. The agreement between the Department and Centrelink to provide income support payments is claimed to be the largest purchasing agreement of its kind in the southern hemisphere and one of the largest in the world.

The agreement recognises the simultaneous independence and interdependence of the two organisations, specifies what services each agency will purchase from Centrelink, at what standard, and specifies standards for measuring whether services provided meet those standards. It incorporates business assurance principles that define levels of accuracy in administering client payments and covers ways of making sure the levels are met. A rolling program of random samples which measure payment accuracy using the agreed definitions provide continuous information on Centrelink’s performance. Nevertheless, the agreement relies on communication, mutual understanding and trust, rather than being a legalistic and prescriptive contract.

The provision of programme delivery services and rehabilitation programmes for people with disabilities is another example of a Department of Family and Community Services purchaser/provider arrangement. The Department has a service level agreement with CRS Australia, a commercial business unit of the Department of Health and Ageing, to provide rehabilitation services.

CRS provides disability and rehabilitation services and programs to around 18,000 Australians at a cost of around A$100 million each year in accordance with legislation and under the terms and conditions set out in its service level agreement.
CASEMIX

The Australian casemix system was developed in the late 1980s in the context of Commonwealth–State agreements on hospital funding. Casemix uses classifications to place together similar streams of health care as a way of measuring hospital outputs. Adapted from U.S. experience, the Australian system was initially used for reporting on the levels and types of outputs from both public and private hospitals across Australia.

Casemix reporting provides a basic framework for assessing the efficiency of hospitals. The casemix system also aims to encourage a more patient–focused approach to hospital management while recognising the diverse range and complexity of hospital procedures.

The Victorian state government introduced a casemix funding scheme for all its public hospitals in July 1993. It was the first Australian government to do so, but now all states now have some form of casemix funding for hospitals. These involve funding hospitals on the basis of expected outputs, using prices determined by casemix weightings. The degree of purchaser/provider separation varies between states, as do the detailed processes for managing risk of complex cases and funding medical research. There has been some limited experience in using casemix as a basis for competitive tendering amongst hospitals for public patient care.

There is evidence that casemix has contributed to improved hospital efficiency, for example by increasing the extent of day-of-admission surgery and reducing average length of stay. Some concerns have been raised, however, about incentives for early discharge and inefficient incentives for good post-operative care.
ACTEW Corporation Limited (ACTEW) is a government–owned holding company with interests in providing water, wastewater, natural gas, telecommunications and energy services to the people of Canberra, the national capital, and beyond.

This private public partnership aims to allow the private sector to finance needed infrastructure, to remove the necessity of the ACT government to carry debt and, at the same time, improve the delivery of service to the public.

In Canberra, the Australian Capital Territory government owned multi-utility, ACTEW Corporation, entered into a joint venture with a major private company, Australian Gas Light (AGL), in late 2000. The challenge was to combine the service delivery capacity of ACTEW with the commercial skills of the Australian energy giant, AGL.

ACTEW Corporation became a holding company and ActewAGL was formed as the operating company. All electricity and gas assets were vested in the joint venture partnerships but ACTEW retained ownership of the water and sewerage network.

As a result of the new Canberra model

• the ACT government receives a constant income stream while utility services are undertaken by capable operators
• for investment purposes the approach allows a hands–off stance that insulates the government from market fluctuations and daily business concerns
• the local community benefits as quality utility services are provided at reasonable costs.

ACTEW Corporation has emerged as a hybrid holding company involved in four types of private public partnership:

• full equal partnership with AGL in the electricity and gas market
• alliance contracting in water and sewerage services
• strategic investor in the new TransACT broadband communications initiative
• promoter and vehicle for Canberra–led environmental business with China and elsewhere.
THE REGULATORS AS PROTECTORS OF PUBLIC INTEREST

The changing structure of Australia’s government administration has impacted on the role of regulation, and increased the importance of some of the regulators. In place of government assistance for certain industries, and substantial intervention into various markets, more emphasis is now on regulators protecting the interests of consumers and prohibiting anti-competitive practices.

As government business enterprises have been transferred to the private sector there has typically been a splitting of the regulatory function, retained in the public sector, from the trading function. Rigorous regulation and open disclosure of performance information is also crucial to the accountability of privatised companies and private sector providers. To ensure that privatised companies live up to their community service obligations and that private service providers live up to their contracts has required the active involvement of independent specialised regulators and regulators with wider responsibilities like the Australian Competition and Consumer Commission and the Auditor-General.

The Australian Competition and Consumer Commission was formed in 1995 as part of the implementation of the national competition policy reform program agreed by the Council of Australian Governments. The Commission is the key national regulator dealing generally with competition matters, and promotes competition and fair trading while monitoring and reporting on prices. It investigates anti-competitive and unfair market practices, and supports consumer protection.

A growing number of national, specialised, regulatory and complaints authorities have also been established covering such issues as national food standards, pharmaceutical safety, and financial services monitoring.

Experience has not been without problems. Some regulators have proved to be too slow or not firm enough in protecting consumers or stakeholders, and some contracting arrangements have been subject to strong criticism by the Auditor-General. In some cases, the separation of the regulatory function from the trading function left significant difficulties that need to be resolved (one example being civil aviation safety, now firmly in the public sector).

REGULATORY CONTROLS

Effective and efficient regulations facilitate the achievement of a range of community objectives. Excessive government regulation, however, imposes considerable costs on business and the community, as well as involving enforcement costs for government.

Over the last two decades, governments in Australia have found that many regulations were inhibiting healthy competition, increasing business costs and prices, and hindering
growth in living standards. In some cases, consumers’ choice of supplier and products was being unnecessarily constrained. In response to these concerns there has been a major reorientation of the regulatory framework in Australia.

**REVIEW OF LEGISLATION**

Around 60 federal departments and agencies and 40 national standard-setting organisations and Ministerial Councils have powers to prepare or administer regulations. In 1995, as part of the Commonwealth–State Competition Principles Agreement, the Council of Australian Governments agreed to a program of review by all governments of around 1800 pieces of existing legislation that potentially restricted competition.

The Commonwealth’s own comprehensive review program of more than 100 separate pieces of legislation encompassed both legislation restricting competition and legislation that could impose costs or confer benefits on business.

**REGULATION IMPACT STATEMENTS**

Since 1997, a major element of the Commonwealth government’s strategy for reviewing and reforming regulations has been to require that new or amended federal regulation that affects business or restricts competition is to be accompanied by a regulation impact statement. In 2001–02, of the 1900 Bills and other regulations that came into effect, 145 required the preparation of a regulation impact statement.

The statements are designed to assess and balance a wide range of economic, social, environmental and technological issues and impacts in the consideration of policy options. New regulation is required to be pro-competitive and outcome focused.

The Office of Regulation Review, within the Productivity Commission, provides advice on whether these statements meet the government’s requirements, including whether an adequate level of analysis has been undertaken. The Commission, which is the government’s principal review and advisory body on microeconomic policy and regulation, also has an obligation to report annually on compliance with these requirements across federal departments and agencies. Its 2001–02 report notes that while some agencies have integrated consideration of regulatory issues into their broader policy development processes, others have yet to do so.

**COST RECOVERY**

Sound principles of cost recovery are also fundamental to good regulatory development and reform. Until recently, most government activities, other than those of government business enterprises, were largely funded from general taxation revenue. However, governments increasingly have been recovering by more direct means some or
all of the costs—the fees and charges relating to providing government goods and services (including regulation) to the private and non-government sectors—of particular activities.

In 2002 the Productivity Commission reviewed cost recovery arrangements across the government’s regulatory, administrative and information agencies. A new cost recovery policy has been established to improve the consistency, transparency and accountability of cost recovery arrangements and promote the efficient allocation of Commonwealth resources. Guidelines have been issued to assist the application of the policy. The policy applies immediately to all new and significantly amended cost recovery arrangements and will be phased in over five years, in line with an agreed review schedule, in respect of existing arrangements.

