Service Priority Review

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WORKING TOGETHER
ONE PUBLIC SECTOR DELIVERING FOR WA

SERVICE PRIORITY REVIEW
FINAL REPORT TO THE WESTERN AUSTRALIAN GOVERNMENT

OCTOBER 2017
Oh, my ways are strange ways and new ways and old ways,
and deep ways and steep ways and high ways and low,
I'm at home and at ease on a track that I know not,
and restless and lost on a road that I know.

Henry Lawson
ACKNOWLEDGEMENTS

The Service Priority Review recognises the contribution of the many individuals and organisations that have supported the review.

In particular, it acknowledges the enormous input from the Western Australian public sector itself, and from the directors general and their staff who have given generously of their time, insights and vision for reform.

The report has been made possible with assistance from organisations that facilitated consultation forums and information sessions, namely the Institute of Public Administration Australia WA, the Committee for Economic Development of Australia, the Western Australian Council of Social Service, the Public Sector Commission and the South West Development Commission.

The Regional Services Reform Unit is acknowledged for arranging and hosting meetings in the Kimberley and Pilbara that enabled the Service Priority Review Panel to gain first-hand the experiences of people living and working in regional Western Australia. Aarnja and Nyamba Buru Yawuru ensured the voices of Aboriginal people were heard and their support of the regional consultation process is appreciated.

The review drew on the reform journeys of the Victorian and New South Wales public sectors. The Government agencies and officials in those jurisdictions that met with the Panel and shared their knowledge are also acknowledged.

Regular video updates on the review were produced and published online, and the Department of Primary Industries and Regional Development’s Westlink team is thanked for its contribution.
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FOREWORD

Western Australia’s economic circumstances, the election of a new State Government and the benefits of machinery of government changes create the opportunity to rethink how the State’s public sector operates to achieve better outcomes for the community.

The Western Australian Government established the Service Priority Review in May 2017 to examine the functions, operations and culture of the public sector, with the aim of driving lasting reform.

The Service Priority Review Panel (the Panel) has met with, and received submissions from, a wide range of stakeholders in the past six months. We have heard from individuals, community organisations, businesses, unions and industry organisations, and leaders from the public and private sectors. We have held meetings in Perth, Bunbury, Broome and Karratha as well as interstate. Many people have taken the time to share with us their insights and ideas about the changes they see as necessary for WA to have an outward-facing, responsive and effective public sector.

Their views are reflected throughout this report, which sets out a Blueprint for Reform, the product of the Panel’s analysis of the information available to us and research undertaken by the Service Priority Review secretariat. It reflects the consensus on issues and solutions revealed during our consultation, and the complex challenges and opportunities facing the public sector.

It has been made clear to us that the community wants higher quality services and greater involvement in service design. The challenge of tackling the State’s budget deficit means, however, that better services must be delivered at a lower cost.

Ongoing advances in information technology and innovation in the ways in which data can better inform policy advice and service delivery present opportunities for better community outcomes and greater efficiency, while also creating some risks that will need to be managed.

We have also paid particular attention to WA’s unique characteristics – the physical size of the State, the diversity of its regions, and the commodity cycles that drive its economy. We have made recommendations aimed at enhancing the public sector’s capability to work with those characteristics and to strengthen public institutions to build resilience to the challenges that WA’s special character will present from time to time.
We have focused on issues of strategic significance rather than attempted to recommend on myriad points of detail. We are confident that if the public sector is strategically organised to focus on community aspirations and needs, and to prioritise collaboration across the sector and with outside partners, then State Government ministers and their agencies will be better able to drive detailed reform within individual portfolios.

To do justice to the deep thought and consideration that has gone into the submissions we have received, they are published separately and we are also providing material from them to the responsible ministers to inform future deliberations in specific subject areas. In particular, we have provided to the Treasurer for consideration details on specific savings initiatives that have been proposed to us.

Some of the recommendations in this report are likely to yield savings when implemented. Quantification of those savings has not been undertaken, given the system-wide strategic focus that the Panel has taken. Our advice on priorities and sequencing of actions and recommendations has been shaped, in part, by recognition of the State’s financial constraints, as well as constraints on its implementation capacity. Some of our recommendations will enable improvements in outcomes for agencies, which will require a shift in priorities for resourcing.

We would like to acknowledge the support provided to us in conducting our review by the State’s public sector. In particular, we have received excellent support and advice from the officers, drawn from a number of departments, who served on the secretariat. Our assessments have been informed by a series of background papers prepared by the secretariat, which are listed in Appendix E.

Implementing positive reform will require strong leadership and sustained commitment at all levels, and explicit accountability for the long-term stewardship of the public sector as a whole. Combined with a commitment from political leaders across the spectrum to stay the course, the WA community will ultimately be the beneficiary.

Iain Rennie CNZM
Chair

Margaret Seares AO
Panel member

Michael Dillon
Panel member
Western Australia’s public sector plays a crucial role in the lives of West Australians, supporting the wellbeing, education, security and prosperity of the State.

There are significant strengths in the public sector that provide a strong foundation on which to build. Public sector employees possess a strong spirit of public service, are ethical in practice and have a genuine desire to improve services for the benefit of the community. There are excellent examples of reform and innovation across the sector. Public sector agencies are already implementing significant machinery of government changes as well as substantial workforce adjustments.

Nevertheless, the opportunities and challenges facing the WA community, and clear evidence of a number of significant structural and systemic weaknesses across the sector, mean a commitment to comprehensive and sustained reform is needed. Starting work now is essential. Delay in progressing public sector reform will lead to much greater adjustment costs when change becomes inevitable.

The Service Priority Review Panel has identified four directions for reform that frame its recommendations and, together with the actions detailed in the body of this report, form the Blueprint for Reform (Blueprint).

First, community needs must sit at the centre of the sector’s operations. The role of any public sector is, ultimately, to work on behalf of the community that resources it to carry out its work. **Building a public sector focused on community needs** will require a stronger focus on issues that matter to the community and smarter service design that incorporates ideas and perspectives from outside and recognises the needs of different regions. There are also significant economic, environmental and social opportunities to be harnessed through better regulation and reinvigorated relationships with the Commonwealth Government and local governments.
Second, the public sector workforce must have the right tools to achieve this. **Enabling the public sector to do its job better** will require a major shift in how the sector uses technology to meet changing community expectations. It will also require more sophisticated approaches to government purchasing, including strong commercial capabilities for procurement and contract management; a budget system that supports collaboration and a focus on outcomes; and sharpened accountability across the board. All of these reforms will be further strengthened by a genuine whole-of-sector commitment to greater transparency.

Third, the workforce is the public sector’s most important asset. Public servants should feel proud of the sector and the agencies to which they belong and the community should value the contribution of people who commit themselves to public service. **Reshaping and strengthening the public sector workforce** will require a culture and ethos of ‘one sector’; systematic approach to talent management; and greater mobility across the sector for employees. It will also require a commitment to move to a more consistent, straightforward and flexible employment framework and workplace practice that encourages a high performing, professional and engaged workforce.

Fourth, a high-performing public sector needs strong leadership. **Strengthening leadership across government** will require central agencies to take a system stewardship role that supports a culture of collaboration, continuous learning and looking outside for new ideas. It will also require stronger leadership of common functions such as human resource management, procurement and information technology. The performance of agency heads and the senior executive service (SES) will be better supported through clear roles and accountability, and greater mobility.
The Panel has responded to these four directions for reform with 17 recommendations that are interlinked and interdependent. Each is underpinned by one or more key actions, which are steps that the Panel considers will move the public sector towards achieving the reform that is required. However, they are not the only steps that the public sector may choose to take. The text of the report identifies numerous other areas for action, and people within the public sector will be able to identify many more. The Panel hopes that its report enables an environment of positive change that individual leaders and staff can act on without delay and without further reference. The key is to work together in a concerted, considered way to change systems, processes and culture to bring about positive change.

