SERVICE PRIORITY REVIEW

BACKGROUND PAPER

FUNCTIONAL LEADERSHIP
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SERVICE PRIORITY REVIEW - BACKGROUND PAPER

Functional Leadership

Introduction

It is important that agencies have a shared view as to what good practice looks like to enable the achievement of community outcomes. Further, in times of fiscal challenge, it is essential that the public sector obtains maximum value across its common corporate functions. The potential benefits of doing so are significant. For example, the Western Australian Government procures goods and services to the value of around $14 billion each year. Adoption of better procurement practices and leveraging purchasing power has the potential to generate significant financial and operational benefits.

Globally, there is a trend in public sector governance away from the ‘new public management’ approaches of the 1980s and 1990s towards a more integrated governance approach. This new era, which has been called ‘collaborative governance’, emphasises better interaction between agencies and treats the public sector as a system rather than a series of disconnected entities. From a collaborative governance perspective, duplication and inefficiency in delivery of common functions can generate negative operational and financial consequences for individual agencies and the broader public sector.

Adopting greater standardisation of processes across government brings with it the potential to realise significant savings through reducing duplication and streamlining processes, while serving to reinforce a ‘one sector’ culture, with agencies adhering to common standards and principles across corporate functions and enabling resources to be better directed to service delivery.

In the course of meeting with a range of stakeholders, the Service Priority Review secretariat has noted comments suggesting that capacity and capability gaps currently exist in certain common government functions in the WA public sector. In particular, a lack of systematic learning and dissemination of good practice across agencies of core horizontal functions such as human resources, information and communications technology (ICT), and procurement has been a recurring theme. This paper seeks to examine the potential for a functional leadership framework to lift the adoption of best practice across the sector.

Background

Functional leadership has been defined as leadership, on a cross-agency or cross-system basis, of an aspect of business activity. It is aimed at securing economies or efficiencies across departments, improving services or service delivery, developing expertise and capability across departments and ensuring business continuity.

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1 Information provided by the Department of Finance
Functional leadership principles can be applied to both functions (e.g. procurement) and professions (e.g. human resources). There is also a spectrum of control that can be applied, ranging from absolute control to agency-level decision making across a broad range of issues.

A number of professions could fall within the remit of functional leadership.

Implementation could centre on a ‘head of profession’ who would be responsible for leading the development of a profession or occupational group such as legal or finance professionals. It might also involve leading, on a multi-agency basis, the development of common systems and standards for key business functions such as human resources or project management.

Because of the range of possibilities, it may be more appropriate to think of the concept of functional leadership in terms of centres of excellence with pools of expertise and policy settings that can benefit the sector overall and build capacity in certain functions within agencies.

Functional leadership can realise financial and operational benefits for the government sector and, ultimately, the taxpayer as it can facilitate the elimination of unnecessary duplication of resources, thus maximising the spending power of government. For this reason, functional leadership has been introduced in a range of jurisdictions within Australia and overseas.

**Jurisdictional analysis**

**New Zealand**

As a result of the Better Public Services (BPS) reforms, New Zealand has sought to create stronger horizontal linkages between agencies. That jurisdiction has formalised the role of functional leaders in property, procurement and information technology (IT), and established heads of profession in legal, communications, policy, finance and human resources. BPS also laid the basis for a strengthened ‘corporate centre’ (consisting of the New Zealand Treasury, State Services Commission and the Department of Prime Minister and Cabinet) to lift the performance of the State sector as a whole.

Functional leaders in the NZ public service have broad powers including:

- requiring departments to consolidate certain services on a cross-departmental basis
- setting mandatory standards which prescribe how an activity is to be carried out
- requiring departments to get prior approval before spending on activities within the functional leader’s remit.4

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The selection of activities that lend themselves to functional leadership is based on their fulfilling the following:\textsuperscript{5}

- **Significance**: They are major areas of expenditure and management attention for agencies.
- **Risk**: The level of cross-government investment makes them a focus of concern for government.
- **Opportunity**: Experience in overseas jurisdictions and the private sector suggest these areas offer potential effectiveness and efficiency gains.
- **Maturity**: There was established expertise and/or programs of work in the areas that constituted a track record and showed potential for further gains.
- **Enabling**: Better coordination in the area can contribute to government priorities.