INCREASING PRODUCTIVITY

Australia’s economy continued to grow strongly during the 1990s, with an annual average real GDP growth of 3.4 per cent over the decade. This strong growth persisted during the 1997 Asian financial crisis and the 2001 global downturn.

High productivity growth, particularly in the 1990s has underpinned much of this good economic performance.

While well-crafted macroeconomic policy settings and workforce skills and education were important, there is general agreement that microeconomic policy reforms have played a central role in Australia’s productivity surge through three main avenues:

• incentives to be more productive have been sharpened, chiefly by strengthening competition
• the economy has been opened to trade, investment and technologies developed overseas
• less regulatory restriction in labour markets has given businesses the flexibility to adjust production processes and the structure of their organisations to improve productivity.

There is considerable evidence of increased productivity in the public sector also over the last decade and more. Nevertheless measurement remains difficult.

A 1990 Australian report, *The size and efficiency of the public sector*, recognised the difficulty of valuing or measuring the output of public administration in objective terms, but found that meaningful measures of performance and efficiency are more readily available for GBEs. It concluded, after some careful economic analysis and caveats, that in the second half of the 1980s there was a marked improvement in efficiency in many areas of the public sector. The data suggested that growth in productivity had been at a higher rate than in the private sector, it was estimated at 3 per cent per annum from 1987–90, and that there had been substantial productivity increases in telecommunications and electricity supply. The report concluded that the intensive
expenditure reviews, program budgeting and efficiency dividends, and considerable management reforms have led, in general, to substantial efficiency gains, while maintaining the quality of services.

Between 1984–94 government trading enterprise profitability rose by 23 per cent, real price levels fell by 3 per cent while productivity rose by 67 per cent. A subsequent report by the Productivity Commission covering 1994–95 to 1998–99 indicates that the financial management of trading enterprises has continued to improve over recent years, resulting in higher returns to the community. However, performance varies within and across industries, with many still not achieving an adequate rate of return—despite a decade of reform.

Since 1995, the Steering Committee for the Review of Commonwealth/State Service Provision has published information on the performance of Commonwealth, state and territory governments in delivering specific government services. Its annual Report on government services uses a range of agreed performance indicators to allow assessment of both the effectiveness and efficiency of those government services not normally subject to competition, including education, justice, emergency management, health, community services, and housing. The work of the Steering Committee is assisting governments in all jurisdictions to identify better ways of delivering these services to the community.

There is also evidence of improved effectiveness, such as in employment services provided through Job Network, and in health outcomes through clinical and pharmaceutical programs as well as preventive programs.

Meanwhile, a Productivity Commission report, *Microeconomic reform by Australian governments, 1997–98*, finds accumulating evidence—although it is harder to evaluate—that microeconomic reform is lowering costs in both state and Commonwealth public sectors.

In some of the most complex fields, such as social security and child support, the public service has lifted its performance in providing quality service to its clients while meeting the strict requirements of legislation.

While it is not possible to state unequivocally the factors behind these improvements, it is fair to suggest that the management reform agenda of the last two decades—focusing on managing for results and involving considerable devolution—has had considerable positive impact on the budget and on the clients the APS serves. The reform agenda has facilitated improved business and corporate planning, better performance management, increased use of competition, and better management of people as well as finances.
FURTHER INFORMATION:

Department of Finance and Administration reports are on their web site at http://www.finance.gov.au.


Productivity Commission's reports are on their web site at http://www.pc.gov.au.


Australian National Audit Office http://www.anao.gov.au

Job Network www.workplace.gov.au


REFERENCES NOT ON THE INTERNET:


National Competition Policy Review 1993, National competition policy (FG Hilmer, Chairman), AGPS, Canberra.

Royal Commission on Australian Government Administration 1976, Report (HC Coombs, Chairman), AGPS, Canberra.
Traditionally Australian public servants saw it as their role to provide citizens with services that were fair, equitable, correctly and lawfully delivered—where entitlements under the law were economically and carefully administered with an emphasis on due process.

The 1970s saw the introduction of administrative law initiatives, which led to a greater acceptance of citizen rights and increased transparency of decision-making. Initiatives aimed at broadening the representativeness of the Service to more closely reflect the wider community were also introduced. The Royal Commission on Australian Government Administration supported measures to improve community participation and responsiveness, and proposed ‘one-stop shops’ to bring together services from a broad range of government agencies to one shop front. Their implementation awaited improved technology.

The results-based management reforms of the 1980s saw increasing adoption of private sector methods in the public sector and a new emphasis on citizens as customers.

By the 1990s the ideas of the competitive market impinged more deeply, emphasising the rights of citizens to choose from a range of service providers, while new partnerships with non-government organisations encouraged the idea of citizen as client. The requirements of public servants to deliver services ‘fairly, effectively, impartially and courteously to the Australian public’ whilst being ‘sensitive to the diversity’ of the public, were incorporated in the Public Service Act in 1999. By this time, members of the public were also seen as stakeholders with a legitimate part to play in government policy decision-making. Ideas of mutual obligation complemented this approach.

By the turn of the century, strong government imperatives and more advanced technology had facilitated the creation of the one-stop shops, and the delivery of electronic services across the Internet had become a reality.

**CUSTOMER SERVICE**

From the 1990s successive governments have sought to make public services more responsive to the needs of the citizen or customer, and to increase efficiency and effectiveness in service delivery.

Generally, the expectations of the Australian population in terms of prompt, efficient and effective customer service are rising. People are asking for services to be accessible and provided at a time and in ways that suit the way they live their lives.
The government’s public service reforms focus directly on customer service as an important indicator of high performance, and agencies are accountable to their Ministers for the quality of their service to customers in this context.

Recent surveys, such as reported in the APS Commission’s 2001–02 State of the Service report, conclude that the APS has been largely successful in establishing a customer focus and improving the standard of service delivery.

**IMPROVING SERVICE DELIVERY**

Key initiatives for improving government service delivery and meeting customer and community expectations include:

- improved access to services
- commitment to internal and external customer service charters
- closer working partnerships between policy departments and service delivery agencies
- greater involvement with other non-government sector organisations
- market research into customer satisfaction and service improvement.

**Access strategies**

Significant efforts have been made in recent years to improve accessibility. These include broadening the delivery network, upgrading physical access requirements for buildings and co-locating many separate services under one roof with shared facilities and resources.

A feature of the government service delivery network in Australia is a high level of involvement by non-government organisations. For example, private, church based and secular organisations deliver a range of government funded services, including child care, housing assistance, emergency housing, disability support, job search, counselling and relationship support, emergency relief and parenting support. These services are often able to combine the government funded aspects of their work with their own private support mechanisms to offer service customers more holistic support and assistance.

One-stop-shops have been established to provide services across federal and state levels. The most notable example is the establishment of Centrelink in 1997, set up initially to bring together the service delivery network of several federal departments.

As a statutory authority within the APS, Centrelink now delivers government services and payments to eligible customers on behalf of, and in partnership with, 25 federal and state agencies, while servicing 6.4 million customers from over 1000 service points, spending A$53.4 billion a year, or around one-third of the annual federal budget.

Customers in 2002 include 700 000 people with disabilities and their carers, 500 000 young people including students, 1.1 million job seekers, 2 million retirees, and
1.8 million families and children. Centrelink employs 24,000 staff, and handles 24 million telephone calls in the course of a year through 27 call centres around the nation. More than 100 million visits are made each year to its offices.

For people outside metropolitan areas, federal Family Assistance Offices deliver services on behalf of Centrelink, the Australian Taxation Office, and the Health Insurance Commission (which administers medical insurance payments) in 560 offices around Australia.

Where rural communities are too small to justify a Centrelink office the federal government is supporting the setting up of community-based rural transaction centres to provide government, financial and administrative services locally.