It has been the Panel’s observation that implementation capability in WA is scarce, but critical. The Panel has noted past failure to implement reforms and has made a specific recommendation on implementation. Successful implementation will require a clear sense of purpose and priority; ‘buy in’ from the leadership; sustained support from the centre of government; and explicit responsibility placed on agency heads across the public sector to drive the short, medium and long-term stewardship of the whole public sector. Chapter 6 of this report lists the full suite of recommendations and actions that make up the Blueprint and includes the Panel’s advice on priority and sequencing.

Ultimately, a commitment to sustained and purposeful reform will create a public sector that attracts and retains the very best people who are proud to work together on behalf of all West Australians.
# BLUEPRINT FOR REFORM

The Blueprint for Reform is 17 recommendations and 37 actions grouped under four directions for reform.

## Building a public sector focused on community needs

1. Introduce whole-of-government targets that will improve outcomes for the community
2. Improve the quality of engagement with the community to enable a sharper focus on its needs
3. Drive regulatory approaches that are risk-based and outcomes-focused
4. Increase online service delivery to provide multiple channels for delivering transactional services
5. Improve the coordination of service delivery in the regions

## Enabling the public sector to do its job better

6. Strengthen data sharing and improve ICT performance and cyber security
7. Leverage government procurement to both reduce costs and improve outcomes for the community
8. Overhaul the budget system to focus on fiscal sustainability and support agencies to achieve outcomes for the community
9. Improve governance, accountability and transparency for public sector entities

## Reshaping and strengthening the public sector workforce

10. Develop a shared public sector workforce identity to support purposeful collaboration
11. Strengthen employee capability through better workforce planning and talent management
12. Modernise the employment framework to support employees and assist agency heads

## Strengthening leadership across government

13. Redesign executive performance systems to clarify contemporary leadership expectations and to measure success
14. Strengthen the capacity of central agencies to take on a sector stewardship role
15. Establish system-wide leadership to drive performance across common functions
16. Introduce a regular cycle of agency capability reviews to drive ongoing improvement across the sector

## Actions Grouped by Direction

1-9: **9 ACTIONS**

10-16: **12 ACTIONS**

17: **3 ACTIONS**
1 Introduction

1.1 The challenges ahead

Governments and societies around the world are increasingly exposed to internal and external sources of dynamic change. Global issues such as climate change, security concerns and the rise of new communications tools, as well as Western Australia’s economic circumstances and the transition to a new State Government, show that WA is no exception. Faced with such challenges, an obvious response is to build institutions with the capability to respond flexibly and effectively when issues emerge.

While challenges exist for any public sector, WA has particular characteristics that the public sector will need to recognise in undertaking lasting cultural change. The State’s geographic size, the diverse nature of its regions and the cyclical nature of the State economy are hugely influential in determining how the sector must position itself to deliver services in the future.

The Government’s decisions, actions and requirements directly affect the lives of West Australians, making it critical for the State’s public sector to gear up to meet the challenges of changing community expectations, accelerating social and technological change and a workforce expecting more flexibility and mobility. Social health and wellbeing, economic vitality and environmental sustainability depend on a public sector delivering the best services possible to the community.

With sustained, patient and thoughtful reform, WA can aspire to having the best public sector in Australia. But to realise this, the sector must arrange its institutions well, design and deliver services to meet contemporary needs and manage and develop its workforce with thought to the future. It must have absolute clarity about the Government’s priorities and it must foster and develop leadership at all levels to serve the public interest.
The WA public sector has an opportunity to capitalise on its strengths to achieve purposeful reform. There is widespread agreement across the sector about what needs to change and there is already good practice that can be more effectively harnessed. There is also vast experience in reform outside the public sector and outside the State to be drawn on.

1.2 A snapshot of the sector

1.2.1 Defining the public sector

The WA public sector is made up of organisations and employees charged with delivering the program of the elected Government.

In this report, the term ‘the public sector’ refers to all government agencies and organisations – departments, statutory authorities, government trading enterprises (GTEs) and more – that are established under a written law or operate using public funds.

Beyond the broader public sector are organisations that partner with government to perform functions in the public interest – for instance, community-based organisations providing social, cultural or environmental value. Although these are beyond the scope of this review, many have contributed to it and are likely to be affected by changes in the way the public sector operates.

The Panel notes that the Public Sector Management Act 1994 (PSM Act) uses a narrower definition of the public sector for workforce management and accountability purposes, and draws distinctions between public service, public sector and government organisations outside the public sector.

This report uses the term ‘agency’ to mean any department, organisation or other entity within the public sector – including GTEs, statutory authorities and entities of that kind within the public education, health, justice and police systems. ‘Agency head’ means the head of an agency, whether designated as a chief executive, chief employee, commissioner, director general or any other similar term. It is acknowledged that these terms are not used in this way in the PSM Act.
1.2.2 Characteristics of the public sector workforce

The WA public sector is the State’s largest employer, even without accounting for those engaged by GTEs and non-government organisations in the delivery of public services.

More than 70 per cent of the public sector workforce is employed by the Department of Health, Department of Education and Western Australia Police Force.

FIGURE 1 – A SNAPSHOT OF THE WA PUBLIC SECTOR WORKFORCE

Public sector salaries are the single largest component of recurrent costs, accounting for approximately 43 per cent of general government expenditure.²

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As shown in Figure 2, and as advised by the Department of Treasury, public sector workforce costs continue to grow, given service demand in education, health and law and order.

**FIGURE 2 – WA PUBLIC SECTOR WORKFORCE COSTS, 2013-14 TO 2020-21**

Since 2013-14, the Government has undertaken a number of measures to rein in workforce-related expenditure. These measures have proven effective from a financial perspective, with salaries in the general government sector increasing by only 2.0 per cent in 2016-17 – the lowest rate of growth since 1998-99. Underlying salaries growth in 2017-18 is projected to increase by 3.8 per cent, well below the decade average of 7.2 per cent.

The workforce itself is not homogenous. It consists of employees from a wide range of occupational groups, as demonstrated in Table 1, with many occupying frontline, service delivery roles in education, health and law and order. In many cases these groups have strong professional identities based on the backgrounds of their employees, the structure of their agencies and the sections of the community they serve.

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8 Source: Data provided by the Department of Treasury. Includes superannuation costs. Not adjusted for inflation. Wages cost in 2017-18 includes additional salaries costs related to the 2017 machinery of government changes and the Voluntary Targeted Severance Scheme.