In NZ, functional leaders are expected to:

- drive efficiencies (though economies of scale, leveraging buying power in whole-of-government contracts, setting common standards and approaches, and reducing duplication)
- develop expertise and capability (centres of expertise, co-ordinated professional development, deploying capability to where and when it is most needed)
- improve services and service delivery (through sharing and coordinating activities and facilities, and joined up service delivery).\textsuperscript{6}

Consistent with the expectations that functional leaders will build capacity, the New Zealand Procurement Academy was established in 2010 as part of the Government procurement reform programs and is now a major driver of procurement training within NZ.

The academy assists public and private sector procurement practitioners in accessing a range of procurement training courses and undertaking study towards internationally-recognised procurement qualifications.

Functional leaders have a clear mandate to undertake their roles. The role of the State Services Commissioner was expanded to that of Head of State Services with responsibility (among other things) for appointing functional leaders within the public service and defining the scope of activity and mandate of individual functional leaders.

Opportunities exist in Western Australia to establish similar development mechanisms in areas identified as appropriate for the application of functional leadership principles and in areas considered high risk or where significant capability gaps exist. The question as to how functional leaders may be nominated and given an appropriate mandate would need to be further considered.


\textsuperscript{6} Ibid.
In its 2015 report *The centre of government: an update*\(^7\), the United Kingdom National Audit Office noted that UK public sector agencies were faced with a major challenge in meeting savings targets and that the ‘centre of government’ would be looked to for:

- leadership and management of cross-government initiatives such as shared services and procurement of common goods and services, to reduce costs
- expertise, support and monitoring in the areas that will support transformational change, particularly digital and major projects
- a strategic view of the whole-of-government, working on cross-government policy initiatives and considering the risks across the whole-of-government, not just for individual projects or programs.

In its 2015 discussion paper,\(^8\) *World-class government: Transforming the UK public sector in an era of austerity: Five lessons from around the world*, McKinsey and Company noted:

Stronger functional leadership will be critical to capturing savings such as efficiency gains from digitising processes, as well as enhancing organisational health in the form of more attractive careers, enhanced skills and better cross-government working. Stronger functional leadership can deliver benefits in a number of areas, including communications, IT and legal services. Three high-priority areas in which other countries can offer valuable lessons are commercial, shared services and human resources (HR).

A 2015 report by Her Majesty’s Treasury’s efficiency and reform group noted that strong corporate functions “are a critical enabler of improved business performance”.\(^9\) It noted the appointment of a chief executive of the civil service as being an important catalyst to strengthen central leadership of corporate functions, with benefits including:

- reduced operating costs through better coordinated, integrated and concentrated support functions
- investment in shared capabilities through standard processes and concentration of activity in shared services or centres of expertise, enabling investment in systems and tools that can be leveraged at scale
- more attractive careers and enhanced skills – stronger functions can create career paths that transcend single departments and can support the recruitment, development and retention of more capable people.\(^10\)

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\(^10\) Ibid. p2.
John Manzoni, chief executive of the UK civil service, has described functions as part of the glue that binds government together – providing expertise where it is needed, when it is needed.\footnote{Manzoni, John. 2016. Strengthening the “glue” of government. United Kingdom Government. https://civilservice.blog.gov.uk/2016/06/07/strengthening-the-glue-of-government/ [16 August 2017]}

His vision is to have a head of each profession determining the operating model for the function, recruiting and deploying staff across government, and setting common standards for departments.\footnote{Cabinet Office and HM Treasury. The centre of government: an update. p6.} He has identified 10 core functions representing common, cross-departmental activity for which central leadership is required. They are: technology, commercial, communications, corporate finance, digital, finance, HR, internal audit, legal, major project delivery and property. He notes that central leadership of these is required to “enable the civil service to develop specialist capability in house by providing central leadership, professional standards, career paths and talent pipelines for civil servants to develop their specialist skills and careers”.\footnote{National Audit Office. 2017. Capability in the civil service. United Kingdom Government. London, United Kingdom. p40.}

The central functional leaders work with relevant heads of professions (where they do not perform both roles) to:

- oversee specialist recruitment pipelines and be directly involved in recruiting and deploying people to senior roles (including sitting on recruitment panels) to ensure key posts are filled with individuals of the right calibre who can influence and carry forward challenging transformational change across government
- advise on specialist reward packages to ensure that talent is attracted and retained
- ensure there are clear career paths across the function that take account of the importance of expertise, professionalism and the value of gaining deep experience within a specialist field
- identify talent and ensure that individuals are exposed to the right opportunities to prepare them for more challenging roles
- lead capability building for specialist staff (including professional accreditation) and training and development opportunities for other civil servants to raise awareness and background skills
- ensure their function has the requisite capability to deliver effectively
- feed into performance assessment, including ensuring that people’s technical ability and functional contribution are adequately reflected.

The work in the UK is ongoing but progress is being made. The National Audit Office has found that departments still need to work out the implications of functional leadership – how they integrate specialists into their teams and how they ask staff to operate on both a departmental and cross-government basis. There also exists a cultural challenge for specialists of combining successfully with departmental teams dominated by generalist, policy-oriented civil servants.\footnote{Ibid. p41.}
The situation in Western Australia

WA, along with most other Australian States and Territories, has not formally embraced functional leadership as an operating concept. A form of functional leadership currently exists in WA with respect to accommodation, ICT and procurement; however, the application is inconsistent.

While there are clear benefits to adopting uniform standards for some corporate activities, it is almost impossible to undertake discourse on the merits without also recognising the history of shared service delivery in WA and elsewhere. Anecdotal evidence suggests that the WA experience of shared services generates a degree of risk aversion within the public sector when discussion turns to adoption of common systems.

Lessons from elsewhere also suggest that fully centralised control of business processes does not always result in optimal outcomes and, in other jurisdictions, there has been a tendency for savings to be overestimated and costs underestimated. In terms of lessons learned from the WA experience, the 2014 National Commission of Audit found that:

- shared services arrangements require detailed, sensible and realistic objectives, timeframes and allocation of resources
- there are major upfront costs for shared services arrangements, with agencies rolling into a shared services arrangement facing considerable costs in the first and subsequent years before savings are realised
- assumptions and forecasts may turn out to be incorrect, therefore developing options that provide flexibility at a future date allow decisions to be made when more information is available
- an incremental approach is likely to be less risky than a ‘big bang’ approach.

To avoid the potential for unfavourable comparisons or conclusions, it is important to be clear that functional leadership is not ‘shared services lite’. Rather than removing all decision-making responsibility from agencies or directing changes at all operational levels, functional leadership is premised on the idea that there is a clear leader for a particular function across the sector with appropriate and agreed levels of autonomy at agency level. For example, this approach has been described as “centrally led, collaboratively delivered” by the NZ Government chief information officer.

Evidence suggests that, when appropriately implemented, significant benefits can be realised from functional leadership. Feedback from stakeholders suggests that its more explicit adoption across procurement, ICT, accommodation and human resource management in the first instance would be welcomed.

To be successful there would need to be an appropriate level of authorisation (mandate), clearly articulated business strategies for each stream and appropriate levels of engagement across the sector. The mandate could be granted through a number of options, including determination by the Public Sector Commissioner, policy approved by Cabinet, or by Premier’s circular.

16 Ibid.
Selection of functional leaders is also a responsibility that could be determined by a ‘stewardship council’ comprising the Department of the Premier and Cabinet (DPC), Public Sector Commission (PSC) and Department of Treasury, and then given mandate by whatever mechanism is deemed most appropriate for the WA context.

**Accommodation**

The Department of Finance’s Building Management and Works (BMW) already has a functional leadership role with respect to government office accommodation. In 2010, the Government endorsed the principles and objectives of master planning for government office accommodation and approved the new role for the Department of Finance (DoF) in leading the implementation of this approach. The objectives of master planning are to:

- support government service delivery
- support the WA Planning Commission’s *Directions 2031 and Beyond*, a framework to guide the detailed planning and delivery of housing, infrastructure and services necessary to accommodate a range of growth scenarios for the Perth and Peel regions
- reduce the overall ongoing cost of government office accommodation
- support future machinery of government reforms.