Centrelink also employs local agents in small rural and remote communities and provides regular visiting services, as do a number of other government agencies. This face to face contact with specialist agents is particularly important in assisting Indigenous people overcome access barriers such as language and cultural differences, and lack of proficiency with, or access to, electronic communication mechanisms.

Other aspects of access are being addressed through electronic service improvements.

In December 1997, the government’s ‘Investing for Growth’ Industry Plan set Australian federal departments and agencies a target to have all appropriate services available through the internet by 2001. Since meeting this target, over 1665 services, including the capacity to complete and submit individual tax returns, and job search information, have been made available online, with an additional 602 projected to be completed in the near future. Using this technology in conjunction with self-help facilities has extended the reach of services in remote areas by providing access points through agents and electronically. It is now possible, for example, for anyone with internet access to apply for jobs electronically using the Department of Employment and Workplace Relations’ online ‘jobsearch’ site.

Federal agencies are also obliged by the Disability Discrimination Act 1992 to ensure that online information and services are accessible by people with disabilities. The World Wide Web Consortium’s ‘Web content accessibility guidelines’ have also been adopted as the common best practice standard for all Australian government web sites. Furthermore, there is a growing focus on improving the security, interactivity and simplicity of using online services.

In many areas there is work underway to develop shared information technology that will facilitate faster referrals between government agencies and service providers in other sectors. In the future, a database will give localised non-government service providers, customers and the community direct access to appropriate services in their own region.
Launched in March 2001, ‘Canberra Connect’ is the one-stop shop providing integrated service delivery and payment options to the community of the Australian Capital Territory (ACT) for all the agencies in the territory government.

Bill payments, and information and service inquiries are offered by the one service, using uniform service providers, making knowledge of the structure of the territory’s government unnecessary for customers.

For most services the Canberra Connect customer has a choice of service delivery mechanisms, or channels, when accessing the ACT government. All three available channels—shopfront, internet, or call centre—use the same information and tools.

By May 2003, Canberra Connect delivered 132 services through shopfronts, 77 services online, and 62 through a call centre. The intent is to provide access to all services through the most convenient and cost-effective mechanisms.

Whole-of-government contracts are being instituted to manage services through third party delivery mechanisms, such as Australia Post, the national postal service, and Bpay, an Australia-wide electronic form of direct payment from bank accounts. Canberra Connect also provides a single change of address system, and an integrated customer feedback system.

To deliver better services, work patterns and businesses processes are systematically reviewed. Systems are gradually being upgraded and redeveloped to take better advantage of the possibilities of new technology. An example is ‘rego.act’, the new digital motor registration and driver licensing system. A broadband cable network is being progressively laid.

### Canberra Connect services

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<td>Value of revenues</td>
<td>A$161m</td>
<td>A$205m</td>
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*Including transactions processed through ACT Road User Services and Australia Post for which Canberra Connect assumed responsibility in 2002–03.
Access Queensland and Smart Service Queensland

Similar to Canberra Connect, ‘Access Queensland’ is a new initiative aiming to make it easier for the public of Queensland to access generic government services and information. It is a whole-of-government initiative charged with planning and implementing new service delivery arrangements in collaboration with government agencies.

Access Queensland is assisting government agencies to integrate their services across multiple channels, and has established a new service delivery arm of the Queensland government, named Smart Service Queensland. A central principle of the model is that members of the public should not need to know the name of a government agency in order to access its services.

Through the use of new technology, Smart Service Queensland will give the public a single ‘front door’ to Queensland government services through its internet gateway. It offers departments greater efficiencies in service delivery and will provide an opportunity to refocus existing resources on core business activities.

Two services are currently available—camping permits and vehicle and vessel registration renewals. Another 40 services are being re-engineered for integration in the next 12–18 months.

The initiative will see considerable benefits to government based on: taking advantage of economies of scale; optimising the use of shared facilities, technology and business systems; improving efficiency by reducing overlap and duplication; facilitating better service delivery through improved understanding of customer needs; ensuring consistent advice for customers through codification of knowledge and decision rules; and promoting a whole-of-government agenda for service delivery and improvement.
MEASURING CUSTOMER SATISFACTION

Organisations with constant public contact, such as Centrelink and the Health Insurance Commission, run periodic surveys to measure customer satisfaction with their staff and services. The results are used to make improvements, and then are measured against future results to ensure that the improvements made were effective.

Each year the Health Insurance Commission measures satisfaction with its range of services to its three key consumer groups, namely, medical practitioners, pharmacists, and members of the public as health consumers. In 2002 the satisfaction levels of consumers and pharmacists achieved 90 per cent, while satisfaction of medical practitioners was more than 70 per cent. Those consumers who visited one of the Commission's 226 Medicare offices commented positively on friendly and helpful staff and quick and easy service.

Centrelink regularly monitors customer satisfaction through a suite of four customer satisfaction surveys. Surveys run in November 2001 captured the views of 66 000 customers, of which 76 per cent rated the overall quality of Centrelink's people, services, and information, as 'good' or 'very good'. Customer satisfaction regarding the accuracy of advice and information given, as well as the speed and efficiency of Centrelink staff, both improved on previous years. However, customer satisfaction regarding queue handling within Customer Service Centres remained relatively low.

Centrelink also conducts customer workshops aimed at gaining customer feedback. They recently identified the five most important customer values as being:

- friendly, helpful, and courteous staff
- complete, accurate, reliable information that is easily understood
- easy access to services with choice and flexibility in means of access
- receiving prompt and efficient service
- dealing with people who understand the needs of individuals.

A number of government departments and agencies now conduct very sophisticated market research. The Health Insurance Commission for example, has established a panel of market research providers to work alongside the Commission for three years. These market researchers include companies able to undertake large quantitative studies, as well as small, specialised companies skilled in working with culturally and linguistically diverse communities, including Indigenous communities.

Government services and payments have previously been based on a one-size-fits-all approach. New emphasis is on customising programs for individuals or groups to achieve better outcomes based on their particular circumstances.

In 2002, after a five-year period of taxation reform, the Australian Taxation Office launched an initiative called 'Listening to the community'. This aimed at tapping into the
ideas of the community and, over a period of three months, the Office held 60 discussion groups around the country and numerous in-depth interviews with tax agents. The new approach seeks to find ways of making it easier and less expensive for people to comply with their tax obligations and is an attempt to co-design solutions with the community.

The workshops have given the Tax Office a wide range of ideas, mainly from its key client groups; individual taxpayers, small business, and tax agents. As a result, distinctive online services for each client group and personalised programs within each group are being developed to respond to particular needs. Such groups include truck and bus drivers, retirees, low-income earners, young people leaving school, and farmers.

**SERVICE CHARTERS**

In March 1997, as part of its 'More time for business' statement, the government introduced service charters for all federal agencies that deal with the public. A service charter is a short publication that informs the client about the agency's services, outlines relevant avenues of communication, details relevant service standards, and outlines client rights and responsibilities including feedback and available complaint mechanisms. Service charters are displayed and promoted in agencies' shop fronts, public contact areas, in their offices, at client forums, and on their web sites.

In designing their service charters, each agency consults with their customer groups and key stakeholders to help establish an appropriate and practical charter. The Department of Employment and Workplace Relations charter for example, states, ‘this charter explains our services and the standards of service that you can expect from us. It has been developed in consultation with staff, clients and other stakeholders’. Accessible on their web site, it addresses four areas, ‘our service commitments to you, service standards, client feedback, and our services’.

Commitments to consult, and the processes to be pursued, are usually included in each agency charter. Agreed arrangements to consult with those who would be most affected by any policy modification, and interested members of the public, will be set out with time frames for comment on policy proposals.

Sixty-eight out of the seventy APS agencies required to implement a service charter now have one in place. Agencies must report on performance against charter commitments in their annual reports.

In 2002, the Australian Public Service Commission presented annual awards to five agencies which set measurable service standards and obtained customer feedback as part of measuring their performance.