9 Government of Western Australia, 2016-17 Annual Report on State Finances, p239.

10 Government of Western Australia, 2017, 2017-18 Budget Paper No. 3: Economic and Fiscal Outlook: Perth, Australia, p41. The projection for 2017-18 excludes one-off factors such as the Voluntary Targeted Severance Scheme and reclassification of agencies’ spending under the 2017 machinery of government changes.
TABLE 1 – WA PUBLIC SECTOR WORKFORCE BY OCCUPATIONAL GROUP

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Proportion of workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public servants and government officers</td>
<td>28%</td>
</tr>
<tr>
<td>Teachers</td>
<td>19%</td>
</tr>
<tr>
<td>Health salaried officers</td>
<td>12%</td>
</tr>
<tr>
<td>Registered and enrolled nurses</td>
<td>12%</td>
</tr>
<tr>
<td>Education assistants</td>
<td>6%</td>
</tr>
<tr>
<td>Police officers</td>
<td>5%</td>
</tr>
<tr>
<td>Medical practitioners</td>
<td>4%</td>
</tr>
<tr>
<td>Hospital support workers</td>
<td>3%</td>
</tr>
<tr>
<td>Lecturers</td>
<td>2%</td>
</tr>
<tr>
<td>Cleaners and gardeners (non-health)</td>
<td>2%</td>
</tr>
<tr>
<td>Prison officers</td>
<td>2%</td>
</tr>
<tr>
<td>Firefighters</td>
<td>1%</td>
</tr>
<tr>
<td>Others</td>
<td>4%</td>
</tr>
</tbody>
</table>

The ability of agency heads to adjust workforce size and composition is critical to meet government priorities, operational needs and budgetary requirements. WA's exposure to the commodity cycle means flexibility in managing changes in the workforce over time is likely to be an important feature of workplace arrangements in the WA public sector. This capacity, in part, is impacted by the types of 'permanent' and 'non-permanent' employment arrangements used in the public sector.7

As shown in Figure 3, almost 70 per cent of the WA public sector workforce is permanent, with the remainder engaged on fixed term, casual and other arrangements.8 Other State jurisdictions have a higher proportion of permanency,9 with the exception of South Australia.

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6 Data provided by the Department of Treasury.
7 Other factors include geographical dispersion of population; wage outcomes; use of contract for service arrangements; work design; and workforce provisions in relation to mobility, flexibility, deployment, and termination.
9 Service Priority Review secretariat analysis of interstate public sector workforce data.
Figures 4 and 5 provide comparison of public sector workforce age profiles by jurisdiction. While generally reflective of broader social trends, the WA public sector has the second highest proportion of employees aged 55 years or over relative to other States, marginally lower than Tasmania. At 4.3 per cent, the proportion of WA sector employees aged under 25 years is also lower than all other State public sectors, with the exception of Tasmania.
FIGURE 5 – PROPORTION OF PUBLIC SECTOR WORKFORCE AGED UNDER 25, BY JURISDICTION

As shown in Figure 6, the overall WA public sector workforce is predominantly female. Notably, WA has the highest proportion of women relative to other State public sectors, at approximately 72 per cent. Despite this, women are significantly under-represented at the senior leadership level. Approximately 34 per cent of senior leaders are women, the lowest proportion across all States except Tasmania. Workforce diversity is discussed in greater detail in Chapter 4.

FIGURE 6 – GENDER PROFILE OF THE WA PUBLIC SECTOR

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52 Service Priority Review secretariat jurisdictional analysis.
53 Service Priority Review secretariat jurisdictional analysis.
1.3 Western Australia’s financial position

Western Australia currently faces an extremely difficult financial situation.

In 2007-08 the Government had an operating surplus of $2.6 billion and net debt of just $3.6 billion. The net debt to revenue ratio for the public sector was 19 per cent. By 2016-17 the operating deficit was $3 billion, with total public sector net debt reaching $32.5 billion. The net debt to revenue ratio is now 83 per cent which, according to Treasury, is the highest of any State.

The increase in WA’s debt levels over the past decade is primarily the result of decisions which led to higher levels of per capita infrastructure spending and public sector wages compared to other States, as well as the decline in revenue (including in WA’s GST share) following the end of the resources boom.

The decline in government revenue relative to expenditure since 2013-14 is demonstrated in Figure 7.

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FIGURE 7 – AVERAGE ANNUAL GROWTH IN GENERAL GOVERNMENT REVENUE AND EXPENSES, 2009-10 TO 2016-17

- **REVENUE GROWTH**
- **EXPENDITURE GROWTH**

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2. Ibid. p3.
3. Information provided by the Department of Treasury.
Figure 8 provides an overview of the State’s expenditure by portfolio. Notably, health, education, and law and order accounted for 56 per cent (or $16.5 billion) of total general government expenditure in 2016-17.\(^{18}\)

**FIGURE 8 – TOTAL GENERAL GOVERNMENT EXPENDITURE BY PORTFOLIO, 2016-17\(^{19}\)**

Despite a suite of repair measures in the 2017-18 State Budget, general expenses are estimated to be $30.8 billion in 2017-18 – representing an underlying 2.4 per cent growth from the previous financial year.\(^ {20}\)

While substantial savings have been built into individual agency budgets, the Panel notes that demand for key government services is outstripping overall population growth. As shown in Figure 9, this is particularly challenging in the areas of education, health, justice and child protection.

\(^{18}\) Information provided by the Department of Treasury.

\(^{19}\) Government of Western Australia. 2017-18 Budget Paper No.3: Economic and Fiscal Outlook. p34.

\(^{20}\) Ibid. p99.
The Panel recognises the challenges faced by agency heads in meeting their savings targets and service demands, noting that drivers of demand are complex and often beyond the capacity of a single agency to control.

Information provided by the Department of Treasury
1.4 Reporting on outcomes

WA public sector agencies collect a significant volume of data to meet budget, workforce and other reporting requirements. However, the Panel has been surprised at the overall lack of published and easily accessible information relating to whole-of-sector performance.

Further, while the Panel supports the initiative of some agencies to publish more data related to their own performance, reporting on community outcomes generated by government services is haphazard at best.

The Panel has noted some positive individual examples from within the public sector. For instance, the Department of Education publishes periodic data on school and student performance\(^22\), providing transparency about how students and schools are performing relative to State and national standards.\(^23\) This information is also used to assist schools with continuous improvement and, at an aggregate level, to inform system-wide policy directions.

The Minister for Health recently committed to improving transparency of some health sector performance information relating to emergency department wait times, outpatient specialist waiting lists and elective surgery waitlist times.\(^24\)

In September 2017, the State Government committed to developing a new Justice Pipeline Model to estimate the downstream impact of policy initiatives and future demands on the justice system.\(^25\)

Notwithstanding the efforts of these and other agencies, and reflecting on jurisdictional comparisons, some key public services in WA appear to be less efficient than in other States. For example:

- WA's recurrent court services costs per criminal case are 43 per cent above the Commonwealth Grants Commission benchmark; per prisoner costs are 21 per cent above; and per community corrections offender costs are 102 per cent above that benchmark.\(^26\)

\(^22\) For example, National Assessment Program – Literacy and Numeracy, Western Australian Monitoring Standards in Education; and Student Attendance Reporting.


\(^26\) Information provided by the Department of Treasury.
WA has the highest recurrent expenditure on staff per student in government schools (at $11,819 per annum)\textsuperscript{27}, police services per person ($521 per annum)\textsuperscript{28}, hospital services ($6,124 per admitted patient separation)\textsuperscript{29}, and public housing ($12,567 per dwelling per annum)\textsuperscript{30} in comparison to all other States.