Previous government office accommodation processes, in which each agency generally decided where and how to accommodate itself (and requested and obtained funding to do so), were not always delivering the best value outcomes for government.

Under the master planning approach, agencies are required to include a 10-year office accommodation plan as part of their annual capital investment plan. The DoF is to review existing government office accommodation policies and develop a policy suite that aligns with the total portfolio approach.

Management of government property beyond office accommodation has recently been a focus of the Local Service Delivery Working Group set up by DPC. Some of that group’s recommendations are congruent with a functional leadership approach, suggesting that there may be an appetite for a ‘centre-led’ approach to accommodation and property management.

In its submission to the review, the DoF noted that office accommodation is generally the second largest operating expense for government agencies behind employee-related costs, and that to achieve cultural reform within the public sector and drive down recurrent expenditure at a whole-of-government level, a more centre-led and contemporary approach to managing government’s office estate was required.

By applying lessons learned from the private sector and other jurisdictions in office fit out, encouraging flexibility and innovation, and reducing the Government’s overall office footprint, the DoF asserts that savings in the order of $50 million per annum could be achieved by year five. To achieve these reforms, government has approved the department’s comprehensive office accommodation strategy that involves:

- a more centre-led approach to management of agency-owned office accommodation
- better data capture, analysis and reporting to support whole-of-government decision-making
- the introduction of incentives to promote more efficient use of space by agencies.
**Procurement**

Obtaining better value and effectiveness through procurement is the subject of a separate background paper prepared by the review secretariat. In the context of functional leadership, the following observations are made, arising from stakeholders’ comments provided to the review with respect to procurement. These included:

- There are opportunities to improve procurement practices. They need to be outcomes-based, flexible, reflect joined up tendering processes and build commercial skills.
- WA should consider the Victorian Government model for procurement. We need to ask if it is efficient having two agencies doing the same procurement.
- There are opportunities for savings in a number of functions through whole-of-government approaches to procurement, etc.
- We need to find the best way to manage, e.g. major project panels brought together from across sector. A recent example is the Metronet contract which identified that the same services could be provided by Landgate at significantly less cost than by the private sector.

There are capability gaps across the sector that could be addressed by a functional leadership approach. For example, with respect to procurement, while instruments such as common use arrangements (CUAs) are long-standing in WA, indications suggest that the overall approach to procurement is fragmented, with differences in skills and capability between agencies.

**Common use arrangements**

DoF\(^{17}\) has established around 40 CUAs and the department records agency satisfaction rates of around 95 per cent for these. The extent to which savings are achieved is measured on around 20 of the 40 CUAs. These are generally products (ICT equipment, stationery, cleaning and kitchen products) or standard services (transport, waste disposal, removalist etc.) for which there is a recognised corporate standard or recommended retail rate against which savings can be measured/benchmarked.

In June 2015, government procurement (GP) engaged Deloitte to undertake a CUA benefits review which assessed five CUAs to determine if benefits were being achieved and measured effectively. The DoF advises that Deloitte concluded prices were:

- 28.2 per cent cheaper than the reference set via the stationery, copy paper and envelopes CUA
- 7.3 per cent cheaper via the travel reservations and associated services CUA
- 7.7 per cent cheaper via the HR/temporary personnel services CUA
- 3.2 per cent more expensive via the freight transport services CUA.

GP will shortly commence an internal benchmarking project that will review current CUA benchmarking practice, make recommendations on improved practices and identify organisations with product and service cost data/reference sets against which GP can benchmark its CUAs.

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\(^{17}\) This and subsequent material is derived from information provided to the Review by the Department of Finance
The final report of the Economic Audit Committee (EAC) noted that “when contracts are being specified, negotiated and managed, it is crucial that the public sector is able to bring skills to bear that match those of private providers”.  

The EAC also recommended that government attract, develop and retain people with the skills and expertise involved in procurement and contract management for public service delivery by private sector partners, to enable them to:

- clearly articulate, for contracting purposes, the nature of their requirements
- negotiate contractual outcomes successfully
- manage contractual outcomes effectively
- deal with risk during the procurement process.