Australia, like other countries, has found that service charters encourage agencies to put in place robust systems for assessing their own performance, and receiving feedback.
from their clients. They can have significant impact on continuous improvement in service
delivery and customer relations.

A QUALITY MANAGEMENT APPROACH

In the current climate of financial constraints, it is a major challenge for public sector
service providers to meet the ever-increasing expectations of the community and key
stakeholders.

In order to protect public revenue and ensure services are targeted to those eligible to
receive them, the Australian government requires high levels of controls and restrictions
for access to many government services. Whilst often accepting that controls are
necessary and desirable, the community expects easy to understand information on what
services are available to them and to be able to access such services with the minimum
amount of ‘red tape’. There are ongoing efforts to improve information and access, to
remove unnecessary or duplicate administrative processes, and to simplify legislation.

Public sector service providers have also adopted a quality management approach to
continuously improve their business practices in areas such as health, aged care, family
services, childcare, employment assistance, and local government. Through partnership
arrangements with their customers and stakeholders, service providers are setting up
practical and sustainable processes to identify and address their customers’ needs and
expectations and to work with them to deliver a recognised standard of service delivery.

In the area of social welfare the Department of Family and Community Services partners
15 000 non-government service providers across Australia. As part of its broad brief to
take an increasingly active role in preventing social problems and in early intervention,
the Department supports a wide range of initiatives to strengthen families in their
communities. These include funding of training for volunteers and support for community
projects and social networks. Not all the Department’s partnerships involve financial
support. With the community business partnerships, involving mutually beneficial
collaboration between business and communities to build long-term solutions to
community issues, the Department brokers partnerships but provides no funds.

This partnership approach can result in a shared purpose and commitment to increase
responsiveness to the needs of the community and stakeholders, to improve customer
satisfaction, as well as provide for the measurement of improvement in service quality.
Established in 1993, ‘Waterwatch’ is a national community water monitoring program funded by the Commonwealth through Environment Australia’s National Heritage Trust. It began as a response to emerging concerns over declining water quality, and as a means of promoting community-based solutions to national issues.

Currently, 50,000 volunteer Australians monitor and manage waterways in their catchment areas while building their community’s awareness of water quality issues.

The Waterwatch network comprises individuals, community groups and school groups. They undertake biological and habitat assessments, as well as conducting both chemical and physical tests on their respective waterways.

Since 1993, monitoring groups have grown from 200 operating in 16 catchments, to 3000 groups in 200 catchments. Financial support from the private sector, state/local governments, community groups, and regional management agencies contribute four Australian dollars to every federal dollar funded.
Where the government provides services, either directly or through non-government providers, it has a vital role to play in ensuring the safety and quality of those services for the public good.

Service providers receiving federal funding are also required to have effective management practices in place to ensure that the needs of the community and stakeholders are being addressed whilst providing accountability for their funding.

In the childcare sector, for example, childcare centres and family day care schemes receive funding from the government to ensure quality outcomes for children in care. To continue to receive this funding, services are required to satisfactorily participate in sector-specific quality assurance systems. The quality assurance systems provide families with a level of confidence that their children are receiving quality care as well as ensuring accountability of the service provision.

Centrelink has established an Older People’s Reference Group to assist it to better understand the needs of customers who are retired or planning to retire. Representatives from non-government organisations, such as the Australian Retired Persons Association and the Royal Blind Society, provide valuable insight into issues confronting Centrelink’s older customers, as well as suggesting positive initiatives that could improve service.

The quality manager approach helps both public sector service providers and government funded service providers to remain committed to continuous improvement and business excellence in service delivery.

CUSTOMER SERVICE TRAINING

Agencies with key responsibilities for providing services to the public are developing new training methods to refocus and enhance existing skills in managing their relations with customers. Centrelink, one of the leading examples, has developed a unique approach to delivering accredited training to all staff, regardless of their geographic location. Through the benefits of technology it has established an internal virtual college called the ‘Centrelink Virtual College’. It comprises a team of experienced learning specialists who deliver electronic targeted training that addresses Centrelink’s work skills while supporting the development of career paths.

The training offered by the College allows employees to progress to nationally recognised qualifications while simultaneously developing the skills to do their job. Training is free, and Centrelink provides staff with between 10 and 12 hours per month for learning and development. Around 3000 employees are currently enrolled, developing their competencies in areas such as customer service, management, business, call centre skills, and fraud prevention and detection.

The College is an innovative approach to developing staff capabilities that is drawing interest from other public service agencies.
CUSTOMER COMPLAINTS AND ADMINISTRATIVE REDRESS

A suite of administrative law mechanisms has been developed during the last thirty years, enabling public scrutiny and review of administrative decision-making within both state and federal governments. These mechanisms include federal, state and territory ombudsmen, Freedom of Information Acts, and the federal Administrative Decisions (Judicial Review) Act.

Under Australian law, appeals against administrative decisions can be pursued along several avenues; a government department's own appeal processes, a statutory federal Administrative Appeals Tribunal and the relevant ombudsman.

Citizens with customer complaints may refer these to the agency itself, and many agencies serving the public encourage their customers to lodge complaints directly with them so that they might be dealt with more quickly, and so the organisation can learn from its mistakes and improve its standards of service.
HEALTH CARE COMPLAINTS

Before 1993, there was a lack of uniformity in the health care complaints structure within Australia where independent cases were reliant on the different state systems. Medicare Agreements between 1993 and 1998 saw the states and territories develop the Public Patients’ Hospital Charters, and establish independent complaint agencies.

Each state’s complaints agency now recommends improvements in the delivery of public hospital services as a result of the complaints registered.

The Taskforce on Quality in Australian Health Care monitors these agencies for accessibility, timeliness and quality of written response, and resulting action.
Many departments have established formal appeal processes, but where there may be a legal right of redress, complainants have access to the Administrative Appeals Tribunal.

The federal Ombudsman is, in general, an office of last resort in resolving complaints from the public about APS agencies. The office received 16,250 complaints about APS agencies in 2001–02, a reduction of 12.6 per cent from the previous year. The Ombudsman may choose to exercise discretion not to investigate a complaint where an agency has an effective complaint and review mechanism and in 2001–02 he chose not to investigate around 67 per cent of the cases he received. The continuing emphasis on agencies developing mechanisms for handling customer feedback means that larger agencies are generally able to respond to simpler complaints more successfully. This has, in turn, led to an increase in the average level of complexity in the complaints about the APS directly investigated by the Ombudsman.

COMMUNICATION

All members of society access government services. Communicating information about government services is part of the public service’s responsibility for policy implementation. In Australia, where there are many migrant families and numerous spoken and written languages—the Census identified 282 major languages spoken within Australia, including 170 Aboriginal and Torres Strait Islander languages, and 2.6 million Australians speaking a language other than English at home—this communication needs to cater for non-English speakers, recognise cultural concerns and the challenges of reaching vulnerable populations.

Furthermore, governments have obligations to keep the public informed about policy changes that affect them or their society. This applies to both new and existing policies, and is achieved through consultation with client groups when agencies develop major communication strategies, and when they are developing mechanisms to ensure information is accurate, accessible, consistent, understandable, and timely.

Public awareness campaigns have been successfully used in informing Australians about emerging issues, particularly health. Campaigns warning Australians about heart disease, HIV/AIDS, road trauma, the dangers of smoking, and promoting the value of immunisation have potentially saved thousands of lives. Since 1970 the number of measles cases reported to health authorities, for example, has reduced from 100,000 a year to only 2,000, largely as a result of immunisation campaigns. Immunisation is believed to have saved 95 lives since 1970 and averted around four million cases of measles.

The A$52 million spent on the immunisation campaign saved the government an estimated A$8.4 billion in health care costs, along with a direct saving of A$9.1 billion to society.
PUBLIC INVOLVEMENT IN POLICY DEVELOPMENT

The reforms of the 1980s were not only aimed at making the APS more responsive to client needs, but also led to a reconsideration of what governments can do best and on what they should concentrate. Many service delivery functions have been transferred to state governments and non-government organisations.