The Panel has observed that the WA public sector struggles to clearly articulate the link between operational performance and community outcomes. Further, there does not appear to be evidence that outcomes across the board are better in WA than in other Australian jurisdictions, despite the higher cost of many services. For example:

- Personal and property crime rates in WA are well above national averages; court clearance rates (criminal and civil) are below national averages; imprisonment rates are above the national average; and community corrections rates are below the national average.\textsuperscript{31}
- WA has the highest rate of road fatalities of all States at 7.4 per 100,000 of the population.\textsuperscript{32}
- Despite expenditure on services for Aboriginal people in WA amounting to $53,000 per person, or $4.9 billion per annum based on combined Commonwealth and State spending\textsuperscript{33}, outcomes remain poor. Six of seven Closing the Gap targets are not on track to be achieved in WA, and the gap in three of those has widened. For WA Aboriginal people, Year 10 school attendance is at 61 per cent (87 per cent for non-Aboriginal people); life expectancy at birth is 65 years (80 years for non-Aboriginal people); and only 46 per cent of 15 to 64 year olds are employed (79 per cent for non-Aboriginal people).\textsuperscript{34}

The Panel has formed the view that the limited availability of sector-wide, outcome-related data limits the scope for measuring and evaluating whole-of-sector performance and outcomes. This needs to change so that the sector can focus on key priorities, formulate a consistent narrative and work with shared direction to improve outcomes for the community. In later chapters of this report, data sharing, analysis and linkage are discussed in more detail in the context of overcoming limitations around measuring performance and outcomes.
Building a public sector focused on community needs

Directions for reform

At its best, the Western Australian public sector is highly effective in how it deals with urgent, complex issues. But the lack of focus on community needs and priorities is compromising longer-term outcomes. The public sector needs to better understand what matters to the community, and to use that understanding to underpin smarter service design that incorporates ideas and perspectives from beyond the sector and recognises the needs of different regions.

There needs to be an increased willingness and ability to let go of services that aren’t what the community wants or needs.

Participant, Service Priority Review’s Public Sector Young Leaders Forum

The community’s needs must be considered from the perspective of individuals, business, industry, consumers and other groups that form part of the community. Simple transactions should be more convenient, while ensuring all the services the State Government delivers are consistently underpinned by more robust evaluation and learnings from other jurisdictions. New approaches to designing and implementing regulation, as well as better ways of working with other levels of government, can drive economic, environmental and social benefits.

The Panel has considered a range of initiatives that will assist the sector in achieving this significant change in perspective.

RECOMMENDATIONS

1. Introduce whole-of-government targets that will improve outcomes for the community
2. Improve the quality of engagement with the community to enable a sharper focus on its needs
3. Drive regulatory approaches that are risk-based and outcomes-focused
4. Increase online service delivery to provide multiple channels for delivering transactional services
5. Improve the coordination of service delivery in the regions
2.1 Whole-of-government targets

2.1.1 Background

Some of the issues that really matter to the community are too extensive and complex to be resolved by individual agencies or within individual ministerial portfolios. Instead, a coordinated, collaborative and aligned approach across several agencies can achieve more effective progress on shared challenges and priorities.

Whole-of-government targets are a tool to improve system-wide performance and support better ways of working. Experience in the United Kingdom, New Zealand and other Australian jurisdictions shows that whole-of-government targets can, by providing clarity on key priorities and improving collaboration, enable the public sector to make more of a difference. Importantly, and particularly in an environment of fiscal constraint, a targets approach enables groups of agencies to align their actions and resources to achieve greater benefit for the community than they could by acting alone.

Targets need to be well designed and supported to deliver on their promises. There needs to be a sound understanding supported by evidence, even if it is imperfect, about what actions can be taken across the sector to achieve the target chosen by government. Ongoing evaluation is critical to ensure that good practice is shared quickly and that changes are made if some interventions are not as effective as expected. Over time, indicators of progress and the target itself may need to change in the light of experience. Finally, adopting whole-of-government targets in a set of priority areas should be seen as a way to catalyse a bigger cultural shift towards managing outcomes for the community.
2.1.2 Developing targets for WA

Ideally, a suite of targets for WA will include a small number that need committed and aligned action across the sector to find solutions. Drawing from the experiences of other jurisdictions, the Panel considers that a successful whole-of-government targets approach for WA must:

- be strongly supported by all levels of government
- respond to issues important to the community
- involve simple, easily understandable metrics
- drive agency collaboration on complex issues
- draw on levers readily available to the Government to influence outcomes.

WORKING EXAMPLE

Better Public Services is a New Zealand Government program to create an innovative and efficient public sector that delivers better frontline services. One element of the program sets 10 challenging and specific results for the public sector to achieve over three to five years. Ministers and a public sector chief executive are appointed to lead each result and are accountable for demonstrating progress against their result. A measurable stretch target sits underneath each result, with information about progress made publicly available.

A targets framework also presents an opportunity for a new approach to clarifying the highest priorities for the public sector, tracking the public sector’s performance and managing its accountability. Progress on performance against targets needs to be tracked and transparently reported, even though progress against complex goals will necessarily be slow in some instances. The mantra ‘what gets measured, gets managed’ has considerable validity in this context.

For instance, in New Zealand, current result and target areas include “Reducing long-term welfare dependence”, measured in terms of working-age welfare client numbers and welfare liability release, against a 2014 baseline; “Keeping kids healthy”, measured by reductions in hospital admission rates for a select group of avoidable conditions; “Better access to social housing”, measured by reduction in time taken to house priority clients from the social housing register; and “Business gains value from easy and seamless dealings with government”, measured by a reduction in business costs associated with dealing with government, and raising the performance rate of government services.
As the Panel has previously observed, there is little accessible data now available to the WA public about outcomes achieved by the Government. The need to publicly report against targets should help to drive a cultural change towards transparency about how the Government is performing in other areas as well.

A formal accountability mechanism for collaboration on shared priorities for the long term is needed to help drive a sustained focus on outcomes for the community. The Panel notes that existing budget and chief executive accountability mechanisms can tend to steer towards individual agency or portfolio approaches to issues, with a focus on compliance and the short term.

**Directors general typically focus on doing things right, rather than doing the right things.**

Grahame Searle, Acting Director General, Department of Communities

The model adopted by WA needs to be customised to suit enduring priorities for the State, take account of concurrent reform processes and leverage improved reporting and accountability mechanisms.

### 2.1.3 Implementing targets in WA

Experience elsewhere shows that a centrally-placed implementation coordination and support unit is essential to ensure the success of a targets framework. For instance, New South Wales and the United Kingdom have, or have had, centrally placed implementation units which operate as a core element of the whole-of-government reporting on policies or targets. The implementation units have oversight of action plans that present the key initiatives and milestones, and report progress regularly and in real time. In other jurisdictions, implementation units have undertaken regular rapid analyses to report to Cabinet, and have undertaken six to eight week reviews to identify and address implementation issues. In NSW the unit, which reports to the Premier, plays a key role in facilitating the collaboration between agencies and the lead CEOs who are accountable for driving each of the Premier’s identified priorities.
Central support allows accelerated learning across target groups by developing capability for using data to develop insights into better solutions and allowing dissemination of learned experience across the sector. A central unit also ensures there is a coherent logic behind interventions that agencies are putting in place. As well as central support, a new, facilitative governance arrangement will be needed to ensure that targets selected by Cabinet have relevant agency heads and groups of agencies working towards achieving them. Agency heads for each target should meet regularly with the Premier and ministers.

Implementing whole-of-government targets in WA will be a step change for the public sector. It will demand sustained leadership and commitment from within the sector, support and enthusiasm from the government of the day and willing partnership from the community. We are recommending that the change be undertaken because we have seen other jurisdictions reap real cultural, community and financial benefits from similar approaches. In light of the magnitude of the change, the Government could consider ‘starting small’ and introducing a small number of targets as soon as practicable, with the aim of learning from their implementation so as to expand the program in due course. We do not propose the change lightly, but it is our considered view that the changes required will create ongoing dividends for the WA community and the public sector.

*It is unrealistic to expect a turnaround in complex social outcomes (such as indigenous disadvantage and child neglect) without commitment to long term, measurable targets that go beyond typical government terms or political cycles.*

Minderoo Foundation
2.1.4 Aligning with other accountability arrangements

Progress towards WA’s whole-of-government targets needs to be effectively and fairly incorporated into the performance management agreements of agency heads. Similarly, the current Outcome Based Management (OBM) framework administered by the Department of Treasury needs to be overhauled to enable a more consistent focus on outcomes by agencies and to better align the budget process with a whole-of-government targets approach. This is discussed further in section 3.3 of this report.