At the time, the EAC noted the positive work to develop procurement/contracting skills within agencies through procurement reforms undertaken by the (then) Department of Treasury and Finance (DTF) and the works reforms implemented by the BMW business. In particular, the committee noted “the innovative approach taken as part of the procurement reform, which involved the placement of experienced and skilled DTF procurement officers in line agencies, is considered an effective means of quickly upskilling line agencies where a skills/experience deficiency is identified”.  

The committee also noted that where the necessary skills are not available from within government, the option always exists for these to be purchased as required from specialist firms.

The committee formed the view that the approach chosen should depend on contractual materiality, complexity and risk, with relatively simple, small and low-risk contracts specified, negotiated and managed by agencies themselves using skills situated in house, and the scope of these functions increasing as agency skill sets became more sophisticated.

For contracts with relatively high complexity, materiality and risk, the EAC considered it appropriate for the specialist teams within DTF (working in consultation with agencies) to have principal responsibility for the procurement process, unless the frequency with which an agency deals with such contracts would merit the development of the relevant expertise within the agency itself.

**Procurement capability building**

The DoF has introduced two new capability-building initiatives for 2017-18 for the public sector:

- a new program to build contract management capability in agencies
- development of a procurement competency matrix for the WA public sector. This will be co-branded with the PSC and complement other PSC capability frameworks. It will be supported by ancillary tools such as the chief procurement officers success profile that seeks to clearly and concisely define the expectations and accountabilities of a chief procurement officer.

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19 Ibid. p120.
In 2016, a rebalancing of the trade-off between risk and reward for providing procurement services to government agencies resulted in a reduction of 27 full-time equivalents (FTE) and savings of about $2.7 million per year.

This was achieved through the staged implementation of changes to procurement policy thresholds, which increased agency autonomy in the procurement of goods and services up to the value of $250,000. This delivered cultural change by clarifying procurement responsibilities for agencies and empowering them to manage low-value, transactional and low-risk procurement, ultimately delivering better outcomes at an agency level. In addition, GP streamlined and integrated procurement processes and removed elements of duplication.

To support the change, GP developed a suite of tools and resources to help build procurement capability within agencies in the quickest, most efficient manner using simplified procurement processes. Agencies have ongoing access to an education and training framework provided by GP, along with a single point of contact to improve their ability to procure services for the community.

The DoF argues that, by establishing a flexible structure, resources within GP are now allocated to whole-of-government priorities, with a focus on high-risk and high-value procurement.

Possible future directions in procurement

In its submission to the review, DoF notes the potential for better cross-agency procurement collaboration and leadership to develop opportunities for aggregated buying for large purchases, help reduce costs and improve the value derived from government expenditure. The submission notes that under a functional leadership approach the DoF could facilitate earlier identification of opportunities to maximise government purchasing power, via a policy that would require agencies to lodge annual forward procurement plans with the department to enable it to identify opportunities for collaboration in procurement between agencies.

Finally, with respect to mandate, the State Supply Commission Act 1991 established the State Supply Commission (SSC) in order to regulate government procurement of goods and services, primarily through the creation of supply policy. On 23 March 2009, the Treasurer announced a plan to merge the SSC with the (then) Department of Treasury and Finance (now the Department of Finance). Until the State Supply Commission Act 1991 is formally repealed by Parliament, the SSC is administratively supported by DoF.
In relation to ICT, several stakeholders to the review have noted the need for strong centralised strategy and management with sufficient powers to effect meaningful change.

Comments have included:

- ICT management is not optimal. We need more effective central management. The GCIO (Government Chief Information Officer) is temporary and does not have the authority needed.
- The role of the GCIO needs to be clarified with respect to its function of gatekeeper (for example total spend on websites) versus the extent to which it offers proactive support for the development of standard approaches across the sector, strengthening capabilities, mobilising expertise, building on strengths/pilots.
- IT spend across the WA public sector is very diffuse, generating the potential for inefficiencies. The WA Government should use its buying power to maximise savings and value.
- The correct balance of standardised ICT platforms could provide significant benefits for efficiency but also information sharing.
- The WA public sector has very low overall ICT capability. Most expertise resides outside the sector as a result of outsourcing.

Strong leadership is needed to drive the digital transformation agenda, explore an integrated ‘one stop’ service delivery strategy and provide support and advice to government on emerging issues such as cybersecurity. These issues are explored further in a separate paper prepared by the secretariat. The following comments related predominantly to ICT procurement and to functional leadership in the area more generally.