Since the mid 1990s policies have focused on providing citizens with choice in the services delivered to them, leading to the development of competition between suppliers both within and outside the public sector. More recently, many government agencies have been taking on both the role of ‘referees and supervisors’, where they specify the rules and results required of a variety of service providers. In consequence, most federal departments have generally tended to shift their operations more towards their particular areas of expertise, that is, the provision of policy leadership, coordination and advice, and away from the direct supply of goods and services.

EXPECTATIONS OF PUBLIC INVOLVEMENT

There is an increasing expectation that members of the public, clients, and industry members will be consulted in terms of both policy development and service delivery, thus improving their opportunity to influence the services they receive.

This is resulting in agencies not only informing citizens about policy initiatives and programs, but also involving them in helping to develop policy and programs. Such involvement is now part of the quality agenda. Agencies and Ministers are using a range of techniques, including focus groups, consultative committees, open inquiries, ad hoc panels and negotiation processes.

Early in the development of policy, public servants now often seek to set up contact and consultation with a range of interested parties, not only because they may have an interest in the policy itself, but because they will have a part in marketing it later on. Consultation is not always about getting these people to support a policy, but rather to understand it, and where possible, to contribute to its development. While consultation has the potential to raise expectations, help people mobilise resistance and bring unrepresentative views, it can, when done well, increase the quality, effectiveness and legitimacy of decision-making.

WIDENING THE RANGE OF POLICY ADVISORS

Governments have further diversified their sources of policy advice as they seek to draw on a wider range of opinions, research and expertise. There has been an expansion in the use of ministerial advisers, consultants, and advocacy groups. Growth in the use of consultants has been particularly strong, with expenditure on consultants by Australian government
departments increasing significantly since the mid 1980s. Consultants are generally from large private sector companies, the university sector, or other government agencies.

More recently, there has also been a rapid growth in the number of ‘think tanks’ conducting research directly related to policy development and providing advice to agencies and directly to Ministers.

**Providing a More Open and Consultative Approach**

For many years Australian government agencies have had consultative mechanisms in place, through community liaison committees, meetings with peak industry bodies, calls for submissions to policy reviews, direct consultations with stakeholders, and other means.

The Western Australian Premier recently identified some of the benefits of consultation when he launched a guide to citizen consultation in his state:

> ... decisions that have been reached through a consultative process carry greater legitimacy and credibility in the community ... [They] can lead to new partnerships between citizens and policy makers through a shared sense of ownership of the issues that impact on us as a community.

The Australian National Audit Office, in its 2001 guide, *Some better practice principles for developing policy advice*, emphasised the necessity for effective consultation in developing policy advice and provides a useful checklist to assist agencies improve their practice.

In line with those principles, agencies have been developing more sophisticated and sensitive consultative mechanisms.

**Local Consultation**

Federal agencies with offices around Australia have generally established regular meetings with local and state government officials, and community and industry organisations in their areas to discuss locally relevant issues.

A number of agencies have developed specific-purpose approaches to community consultation. The Department of Education, Science and Training, for example, actively promotes partnerships between communities, industry and education providers to encourage Indigenous students to complete school education and to progress to further education and training, or to find employment. The local information gathered through the partnerships assists in developing the strategic focus and target of support.

**Stakeholder Consultation**

In virtually every area of public policy a wide range of interest groups will be consulted when policy changes are being considered, or to discuss the ongoing management of government business. Some of these groups are self-funded, (including industry groups
and professional organisations), whereas in other areas (including social policy) the Australian government makes a financial contribution. Through this consultation, outcomes from government intervention are constantly being tested and improved.

To facilitate this consultation, government agencies work with bodies such as peak industry organisations and specially convened consultative committees representing those on whom the policies will impact. These mechanisms are used to obtain comment on specific policy proposals, and to ensure ongoing stakeholder involvement with implementation and subsequent decision-making. Consultation processes also provide a means of managing expectations and adjusting processes. This is particularly necessary in areas of strong public interest, such as health policy.

In the field of aged care, for example, the range of organisations consulted includes aged care service providers, disability specific groups (such as the Alzheimer's Association), carer groups, pensioner and superannuant representatives, industry unions, academic interests, relevant federal agencies and representatives of health professionals.

Gathering views through public inquiries

Governments and Parliaments use a range of public inquiries to effect broad consultation on major and emerging public policy issues. These include royal commissions of inquiry, Parliamentary committees, independent reviewers or task forces. Supported by secretariats from relevant government agencies or the Parliament, these seek submissions and usually hold public hearings to encourage representative organisations and individuals to have their say. Public involvement and consultation is an important part of initiating, developing and implementing new policies, as well as maintaining or reviewing existing policy.

Three recent examples illustrate today’s concerted approach to policy consultation in the federal sphere.

A Reference Group on Welfare Reform was set up in 1999 to review the income support system and help prevent and reduce welfare dependency among working age people. The Reference Group of seven comprised community service providers, academics, and social policy specialists. The Group not only helped develop policy, but was also given access to budget-in-confidence information. After issuing an interim report it called for comments, receiving more than 300 written submissions and much verbal feedback from clients, business and community representatives. The government subsequently accepted the broad direction of the final report and established a further consultative forum to seek views on the detailed design and implementation of these recommendations, prior to completing work on the 2001 Budget.

The second example followed the release of a public discussion paper on defence in 2000. A high level consultation team, headed by a former Minister for Foreign Affairs, was
established to consult extensively with individuals from industry, academics and community groups on the key questions and options facing Australia's future defence needs.

More than 2000 people attended 28 public meetings around Australia, and over 1100 submissions were received. The community consultation process was the first of its kind about defence issues by any Australian government, and was a highly valuable approach to policy development on defence and security issues for the Australian Defence Forces.

At its conclusion, the community feedback contributed to the formulation of the Defence white paper, which mapped out Australia's primary defence requirements and policies for the next 10 to 20 years.

The 2002 Higher Education Review took another approach. It established a reference group from across the higher education sector, with representatives from business and the community. Six issues papers explored key issues in depth and elicited 373 submissions from across Australia. The submissions were from state governments, business, universities, staff, students, and other organisations and individuals. A series of consultative forums in capital cities concluded with a two-day ministerial forum.

A partnership approach to consultation

There are some criticisms that so-called ‘consultative’ forums tend to be one-way, or too restrictive in scope. It is sometimes suggested that consultation may be taking place too late in the policy development process, or are too hurried, with public servants taking limited account of the views of stakeholders’ or the community, but rather just informing people about what had been decided. Effective consultation involves bringing together different perspectives to develop more focused policy direction and to generate creative and effective solutions to implementation problems.

Agencies are now working to make their organisational cultures more open and responsive, and to achieve a closer partnership with stakeholders with a shared interest in policy outcomes. In seeking to create a participatory, two-way process, new commitments are being entered into.

The Department of Education, Science and Training, for example, has developed a charter for its relationship with stakeholders, entitled ‘Open for business’. This has been sent to all their stakeholders as a commitment to improve relationships.

New partnerships are being formed between Indigenous community organisations and government agencies. Australia’s Aboriginal and Torres Strait Islander population suffers a range of disadvantages in comparison to the rest of the population such as lower average income levels, higher unemployment rates, lower life expectancies, lower levels of educational achievement, and higher infant mortality rates. While the majority of the Indigenous population lives in urban areas, the issues facing remote Indigenous communities require special consideration, especially as remote populations are rapidly increasing.
Government efforts to address Indigenous disadvantage centre on building the capacities of individuals, families, organisations, and local governance systems to better enable Indigenous people to handle problems on their own, or in partnership with government agencies.

Other agencies are committing themselves to new levels of ongoing consultation with their stakeholders.
LEGISLATIVE CONSULTATION

In areas such as taxation reform, external stakeholders regard consultation as both important and beneficial and there is considerable willingness among them to be consulted.