**Recommendation 1: Introduce whole-of-government targets that will improve outcomes for the community**

**Suggested lead:** Department of the Premier and Cabinet

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>RESPONSIBILITY</th>
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<tbody>
<tr>
<td>1 Agree targets for a short list of community priorities that need cross-agency collaboration.</td>
<td>Decision of Government</td>
</tr>
<tr>
<td>2 Lead the implementation of a whole-of-government targets approach, support agencies to deliver well against the targets, integrate and align the CEO performance arrangements and Treasury’s Outcome Based Management framework, and regularly publish sector-wide performance data.</td>
<td>DPC supported by all agencies</td>
</tr>
</tbody>
</table>
2.2 Design better services for the community

2.2.1 Background: State Government service design and delivery

Government provides a broad range of services to individuals, households and the community across the State in cities, towns, regional areas and remote communities. Government services cover a wide range of areas including licensing, policing, justice, education and training, health, emergency management, essential services, and community and social services. Within each of these categories, some services are provided to the population universally; some are targeted to groups or individuals; and some are specialist treatment services designed to address the effects of particular conditions or problems. Government services are delivered in many different ways and through a variety of arrangements, including in partnership with other tiers of government and organisations outside government.

The community expects – and should receive – transparent, accessible and responsive services from the public sector.\footnote{Public Sector Research Centre. 2007. The Road Ahead for Public Service Delivery: Delivering on the customer promise. PricewaterhouseCoopers.} To meet that expectation, the public sector must overcome significant policy design and service delivery challenges resulting from diverse factors, including location (for example, remote communities) and complexity (for example, child protection or homelessness).

The Panel has considered a number of aspects of service design and delivery, and particular factors relating to the WA community, in considering how the public sector might increase its focus on community needs. The breadth of the State's role in service design and delivery has of necessity focused the Panel's attention on particular areas where it considers change will result in better outcomes for the community. The Panel has considered and made recommendations about community engagement generally, and how community services (particularly human services) and regulatory services are designed. The Panel's recommendations about service delivery are contained in section 2.3 of this report. These recommendations are aimed at making government transactions and other government services more easily accessible to and convenient for the community generally, and overcoming some particular challenges associated with delivering services to regional and remote WA communities.
2.2.2 Engaging with the community to understand its needs

Underlying all the recommendations in this chapter is the imperative to understand and account for the needs of WA citizens. Community expectations for genuine engagement with government were evident throughout the Panel’s consultation. Stakeholders consistently identified the need for better consultation, quality engagement and co-design of solutions to complex problems to deliver better outcomes. The Western Australian Council of Social Service, for instance, submitted that “effort is also needed to address structural and historical barriers to community engagement in public service decision-making processes and develop community capacity and trust”.38

If you forget why you’re doing something, you won’t do it well.
Ruth Owen, former UK public sector leader

WA has in the past been a leader in citizen engagement. In 2001 a citizenship policy unit was established within the Department of the Premier and Cabinet to prioritise citizen involvement in public life.39 The unit developed resources to help agencies and communities plan, undertake and participate in consultation40, and in 2002 launched a website – Citizenscape – to support active community engagement in government decision making.41

Over time, and since the winding up of the citizenship policy unit in 200642, it appears the priority of and commitment to citizen engagement has diminished, at least at a whole-of-sector level. A genuine commitment exists to stakeholder engagement across the public sector – it is embedded at key stages of regulatory and policy-making processes, and individual agencies have developed tools and frameworks to guide their consultation processes.43 However, WA lacks a sector-wide approach to engagement with the community. This could take the form of shared commitment to community engagement, backed up by an online platform aimed at making it easier for the community to find the information it needs and respond to it.

38 Western Australian Council of Social Service. 15 September 2017. Submission to the Service Priority Review.
43 For example, the Office of Multicultural Interests’ guide to Engaging Culturally and Linguistically Diverse Communities, and the Department of Mines, Industry Regulation and Safety Stakeholder Identification Tool and User Guide.
Many Australian jurisdictions (South Australia, Australian Capital Territory, Victoria, Tasmania) and New Zealand have demonstrated their commitment to citizen participation by adopting whole-of-government approaches to engagement, which tend to involve a principles-based guide to and practical support for undertaking engagement.

**WORKING EXAMPLE**

The South Australian Government’s *YourSAy* website[^44] is a consultation hub where the community can influence government decision making. The website is underpinned by the Government’s *Better Together* program[^45] that supports a consistent and best practice approach to stakeholder engagement.

A public sector focused on community needs must understand what those needs are and how they change over time. A systematic approach to community engagement can help to cement an outward-facing public sector culture and ensure decisions are well-informed and based on relevant evidence. Beyond stakeholder engagement, many of the recommendations contained in this report – including, in particular, whole-of-government targets – could be enhanced by a focused online engagement and public reporting platform.

The opportunity exists for WA to build a culture of genuine and respectful interaction between the community and government and embed ways to include community viewpoints in decision making, policy development and service design. WA can learn from other jurisdictions, better share experiences across different programs, services and portfolios[^46], and perhaps capitalise on its past leadership in this area.

[^46]: Western Australian Council of Social Service. 30 June 2017. Submission to the Service Priority Review.
Community engagement could be facilitated by a single whole-of-government website to replace the hundreds of individual government agency websites. This could result in significant cost savings for the public sector, eliminating the need for agencies to host, manage and maintain their own sites. A single, highly functional website would put the community first by providing, in one location, the information and services people and businesses need from the Government. It would exemplify a customer-focused and outward-facing public sector and contribute to a ‘one sector’ culture focused on government priorities.

**WORKING EXAMPLE**

The United Kingdom Government launched a whole-of-government website as part of its public service reform program. GOV.UK is an across-government platform where the community can conveniently access government services and information. GOV.UK replaced the individual websites of 25 government departments and 376 other agencies and public bodies. It was part of a successful reform strategy to break down silos and create a unified public service.

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47 United Kingdom Government. Year unknown. Welcome to Gov.UK. https://www.gov.uk/ [26 October 2017]
2.2.3 Co-designing services with the community

The Panel has heard strong support for co-design practices in service design and delivery from many stakeholders, including representatives from Aboriginal communities and the not-for-profit sector. Stakeholders have called for new ways of working together to deliver better services built on lasting partnerships, rather than services delivered to people and communities without their input or voice being heard.

Figure 10 is an overview of a co-design process where funders, policy design specialists, service providers, communities and citizens work together in an equal partnership throughout the policy design process. Co-designed services can more effectively achieve outcomes and have greater impact by addressing challenges and identifying potential unintended consequences in the design stage. Engaging all parties, including policy design specialists, in the design of services ensures that opportunities for collaboration and integration of services are explored, resulting in reduced service duplication, more effective service outcomes and improved cost effectiveness.

FIGURE 10 – THE CO-DESIGN PROCESS
A genuine partnership-based approach is a key aspect of co-design, clearly differentiating it from other methods of engagement including consultation, where time, resource and policy constraints impose boundaries on how and when community input is given. Co-design depends on trust, shared understanding and compromise and, done well, can achieve more effective outcomes for all partners. Stakeholders have indicated to the Panel that co-design processes can be more effective than traditional approaches in finding solutions to complex issues such as intergenerational disadvantage or child development outcomes.

*People are holistic and services should be holistic too.*

Martin Sibosado, chair, Aarnja

However, co-design is not without risk and should not be entered into without a clear understanding of the commitments and trade-offs it requires. Nor is it appropriate or desirable in all circumstances. Successful co-design is built on equal standing of participants and should be pursued only where government is in a position to be flexible around design considerations, and with individual government participants who have the authority to make changes in response to community concerns.