In conversation with the Panel, the current GCIO noted that it is estimated that only about 2.5 per cent of government services are available online. This figure clearly needs to rapidly increase if the WA public sector is to meaningfully embrace and intersect with the digital economy.

The GCIO estimates that the annual WA public sector ICT spend is somewhere between $1 and $2 billion per annum. If savings of just 10 per cent can be leveraged through more efficient hardware, contracting and service design, this equates to savings of between $400-$800 million over the four-year budget forward estimates period.

The GCIO also estimates that savings of around $85 million per annum would be realised if all government agencies were part of the GovNext program. GovNext aims to provide government with the enabling infrastructure upon which the Digital WA strategic outcomes will be delivered.

It would be achieved by:

- co-locating government’s data centres and server rooms
- migrating to cloud services
- creating a data and communications network that connects government workers across WA.
The GCIO has begun developing a range of initiatives including the Digital WA strategy. However, the GCIO has no mandate to compel agencies to undertake the various initiatives or use of platforms and frameworks detailed within.

The strategy is constructed on an ‘opt-in’ basis. Further, the GCIO does not have the functions or power to compel agencies to review their existing ICT architecture to ensure greater consistency across government. As observed in another background paper on digital transformation, there is a risk that without such a mandate the digital reform agenda will not be implemented. To avert this, application of functional leadership principles to ICT would appear to be highly desirable.

**Human resources professional leadership**

As noted in the PSC’s submission to the review, promotion of an efficient and effective public sector and planning for its future management and operation lie at the heart of responsibilities vested under section 21A of the *Public Sector Management Act 1994* (PSM Act) in the PSC, through the office of the Public Sector Commissioner. In this regard, functional leadership for the public sector workforce resides with the PSC and is backed by a legislated mandate. Section 8 of the PSM Act states:

(1) The principles of human resource management that are to be observed in and in relation to the public sector are that —

a) all selection processes are to be directed towards, and based on, a proper assessment of merit and equity; and

b) no power with regard to human resource management is to be exercised on the basis of nepotism or patronage; and

c) employees are to be treated fairly and consistently and are not to be subjected to arbitrary or capricious administrative acts; and

d) there is to be no unlawful discrimination against employees or persons seeking employment in the public sector on a ground referred to in the Equal Opportunity Act 1984 or any other ground; and

e) employees are to be provided with safe and healthy working conditions in accordance with the Occupational Safety and Health Act 1984.

(2) In matters relating to —

a) the selection, appointment, transfer, secondment, classification, remuneration, redeployment, redundancy or termination of employment of an individual employee; or

b) the classification of a particular office, post or position,

in its department or organisation, an employing authority is not subject to any direction given, whether under any written law or otherwise, by the Minister responsible for the department or organisation, but shall, subject to this Act, act independently.
(3) For the purposes of this Act a proper assessment of merit in a selection process must be carried out in accordance with the relevant Commissioner’s instructions and does not always require a competitive assessment of merit.

To achieve these and other legislative outcomes, the PSC has generated a range of Commissioner’s instructions and other policies. However, direct stakeholder feedback and anecdotal evidence suggests that agencies often struggle with applying whole-of-government people-management frameworks and that the PSC has become less active in directly assisting agencies to do so. If one of the objectives of functional leadership is to build capacity in particular functions, there is an argument for the PSC to be ‘head of profession’ or the functional leader for development of human resource managers across the sector, and to take a more active role in devising and promoting whole-of-sector strategies to address contemporary workforce challenges. Agencies will increasingly need access to high-quality workforce design and management advice and it is important that human resource professionals working in the sector are appropriately skilled to provide it.

There may therefore be merit in giving consideration to a more active, centre-led strategy to support agencies to more effectively plan for and manage their workforce. However, it may be more appropriate that this be dealt with as part of the revitalisation of the central agencies envisaged as part of the system stewardship vision of a more interconnected public sector, rather than through a formal functional leadership approach.

Accountability

To ensure that functional leadership does not simply add a new layer of bureaucracy or process, functional leaders need to have appropriate accountability mechanisms and targets to ensure that real value is being delivered through their actions.