Recognising that effective consultation with the community should improve the quality of tax legislation, the federal government decided in 2002 to adopt in-principle the recommendations of the Board of Taxation's report, *Government consultation with the community on the development of taxation legislation*. This identifies the goal as:

...an enhanced consultation framework built upon the principles of commitment, transparency, accountability and review, and characterised by the following:

- a commitment by the Government to consult on all substantive tax legislation initiatives, except in exceptional circumstances
- a clear explanation of the policy intent of each new tax initiative, and a description of the proposed consultation processes for each initiative
- an approach of seeking the most effective forms of community input at each phase of the tax design process, including
  - before any public announcement, obtaining input from external technical experts to assist high level policy development and to identify implementation options,
  - after the public announcement, further input from external technical experts, combined with sectoral and broader community consultation as appropriate, and
  - ‘road-testing’ of legislation and related products before implementation
- clear accountability for developing and implementing legislation that delivers the Government’s policy intent
- open communication and appropriate levels of feedback, and
- sufficient resources of time, personnel and finances being provided for consultation.
FURTHER INFORMATION:


Australian Jobsearch http://www.jobsearch.gov.au


Department of Family and Community Services http://www.facs.gov.au

Health Insurance Commission http://www.hic.gov.au

Centrelink http://www.centrelink.gov.au


Commonwealth Ombudsman http://www.ombudsman.gov.au

Australian National Audit Office 2001, Some better practice principles for developing policy advice http://www.anao.gov.au


Waterwatch Australia http://www.waterwatch.org.au


Public sector reform in Australia has been sustained for more than 20 years with constant extension and evolution, not only accepted, but often driven, by public sector managers. The incremental reforms have mostly been bipartisan; successive governments building on the reforms introduced previously, resulting in a highly comprehensive, sustained package that has delivered substantial productivity gains and improvements in the effectiveness of government programs.

The public service, financial and employment legislation of the late 1990s has been groundbreaking. The culmination of more than a decade of change, it has created an environment in which flexibility can flourish while accountability is strengthened.

The challenge now is to ensure that Australia can take full advantage of these opportunities in how the public service manages itself and in how it delivers advice to governments and services to citizens. The momentum of reform needs to be maintained.

THE CHANGING STRUCTURE OF GOVERNMENT

The shape and structure of Australian governments has changed substantially during the last two decades. There has been a reduction in government ownership at the federal level and in almost all Australia’s state governments. Since the early 1990s in excess of A$90 billion dollars of publicly owned organisations have been sold into the private sector. The process has covered a wide range of government assets, including telecommunications, electricity and gas, rail, ports and airports, banks, hospitals, gambling and prisons.

The government has changed from being the owner and manager of these assets to becoming the standard setter and the regulator. The underlying objectives of government, such as ensuring the public good and protecting the disadvantaged remain, but the method of achieving the objectives has substantially shifted. While Australian telecommunications companies now operate within a competitive market they still have to meet demanding community service standards to ensure that those in isolated rural communities are not disadvantaged. Failures of the market to reflect community obligations adequately are now managed primarily through regulation of the industry rather than through ownership.

During the 1980s and 90s, as illustrated in earlier chapters, the remaining core government areas have been reformed to focus on performance. This has resulted in devolved administrative responsibility within agreed standards and enhanced accountability.
The reformed public service now undertakes business planning, emphasises flexibility and responsiveness—to the government and to citizens (now often seen as clients and customers)—welcomes the involvement of ‘stakeholders’ and seeks competition. Values-based management and improved cooperation and communication have replaced the centrally driven one-size-fits-all approaches of the past. The efficiencies created by a public service that is more flexible and performance orientated have contributed to Australia’s increasing productivity and economic health.

There are now many areas where the government chooses to implement policy, or deliver a service, by drawing on the capability of non-government organisations. During the last decade, the federal government has increasingly involved other sectors in the delivery of government services and to implement policy through establishing contractual arrangements involving a wide range of providers.

Private sector funding to develop both physical and social infrastructure has allowed the government to use competition to drive efficiencies, while also reducing the level of government debt and the impact of public debt interest payments on the budget. Government has also been able to concentrate on setting out the standards of service that the contracted provider will deliver, without having direct responsibility for the employees delivering the service.

These ‘public-private partnership’ arrangements have been used for quite diverse projects, from the Sydney airport rail link to the delivery of social services, such as through Job Network, which provides almost 1 billion Australian dollars of services to the unemployed each year though partnerships with more than 100 private and community organisations.

By drawing on the capabilities of many providers, government can encourage greater experimentation and innovation in program implementation and service delivery where one solution is unlikely to successfully address the whole problem.

Even more recently, governments have been finding new ways of delivering services by encouraging business community partnerships in which companies and community organisations work together on projects to benefit the community.

**THE CHANGING ENVIRONMENT OF POLICY MAKING**

These attempts to find new structures to best meet the demands of government illustrate the challenges that the policy developers and implementers continue to face in Australia. There is the constant two-part question: is government intervention required to ensure a service is provided, and if so, would a better result be achieved if the service were provided directly by government, or via competing non-government providers?

There are, of course, real difficulties in comprehending the future—particularly of understanding the emerging opportunities derived from new scientific developments and new technologies—and how these might be used to benefit public policy decisions.
Giving weight to the longer term is sometimes difficult for democratically elected
governments, but the democratic process does allow the community to shift directions,
and politicians and political parties to develop longer-term strategies and philosophies,
as well as short-term policies, aimed to capture the mood of the public. The task of the
public servant is not only to be responsive to the immediate agendas of the government
and the community, but to look for emerging ideas that can benefit future society, and to
ensure governments can, and do, address longer term issues in a well informed way.

As the rate of change accelerates and the interacting variables multiply, situations that
demand the attention of government become less predictable. While consultation and
the need for consensus across government becomes more important, situations being
assessed often continue to change in unforeseen ways, making planning decisions more
difficult. There is a need for the public service to develop consultative policy mechanisms
that are flexible enough to take action swiftly and respond to change, while also having
the capacity to engage in longer-term developments.

INVOLVING CITIZENS

In policy development and policy implementation public services in Australia have begun
to more systematically involve citizens and stakeholders in the planning processes.
This recognises the expertise, and the differing values and perspectives, of community
members and the increasing expectation of members of the public, clients, and industry
members to influence the services they receive and the policies that affect them.
Agencies and Ministers are using a range of techniques, including focus groups,
consultative committees, open inquiries, ad hoc panels and even negotiation processes.

This involvement results in better policy and service delivery and better advice to
Ministers about community perspectives. Good policy making is increasingly involving
proactive communications, listening to community views, understanding the fears and
sensitivities of those affected, providing feedback, and explaining government policy.
The effectiveness of a program or policy initiative can be greatly influenced by the quality
of the communications strategy.

THE IMPACT OF INTERNATIONAL CHANGE

Globalisation poses more complex problems while often acting as a constraint on what
governments can achieve.

Governments are having to regulate in new areas to deal with old problems taking on
different guises. Globalisation and technology provide new ways for criminals and
terrorists to achieve their aims. Governments have to find new ways of fighting stateless,
decentralized networks that are able to operate freely across national borders for terrorist
purposes, or to trade illegally in drugs, arms, intellectual property, people, and money.
It is increasingly important that public servants develop their understanding of these changes in society and an appreciation of the values and judgements that will inform their perception of policy alternatives. In Australia, considerable efforts are being made to enhance this appreciation by senior public servants through various learning initiatives and discussion with their colleagues, other leaders and academics, and through international linkages.

Australia’s membership of, and participation in a number of international forums gives it access to the thinking of a wide range of public service leaders and the opportunity to exchange ideas, share experiences, and learn of alternative policy paths. These include the Public Management Committee of the Organisation for Economic Cooperation and Development, the Commonwealth Association for Public Administration and Management, and the Corporate Leadership Council, located in Washington, DC.