Co-design is necessarily resource intensive and time consuming. It is easy to support in theory, much harder to implement in practice. Nevertheless, by its very nature, it offers the prospect of breaking through established norms and ways of operating, both within government and in the community. Co-design offers the potential for replacing services and programs which are gaining minimal traction (and so are effectively a waste of resources) with initiatives that have built-in legitimacy and offer the prospect of gaining community acceptance if implemented well.

The co-design process can be tailored to respond to particular situations, and there is a learning curve for participants. Genuine co-design relies on a level of operational maturity and capability, risk acceptance and flexibility that is not currently apparent across the WA public sector. The Panel has heard that the need to build capacity for co-design is also present in the community services sector, so there is an opportunity for both sectors to build capacity in this area.

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Along with co-design, place-based models allow for a tailored approach that puts communities’ needs at the centre of service design. Place-based policies and programs are framed around the needs of the area in which they are to be applied, rather than the needs of the majority of the State, and can take into account differences in demographics, geography, environment and economy in the regions. Implementation models range from pooled funding based on location to formal coordination and engagement mechanisms. Some models of place-based approaches favour providing community level control over the funding and design of local services. Other models take a regional governance approach.

_The one size fits all approach is actually doing some damage. The strategy for economic development must be different for each location._

Ian Trust, chair, Western Australian Aboriginal Advisory Council

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*Connecting Community for Kids*⁶⁹ is a partnership between government agencies, service providers and community groups to improve developmental outcomes for children living in Kwinana and Cockburn. Supported with private sector funding, the goal of the collective impact-modelled initiative is to ensure that children from pre-birth to eight years have the same level of physical, social, emotional, communication and language development as those in the Perth metropolitan area by 2024. Families, community members, government and non-government services contributed to the design of the project and actively participate in decisions.

The Panel considers that co-design and place-based policy and service design models have the potential, if implemented well, to lead to better community outcomes and should be used by the Government in appropriate circumstances. Given the limited success of many initiatives and services directed or provided to Aboriginal people, there appears to be scope to make much greater use of such models in these particular contexts.

The Department of Communities appears to the Panel to be well placed to encourage the development of co-design capabilities across the sector and among program providers and other stakeholders.

**Recommendation 2: Improve the quality of engagement with the community to enable a sharper focus on its needs**

**Suggested lead:** Department of the Premier and Cabinet

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<th>ACTION</th>
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<tr>
<td>Develop a whole-of-government strategy for community engagement, including consideration of new approaches to program design and implementation.</td>
<td>DPC supported by all agencies</td>
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</table>

2.2.4 Designing regulatory services for the community

(a) Regulation in WA

A well-designed and well-implemented regulatory framework is a powerful tool of analysis and action for governments and the public sector seeking to build a robust economy and encourage business creation, investment and employment. Regulation also allows the State to protect and steward natural resources and to ensure high-level public goals such as safety at work. The regulatory framework is a critical determinant of how the Government delivers its services and needs to be managed well to ensure it delivers the best outcomes for WA businesses, consumers and the community.

Stakeholders have raised with the Panel various comments about the State’s regulatory approach.\(^{51}\) Among other things:

- Approvals reform remains a priority. A lack of alignment between safety, environmental and natural resources regulatory approval processes at local, State and Commonwealth levels, and lack of transparency overall, causes inefficiency.
- End-user involvement in design of regulation is important to business, industry and the not-for-profit sector. All sectors support outcome-based regulation and all report issues with burdensome reporting requirements.
- Stakeholders generally support regular regulatory review and strong cost-benefit analysis.
- Some specific regulatory regimes have been brought to the Panel’s attention as being outdated, unduly restrictive and imposing unnecessary cost burdens.

Stakeholders also raised examples of good practice, including the ‘lead agency’ framework for approvals and the collaborative regulatory process analysis and reform work being undertaken by the sector.

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WA needs to be the place where businesses ‘want’ to be located, so this means creating an attractive business environment which assists rather than hinders business and is a place where workers want to live.

Chamber of Commerce and Industry WA

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\(^{51}\) Including in meetings with and submissions from the Department of Finance, Department of Communities, Chamber of Commerce and Industry of Western Australia, LandCorp and Sam Walsh.
(b) Regulation generally

It is widely accepted that outcome-based and risk-based regulation is more efficient and effective than ‘command and control’ systems for both regulators and regulated entities. A risk-based approach to regulation focuses on the risks associated with non-compliance with rules.

A risk-based regulator identifies and assesses risks – in terms of likelihood and consequence – to inform its decisions on regulatory matters. Risk-based approaches can reduce regulatory burden for people and businesses that comply with the rules, and should lead to lower costs through efficient resource allocation by the regulator. Outcome-based regulatory frameworks specify required outcomes rather than prescribing the means by which they must be achieved. Outcome-based regulation allows people and businesses subject to regulations to decide themselves how best to allocate resources to achieve compliance, driving efficiency and encouraging innovation. While some agencies in WA have made considerable progress towards implementing risk-based and outcome-based approaches, there is currently no central mandate for them to do so.

The Panel’s attention has been drawn to approaches in WA and other jurisdictions to improve regulation. These include requirements about how regulations are designed, how they are implemented and how red tape is minimised.

How regulations are designed: WA’s regulatory impact assessment process requires agencies to assess the impact of regulatory proposals on business, consumers or the economy and to undertake larger-scale cost-benefit analyses where significant impacts are identified. The Panel considers that regulatory impact assessment could be better leveraged to ensure it is not treated as a late-stage compliance exercise and, instead, provides critical support and adds meaning, rigour and value to the policy design and decision-making process – whether policy interventions are eventually implemented by regulatory or some other means.
How regulations are implemented: Some other jurisdictions impose central requirements on regulatory agencies about the way in which they implement regulation. The Commonwealth Government requires agencies to operate within a performance framework, including agency reporting against key performance indicators of good regulatory practice, which cover regulatory burden reduction, communications, risk-based approaches, efficient and coordinated monitoring, transparency and continuous improvement. New South Wales requires regulators to implement and report on their progress toward a risk-based and outcome-based approach to regulation. Victoria’s Statement of Expectations Framework for Regulators requires performance assessment, implementation planning and mandatory evaluation. No whole-of-government requirements apply to WA regulators, although many individual regulatory agencies manage their business along best practice and risk-based principles.

WORKING EXAMPLE

The Quality Regulatory Services Initiative of the New South Wales Government minimises regulatory costs and maximises outcomes for government, business and the community. It requires regulators to implement a risk and outcome-based approach to regulation and report on their progress.

The Panel has heard from stakeholders that building a stronger economic climate in WA will depend, in part, on ensuring business and industry does not need to expend resources on dealing with unnecessarily burdensome or counterproductive government rules.

Cumbersome and multi-layered regulatory requirements for business and industry have a significant effect on both the State’s economy and subsequent cost borne by community.

Department of Communities

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(c) Red tape reduction

Previous WA red tape reduction initiatives have included a ‘Repeal Week’ to provide dedicated Parliamentary time for progressive abolition of unnecessary regulation that may otherwise have been low priority, and annual reporting of red tape reduction efforts. The Minister for Finance was designated as the lead minister for the reform agenda and a dedicated unit in the Department of Finance had functional responsibility for its delivery.