At a minimum, Cabinet should receive regular advice on activities, milestones and achievements and this should be driven by the central agencies as stewards of the public sector.

Because some functional leaders will be focused on realising savings and others will be focused on building expertise and capacity, there is no single set of performance indicators that could be applied to these roles. Performance metrics will need to be tailored to ensure that the desired outcomes are being measured and monitored appropriately.
Options for reform

1. Government to adopt a functional leadership model and nominate functional leaders for professions and functions based on joint advice from DPC, Treasury and the Public Sector Commission.

With respect to mandate, it is likely that the Public Sector Commissioner could establish functional leaders under existing powers. Section 21 of the *Public Sector Management Act 1994* states that the functions of the Commissioner include:

- a) to promote the overall efficiency and effectiveness of the public sector, having regard to the principles set out in section 7
- b) to advise ministers, chief executive officers and chief employees of changes, improvements and management practices which, in the opinion of the Commissioner, should be implemented in order to improve the efficiency and effectiveness of the whole or any part of the public sector
- c) to plan for the future management and operation of the public sector
- d) to perform other functions that are conferred on the Commissioner under this Act or any other Act.

Section 7 of the Act stipulates principles of public administration and management which include:

- b) the public sector is to be so structured and organised as to achieve and maintain operational responsiveness and flexibility, thus enabling it to adapt quickly and effectively to changes in government policies and priorities; and
- c) public sector bodies are to be so structured and administered as to enable decisions to be made, and action taken, without excessive formality and with a minimum of delay; and
- d) administrative responsibilities are to be clearly defined and authority is to be delegated sufficiently to ensure that those to whom responsibilities are assigned have adequate authority to deal expeditiously with questions that arise in the course of discharging those responsibilities; and
- e) public sector bodies should have as their goal a continued improvement in the efficiency and effectiveness of their performance and should be administered with that goal always in view; and
- f) resources are to be deployed so as to ensure their most efficient and effective use.

2. Nomination of a mandated functional lead for ICT, procurement, accommodation and HR management.

3. Consideration to be given to establishment of functional leaders in other professional services including legal, project management, policy, finance and communications.
Implementation considerations

It will take some time to effectively establish true functional leadership with appropriate definitions of the role of the centre and the role of agencies. Collaborative arrangements will need to be established to ensure that systems and processes are practical and workable.

For example, to achieve its objective, the NZ Government chief information officer has developed a partnership framework involving key stakeholders across government, to support the goal of “a single, Cabinet ICT ecosystem supporting radically transformed public services”.20 An ICT strategic leadership group at chief executive level is supported by four working groups, covering service innovation, technology, strategic investment and information. These groups generate advice that informs and supports the overall ICT strategy.

With respect to accommodation, the Local Service Delivery Directors General Working Group concluded that there are barriers to improving efficiencies in regional government office accommodation. These include legislative barriers to agencies sharing data, city-centric models of service delivery inapplicable in regional and remote areas, and disempowered local staff unable to make changes to meet local needs without reference to central bureaucracies.

Overall, detailed cost-benefit analyses will be required to establish the quantum of savings that may be possible under a particular functional leadership arrangement. Targets would also need to be set and regular reporting provided to ensure that intended outcomes are met. This introduces a new administrative layer, but this would be offset by overall savings in agency-level processing and financial savings generated from more competitive procurement arrangements.

Finally, adoption of functional leadership is not without risk. Centrally-mandated processes risk the introduction of bureaucratic inefficiencies and increased red tape if not designed sensitively and with regard to essential matters only. There needs to be a balance between central control and agency flexibility. The NZ Government recognised this in assessing how it might apply functional leadership within its public sector:

We consider that it may be appropriate, in certain cases, for departments to be required to operate within the standards or processes established by a functional leader. This may be needed where there are major potential gains to be made from a cross-agency approach but these gains are unlikely to be made, or are unlikely to be made in a timely manner, if individual departments can choose not to participate.

However, it is also clear that such arrangements will need to be used sparingly. While some agency heads are likely to welcome greater leadership on particular functions, there is a risk that others may resist what could be perceived as a restriction on their ability to arrange their own business affairs.21

References