The Australian Public Service Commission also belongs to a number of international public administration institutes, such as the International Association of Schools and Institutes of Administration and the Eastern Regional Organisation for Public Administration, based in the Philippines, each of which contributes towards broadening its perspective of public sector change.

The new Australia and New Zealand School of Government (referred to in Chapter 5) has the potential to enhance shared leadership development for emerging public service leaders across jurisdictions, and to improve awareness and understanding of the forces driving international public sector developments and their potential impact on Australia. It is expected that the School will extend enrolments to include students from other countries in the region once it is firmly established.

**WORKFORCE CAPABILITY**

The changing structure of government and the changing policy environment has had a significant impact on both the public service workforce in Australia and on the range of skills it needs for the future.

Technology changes have reduced the number of unskilled and semi-skilled jobs, and led to declining employment of young people. The privatisations and outsourcing of the last two decades have added to this impact, resulting in a much smaller public service with a less occupationally diverse workforce. Overall, the public service workforce is also ageing significantly.

There has also been a growth in mobility in and out of the Service. The traditional path of entry at the bottom and steady progression upwards thereafter has been supplemented by lateral entry and exits at all levels. In 2002 one third of all new entrants to the Service came in at a middle management level, or above; 60 per cent of new entrants were aged 30 or more; and one third of all resignations were of people aged 30 or below.
Given Australia’s demographic changes in which the size of the working population will decline in relation to the total population, the public sector will face increasing competition for new entrants and pressures to retain its skilled employees. It will need to be more active and systematic in planning its workforce, identifying its skill and capability needs, and using performance management, career planning, recruitment policies and structured learning and development initiatives to ensure these needs are met.

Despite adopting new governmental structures, Australia is unlikely to go down the path of ‘hollow government’, in which the public sector of the future will constitute only generalists and purchasers who turn to outside experts for any and every substantial input. It is much more likely that the demands of governments will increase and that in order to build and sustain high levels of productivity the public service will increasingly require skilled recruits and structured learning and development strategies for all employees.

The skills needed for coordinated and cooperative policy work and flexible policy implementation are very different from those required when public servants were the sole suppliers of advice to governments and administered service monopolies.

Critical to the success of policy delivery is the quality of leadership throughout the public service, not just in developing policies, in refining the policy setting, setting up performance systems and reporting, but in its capacity to build relationships, to address local problems and to be innovative within a framework of general values and understanding.

The leadership capability framework adopted for the APS encourages emerging leaders to develop a greater strategic focus, to develop a stronger capacity to inspire a sense of purpose and direction and to establish and maintain productive working relationships across and beyond government agencies.

Public servants also now require strong technical skills, especially in contract management, financial and risk management, information technology and communications. Technological change continues to drive societal and structural change and is reflected in community demands and expectations of improved access to governmental services through user friendly e-government and e-business.

When establishing and managing partnerships public servants require a high level of commercial skill, an ability to clearly specify the service or outcome sought, and an understanding of likely future developments in demand and other economic and social variables. Public servants must now manage relationships with contractors over the long term rather than managing the employees who deliver the infrastructure or service.

Improved communications skills will also be needed to respond to the greater expectations of citizens, customers, clients, and stakeholders and the ever crucial relationship with Ministers and their offices.

Agencies are beginning to build their organisational capability and to appreciate the importance of taking a longer-term view of shaping their workforces so that their
workforce planning practices contribute significantly to the agency’s performance. They are increasingly matching their business needs with analysis of their demographic and workforce trends to identify and acquire the skills they need to meet their clients’ expectations. They are also adapting their workplaces to take into account wishes for more flexible hours of work and working arrangements, changing career patterns, the trends to more lateral recruitment and the aging of the Australian workforce.

**PERFORMANCE AND ORGANISATIONAL CAPABILITY**

The management reform agenda—focusing on managing for results and devolution—has led to improved business and corporate planning, better performance management, increased use of competition, and better management of people as well as finances. More recently, agencies have turned their attention to finding ways to integrate and align their people management, business strategies and workforce planning to improve their organisational capability—to ensure that their agency has the knowledge and skills it needs to meet its objectives.

Performance management is increasingly seen as a tool to achieve this. The wide diversity of government agencies requires that each agency tailor its approach to ensure alignment with its culture, credibility in terms of fairness, rigour and transparency, and integration with its organisational objectives.

Agencies are now using their industrial relations agreements with their employees—their agency Certified Agreements and individual Australian Workplace Agreements—to support this alignment and to promote shared commitment to the success of their business aims.

In so doing, they are increasingly using performance management processes to balance a focus on outputs—what people do—with the behaviour exhibited by all employees, including managers, in achieving those outcomes—the how, the APS Values translated into everyday action.

Achieving the aim of a framework that aligns all elements of planning, people and performance management, to corporate goals, and then measures their contribution to organisational performance, will continue to be a key challenge for the Service in the years ahead.

**DEVOLUTION AND ACCOUNTABILITY**

While most of the recent improvements in public administration have come from a closer focus on results rather than process, ‘the way we do things around here’ remains critical. The public service has particular responsibility for the public interest in upholding the law and ensuring due process—impartiality, fairness, and openness.
There are risks in shifting away from centrally set down prescriptive rules of process to legislated principles in an environment where responsibility is largely transferred to individual agencies. There are important limits to streamlining processes in order to achieve results if accountability is to be maintained. The risks must be manageable to the satisfaction of the Parliament and the public as well as to the government-of-the-day.

Increased flexibility will always require increased accountability, together with tougher aggregate financial controls. Over the next few years managers will need to more effectively exploit current flexibilities in managing their people and in delivering agency results.

Accountability is one of the foundation values of the APS. But the more contestable and commercial environment in which the Service now operates heightens the need for agency systems and behaviour to be grounded in, and consistent with, appropriate accountability mechanisms. The shift towards using third parties to provide services and support activities has been very substantial during the past quarter century. In many cases, these purchaser/provider splits have clarified program objectives and increased accountability in terms of outputs and outcomes. Yet there are challenges involved, and risks to be managed. The Auditor-General has recently raised questions about transparency and accountability for aspects of process as well as results.

While federal agencies can outsource functions they cannot outsource their responsibility or overall accountability. Parliament insists that they remain accountable for the delivery of services, even where the service delivery is provided by private and non-government sectors.

Administrative law has given members of the public direct access to public service decision-making, but their involvement in policy consultations and on community-based management boards, can lead to concerns about accountability. The expectations of responsiveness direct to the public and stakeholders have to be handled consistently with the public service’s formal accountabilities to Ministers, the government and the Parliament. Decision-makers must have legal authority and be held accountable.

**WHOLE-OF-GOVERNMENT**

Governments are searching for new ways to find solutions to problems that cross governments, cross jurisdictions and cross portfolios. Australia has achieved some successes in managing the 2000 Olympics in Sydney—involving many agencies at federal, state and local government levels—and the tremendous cross-government and cross-agency efforts to quell the bush fires in eastern Australia in 2002 and 2003.

The challenge is to develop mechanisms, structures and cultures, which facilitate whole-of-government approaches that become a characteristic of the way governments work in Australia’s accountable, federal democracy—not only in times of crisis. To meet this challenge, public sector leaders will need to implement one of their key Public Service
Act responsibilities—to promote cooperation with other agencies—by managing across new types of structures.

‘Joined-up government’ is internationally a key focus of attention and in Australia the federal government is not alone in its search for solutions—the state governments also have initiatives aimed at better management of whole-of-government priorities.
GROWING VICTORIA TOGETHER

Growing Victoria Together is a whole-of-government policy framework expressing the vision, policy priorities and key progress measures of the Victorian government to 2010. It was developed in 2000–01 to guide medium term policy choices, communicate directions to citizens and engage stakeholders to think collaboratively about the future.

Victorian government Ministers identified three specific challenges: to develop and articulate a sense of direction; to improve the capacity of government; and to draw on a broader base of knowledge, experience and expertise by involving and engaging citizens, communities and stakeholders in policy making and implementation.