Other initiatives have included 90-Day Regulatory Mapping and Reform Projects\(^{56}\), which involved dedicated resources from the Department of Finance (DoF) and line agencies in collaboration with stakeholders. These projects examined specific regulatory approvals processes, prepared process maps to clarify regulatory approvals sequences for business, identified challenges and made practical recommendations for change. The red tape reduction function has been transferred to Treasury, along with the Better Regulation Unit (previously named the Regulatory Gatekeeping Unit).

Some other jurisdictions (including the Commonwealth, New South Wales, Victoria and Queensland) manage their existing stock of regulation by ‘sun-setting’ requirements, with the effect that regulations expire after a nominated time has elapsed unless the agency and minister responsible have taken action to renew or remake them. The New Zealand Government has adopted a broader ‘regulatory stewardship’ approach that recognises the regulatory framework as a public asset that needs to be actively managed and constantly improved.

The Panel notes the recent publication of the draft report of an independent review of the NSW Regulatory Policy Framework. Among other things, the draft report critically assesses and makes preliminary findings about the regulatory process and function generally, the value of regulatory impact assessment in NSW and the roles of regulators and end-users, and proposes that responsibility for regulatory processes and stewardship be allocated to a new legislation-based functional centre. Following the release of the final report in that review process, further consideration should be given to the application of its findings in WA and whether there may be benefit in undertaking a similar process in the State.

(d) Improving processes and aligning requirements

Stakeholder comments have pointed to a lack of alignment between related regulatory processes causing inefficiency for both regulators and the subjects of regulation. Formal, purposeful collaboration between regulatory agencies to align approaches and processes can help to overcome some of these issues. Increasing professional connections between officers of regulatory agencies who are involved in regulatory design and implementation will, over time, encourage innovation and continuous improvement in regulatory practice.

The Panel notes that WA’s regulatory framework – the institutions and rules governing the making and administration of regulation by government – is informal and insular. While regulatory impact assessment provides a degree of whole-of-government perspective, the Panel’s view is that the process focuses too narrowly on assessing regulatory burden, missing opportunities to build expertise, consistency and higher-level aims into the process. Because regulatory impact assessment is predicated on assessing proposed regulatory interventions, it is skewed towards regulation as an outcome, rather than supporting development of alternative effective ways to achieve the government’s aims.

The Panel believes that WA should take a regulatory stewardship approach that proactively shifts the focus, in managing and assessing the State’s stock of regulation, from burden reduction to asset management. The approach should be directed at ensuring the State’s stock of regulation is doing the work required of it in delivering effective outcomes for government and end-users. This will lead to appropriately context-relevant solutions, increasing the focus of regulation in high-risk contexts and reducing it or abolishing it altogether where risks are low.

Treasury should work with regulatory agencies to develop the core principles and accountabilities that underpin the new approach. The core principles should address the following:

- evaluating policy options
- promoting data accessibility, sharing and re-use
- maximising transparency and accountability
- ensuring regulatory consistency across the State and with overlapping local government and Commonwealth regulatory regimes
- maximising and leveraging the benefit of end-user involvement, innovation and trials
- building in performance evaluation and reporting.

Treasury should redesign the regulatory impact assessment process and regulatory reform program accordingly, and actively support agencies in their implementation with practical assistance, regulatory clusters and communities of practice.

Agency heads should be actively responsible for ensuring the ongoing effectiveness of regulation administered by their agencies, including reducing regulatory overlap and duplication. As the 2017 machinery of government changes helped to cluster regulation in a smaller number of agencies, there is an excellent opportunity for those agency heads to drive more consistent and better aligned regulation within their own departments, and work with a cluster of regulatory departments to drive stronger practice across the sector.
**Recommendation 3:** Drive regulatory approaches that are risk-based and outcomes-focused

**Suggested lead:** Department of Treasury

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<tr>
<th>ACTIONS</th>
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<tbody>
<tr>
<td>1. Develop best practice principles for making and applying regulation that include evaluation of policy objectives, involvement of end users, and transparency of data and decisions.</td>
<td>Treasury supported by all regulatory agencies</td>
</tr>
<tr>
<td>2. Redesign the Regulatory Impact Assessment process from assessment of regulatory burden to consideration of policy options, of which regulation is one option.</td>
<td>Treasury</td>
</tr>
<tr>
<td>3. Develop a regulatory reform program for the whole of government that prioritises areas that have a significant impact on business, consumers and/or the community, and publish a progress report annually.</td>
<td>Treasury</td>
</tr>
<tr>
<td>4. Make all heads of regulatory agencies responsible for regulation stewardship, including reducing regulatory overlap and duplication within and between agencies and between levels of government.</td>
<td>DPC</td>
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2.3 Deliver better services to the community

2.3.1 Better services through multi-channel delivery

(a) Background

Against a backdrop of wide use of digital platforms and tools by the community, and increasingly sophisticated private sector online capability, it is clear that governments must interact with customers online to build and retain public trust and institutional legitimacy. Governments globally are using digital technology to change the way services are delivered to the public. Well-designed online services can improve customer interactions with government and deliver significant savings for government.58

According to Western Australia’s Office of the Government Chief Information Officer (OGCIO), only about 2.5 per cent of government services are available online. By comparison:

- the New Zealand Government is on track to meet its target of 70 per cent of all customer service transactions completed digitally by November 201759
- in Queensland there was a 40 per cent shift to online transactions in the first few months following implementation of the Queensland Government’s customer focused, one-stop shop approach in 2014.60

Services that are transactional in nature (such as licensing and payments) lend themselves readily to online delivery. However, the need to ensure universal accessibility of services dictates the retention of a mix of delivery modes – in 2016, 14 per cent of Australia’s population did not have access to the internet at home61, while earlier data shows Aboriginal households are 76 per cent less likely to have internet access.62

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60 Ibid. p144
Telecommunication services, including mobile and internet coverage, are non-existent or unreliable in many remote Aboriginal communities, with residents often dependent on a single landline or payphone (which is often out of service). These impediments can have a significant impact on community life. Government services, therefore, need to be designed and delivered in ways that are accessible and fair, taking into account the challenging circumstances facing citizens in remote areas of Western Australia.

In responding to similar challenges, jurisdictions in Australia and overseas have pursued multi-channel integrated service delivery models, which include a mix of online, telephone and physical service centres. These approaches aim to allow customers to interact with government through a single point of contact. Integrated service delivery can take a number of forms, including: a basic triage service identifying needs and directing customers appropriately; co-location of agencies, enabling access to key services in one location; or establishing all services within one organisation, typically through a service delivery organisation or agency partnership. Strategies to implement integrated service delivery and enhanced digital services vary – some jurisdictions have chosen agency-led pathways, while some have had success with centrally-led programs.

(b) Implementing multi-channel service delivery in WA

In WA, many individual agencies have begun a process of reshaping transactional services and delivering them online where possible. A triage-based approach to provide a common platform for locating and accessing online transactional services provided by individual agencies, known as ServiceWA, is being developed by the OGCIO.
**WORKING EXAMPLE**

Service NSW\(^{67}\) is a single point of contact that provides a faster and simpler way for customers to access New South Wales Government services. It offers easy access to more than 950 services and transactions (including licensing, life events, business and trade) through a combination of online, telephone and service centres. Since it was launched in 2013, Service NSW has processed about 40 million customer transactions. According to Service NSW, there has been an overwhelming take-up by public sector agencies opting in to the system on a voluntary basis. Service NSW has also resulted in simpler back office processes and red tape savings.