There was an increasing recognition that new policy challenges extended across traditional organisational boundaries, and that the detailed output structure used in planning had clear limitations in terms of long term planning and in showing how government is making a positive difference to the lives of individuals and communities.

The strategy focuses on four outcomes to be achieved by 2010, with 11 key issues identified as those most important to Victorians. Initial priority actions and 32 specific progress measures, chosen after extensive consultation and supported by all Ministers, provide the 'sharp end' of Growing Victoria Together. An example:

<table>
<thead>
<tr>
<th>Key Issue</th>
<th>Progress measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuing and investing in lifelong education</td>
<td>The percentage of young people aged 15–19 in rural and regional Victorian engaged in education and training will rise by 6 per cent by 2005.</td>
</tr>
</tbody>
</table>

The policy framework is now used as a high level filter to guide resource allocation, and corporate and business plans. The 11 key issues were used as the framework for determining and communicating budget decisions in 2002.

Next steps include aligning the output and performance reporting systems of government with the Growing Victoria Together outcomes.
The federal government has already had some successes in managing whole-of-government initiatives.

As already noted, Centrelink is a statutory agency established in 1997 that delivers government services to eligible customers on behalf of, and in partnership with, 25 federal and state agencies.

A more recent, long term initiative is the Indigenous Communities project aimed at advancing reconciliation and addressing Indigenous disadvantage, which is involving all three levels of governments along with community organisations and private employers. The Council of Australian Governments is taking a leading role with Ministers and federal departmental secretaries in partnership with a taskforce which acts as the ‘broker’ in each community and coordinates all levels of funding and service delivery.

The Management Advisory Committee has recently taken what it has called a ‘federalist’ approach to the management of information communication technology throughout federal government. This involves centrally set standards and cooperative development of cross-government initiatives, while allowing information technology investment and management to be mostly business-driven by each agency.

Early in 2003 the Committee established a project to work on whole-of-government issues. It will identify current impediments (structural or cultural or capability-related) to effective whole-of-government and integrated policies and services, and recommend measures to address them. It also plans to draw on lessons from experience to develop a very practical good practice guide.

In managing whole-of-government initiatives, Australia, like most countries, is seeking an effective balance between centrally driven imperatives and local autonomy. There is a risk that the very devolution that has helped to improve the performance of the public service over the current period might exacerbate the problems of coordination, just when community expectation of seamless services and whole-of-government coordination is soaring.

The Auditor-General has pointed out the risks to accountability in joined-up, or integrated, projects that inevitably involve more than one participant agency and frequently involve organisations that may not be directly accountable to government and not subject to parliamentary scrutiny. While departments and agencies will have their normal reporting responsibilities to Ministers, they will also need to ensure that their partners can live up to these reporting standards. Parliament may need to consider how it extends current notions of accountability to participants from other jurisdictions or sectors.

A UNIFIED PUBLIC SERVICE DEFINED BY VALUES

In devolving responsibility from the centre to each government agency a set of principles to guide behaviour was established in the form of the Values and a code of conduct.
Since the passing of the 1999 Public Service Act, public servants are required ‘at all times to behave in a way that upholds the APS Values and the integrity and good reputation of the APS’.

Agency heads are required, not only to uphold, but to promote, the Values in their organisations to all their employees, whether employed for short or long term. They must also apply relevant Values to outsourced service providers and partners, particularly those providing services to the public.

The Values and code of conduct are robust enough to govern the behaviour of all public servants, and provide real support as public servants carry out their policy advising and program management responsibilities.

Key words are impartial, professional, ethical, accountable, fair, effective, diligence, courteous, honesty, integrity, and compliance with the law. They are not just aspirational statements, but are gradually being embedded into agency systems and procedures through fraud control and risk management procedures, appropriate governance systems, performance management and training.

There remains room for improvement in the way the Values are promoted and reflected in agency systems and procedures, and in the behaviour of managers and employees. There are also public sector employees working in agencies not covered formally by the PS Act, or working for state and local government agencies not covered by similar Values requirements. How to promote appropriate behaviour and relationships in these agencies remains an important challenge for their management.

That said, the culture of Australian public sector employees is generally very strong in terms of honesty, integrity and impartiality, and the primary challenge is to maintain these high ethical standards in a more fluid environment.

CONCLUSION

It seems unlikely that there will be a fundamental change in the role of government in Australia. Government remains in the business of public good, protecting the disadvantaged, promoting economic growth and stability and protecting rights. What has happened, and seems likely to continue, is a change in the way that role is managed. So there is less direct service provision and more purchasing and partnering. There is a more careful analysis of natural monopolies and a greater use of competition. There are new approaches to regulation to protect consumers and to protect public safety at minimum reasonable cost to business and the community.

In terms of service delivery, there is likely to be more choice and variety in how customers receive services as technology facilitates individually crafted service packages, particularly...
through Internet connections. It is also likely that there will be more commercial approaches to service delivery, not necessarily through privatisation or contracting out, but client-focused, competitive service provider arrangements offering choice.

In terms of policy advice and decisions, there is likely to be even more demands for wider involvement by stakeholders, clients and external experts. Consultation and engagement will be increasingly important.

The climate of change will continue, obviously with much uncertainty about specific directions, but the following general trends might be expected. Community expectations will continue to rise, commercial and financial disciplines will become ever more important and there will be an increasing focus on finding policy and service delivery solutions through greater government integration, across agencies, across jurisdictions and across nations.

The modern public sector environment will continue to give rise to challenges in meeting the high standards of performance and accountability expected of it. Public service leaders will continue to face the challenges of responding proactively to government and leading their organisations through the time of change ahead.

**FURTHER INFORMATION:**


Council of Australian Governments

The Australian Public Service:

- is apolitical, performing its functions in an impartial and professional manner
- is a public service in which employment decisions are based on merit
- provides a workplace that is free from discrimination and recognises and utilises the diversity of the Australian community it serves
- has the highest ethical standards
- is openly accountable for its actions, within the framework of Ministerial responsibility to the Government, the Parliament and the Australian public
- is responsive to the Government in providing frank, honest, comprehensive, accurate and timely advice and in implementing the Government's policies and programs
- delivers services fairly, effectively, impartially and courteously to the Australian public and is sensitive to the diversity of the Australian public
- has leadership of the highest quality
- establishes workplace relations that value communication, consultation, co-operation and input from employees on matters that affect their workplace
- provides a fair, flexible, safe and rewarding workplace
- focuses on achieving results and managing performance
- promotes equity in employment
- provides a reasonable opportunity to all eligible members of the community to apply for APS employment
- is a career-based service to enhance the effectiveness and cohesion of Australia's democratic system of government
- provides a fair system of review of decisions taken in respect of employees.

Agency heads are bound by the code of conduct in the same way as APS employees and have an additional duty to promote the APS Values.
The Public Service Commissioner, Andrew Podger, would like to thank many Commonwealth, state and territory agencies for their considerable assistance in preparing this paper.

They include the following Commonwealth government agencies:

- the Departments of the Attorney-General; Communications, Information Technology and the Arts; Defence; Education, Science and Training; Employment and Workplace Relations; Family and Community Services; Finance and Administration; Health and Ageing; Immigration and Multicultural and Indigenous Affairs; and Industry, Tourism and Resources
- Aboriginal and Torres Strait Islander Commission
- Australian National Audit Office
- Centrelink
- National Office for the Information Economy
- Productivity Commission

and the following state and territory agencies:

- Public Sector Management and Labour Policy Group, Australian Capital Territory
- Public Sector Management Office, New South Wales
- Office for the Commissioner for Public Employment, Northern Territory
- Office of Public Service Merit and Equity, Queensland
- Office for the Commissioner for Public Employment, South Australia
- Office of the State Service Commissioner, Tasmania
- Office of Public Employment, Victoria
- Office of the Public Sector Standards Commissioner, Western Australia.

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