Bringing together government services presents challenges around political and client expectations, resourcing and capability.\(^{68}\) In WA, legal and cultural barriers to information sharing between agencies (discussed further in section 3.1) add complexity, as do considerations about geographical dispersion of communities, regional connectivity and telecommunications access and affordability. Notwithstanding the challenges, multi-channel service delivery has been shown to deliver improvements in the outcomes of vulnerable populations and cost efficiencies. It can also drive greater collaboration between agencies and with other organisations.\(^{69}\)

While it is clear that WA is now behind other jurisdictions in terms of its take-up of integrated and digital service provision, this represents an opportunity to reimagine service provision models in WA to make services conveniently accessible to the community. The fact that WA has made only preliminary steps towards online service delivery – via ServiceWA – puts the State in a good position to learn from experiences in other jurisdictions.

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A new approach could include both increased availability of services online and regional co-location of service delivery agencies. Regionally-located government offices could themselves provide community access to online transactional services. Consideration should also be given to partnering with local government with a view to leveraging efficiencies for State and local governments and the community.

Any move to implement service integration and digital transformation projects requires robust cost-benefit analysis, a deep understanding of customer demand and consideration of ongoing program evaluation and benefits realisation. There are potential financial savings to be made, but evaluation of the change process in other jurisdictions has sometimes found that expected savings are not realised. This highlights the need for detailed planning through feasibility studies, and strong governance and evaluation of any change program.

Initial steps towards multi-channel service delivery for WA should include a comprehensive analysis of potential models and an assessment of each in terms of costs, benefits, resource demands and customer needs and expectations. The analysis should inform future decision making on governance, staging, time-frame and structure to optimise online and integrated services for WA citizens. In advance of a decision about an overarching government service delivery strategy, individual agency efforts to deliver transactional services online should continue as a priority.

### Recommendation 4: Increase online service delivery to provide multiple channels for delivering transactional services

**Suggested lead:** Department of the Premier and Cabinet

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<th>ACTION</th>
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<tr>
<td><strong>1.</strong> Undertake a feasibility study for implementation of a whole-of-government multi-channel transactional service delivery model.</td>
<td>DPC</td>
</tr>
</tbody>
</table>

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71 Office of the Auditor General. Delivering Services Online (Report 8 2016) p5.

72 Howard, C. Putting one-stop-shops into practice: A systematic review of the drivers of government service integration.
2.3.2 Better services for regional and remote WA

(a) Background

WA’s size and geographically dispersed population presents particular challenges for service delivery. Issues vary by region, from the north to the south of the State, and between metropolitan and regional locations.

The Panel has heard from service delivery organisations and communities that a ‘one size fits all’ approach to policy design and service delivery does not always work in the regions. Rather, a range of service delivery models should be deployed depending on resources and needs. Anticipating flexibility in delivery when designing public sector services can help the public sector respond to the various combinations of factors that drive community expectations and needs.

Delivery of services in regional Western Australia is particularly challenging. The needs of our regional communities and the capacities of their local services vary greatly.

Western Australian Council of Social Service

Planning, evaluation and feedback systems underpin effective service delivery. Outcomes could be improved by developing more rigorous evaluation practices that feed into new service design, redesign and delivery, as well as establishing systems to share information about ‘what works’.

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73 Including submissions and comments from the Western Australian Aboriginal Advisory Council, Wheatbelt Development Commission, Western Australian Council of Social Service, Shire of Derby, Kimberley Development Commission and Kimberley Regional Service Providers.

(b) A regional presence adapted to local needs

The Panel has heard that regional public sector workforces need particular support to deliver community outcomes in the regions, and observes that many of the challenges caused by distance are inadvertently magnified by a fragmented, insular public sector culture and an inability to strategically coordinate services.

Regional service providers have repeatedly told the Panel that levels of delegated authority, working arrangements and policy constraints that may be appropriate for Perth-based officers with ready access to centralised resources can seriously impede effective service delivery in the regions.75 This has been reported as causing bottlenecks and inefficiency in what should be relatively simple decisions and workflows. Beyond that, it is clear that co-design and place-based service models can only be effective where there is sufficient flexibility in policy setting – and an appropriate level of decision-making authority – available to participants.

The Panel understands that office accommodation in regional WA has historically been developed in response to the particular requirements of individual agencies, rather than around a full client perspective across services. There is opportunity for services and agencies to be co-located in more effective ways in regional areas to promote better coordination of services, stronger connections and collaboration between public sector employees, and more targeted service delivery to meet local needs.

The Panel has observed some instances of regional co-location and collaboration that appear extremely promising for their ability to overcome fundamental structural issues.76 Co-location approaches could extend beyond State Government to include the Commonwealth Government and regional local governments.

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75 Supported by written submissions from the Department of Communities, Wheatbelt Development Commission, Department of Finance and the Western Australian Council of Social Service, as well as meetings with the West Kimberley District Leadership Group, Western Australian Aboriginal Advisory Council, Bunbury-based service providers and Kimberley-based service providers.

76 For example, feedback from the Department of Finance, City of Karratha and Karratha Quarter Interagency Working Group indicated that the co-location of 10 agencies at The Quarter in Karratha has generated service efficiencies as well as opportunities for collaboration and knowledge sharing.
The Local Service Delivery Working Group was convened in May 2017 by the State Government to carry out a review into regional service delivery and identify possible efficiencies and cost reductions. The working group reported to the Premier in September 2017, making a number of recommendations about consolidating office accommodation; co-location to share staff; digital platforms and other services; and approaches to effective service delivery, with a focus on technology as an enabler of delivery. The report made 13 recommendations, including the immediate implementation of regional government co-location pilot programs. The Panel supports the direction of these recommendations as initial steps to ensure regional service delivery coordination.

The Panel also notes that better use of digital technologies to facilitate communication between regional and metropolitan offices may, as well as directly assist service provision, result in cost savings over the medium to long term.

(c) Coordination of services at all levels of government

The Panel has noted a need to strengthen regional coordination of services. In WA, the Government’s regional development agenda is already led by agencies within the primary industries and regional development portfolio, including Department of Primary Industries and Regional Development, Regional Development Commissions and Regional Development Council. The Panel considers that regional coordination should be led from within this portfolio.

As a general observation, the need for services designed to break cycles of disadvantage is higher in many regional and remote areas. Such services can often be uncoordinated, expensive and difficult to deliver and do little to support individual and family success.

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A lack of effective coordination and integration between State and Commonwealth governments, local government and non-government organisations is a key factor contributing to poor outcomes. A focus on funding and investment, to the exclusion of effective engagement, has evidently not led to better outcomes – an observation that has been supported over time by reviews at State and Commonwealth government level. For instance:

- DPC’s 2013 Aboriginal Youth Expenditure Review found that less than 15 per cent of services in the scope of the review could sufficiently demonstrate effectiveness. This was attributed in part to poor articulation and measurement of outcomes or objectives, limited program evaluation, and poor or patchy community engagement.78

- DPC’s 2014 location-based review identified significant fragmentation of service delivery. In Roebourne, there were 63 government and non-government providers delivering more than 200 services to about 1,400 people.79

- The Productivity Commission identified in its Inquiry into Reforms to Human Services Draft Report that the remote community of Jigalong in WA received 90 different social and community services in 2013-14 for a population of less than 400.80

The issues play out financially, as all levels of government face budgetary stressors, and socially and economically. The poor outcomes are compounded in remote communities and some regional areas.

The discussion above in relation to the co-design of services and the potential to use place-based models of service provision is particularly relevant in regional contexts. One advantage of such approaches is that they facilitate better coordination through the degree of serious engagement and negotiation they entail.

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A particular issue faced by service delivery reform identified in the literature\(^8\), and evident in WA, is the misalignment of the boundaries of service regions between agencies. Consistency would be promoted if agencies with regional operational responsibilities aligned common boundaries, where practicable. The Panel notes that, in the absence of deliberate alignment, greater regional collaboration should, over time, organically drive productive changes to agency administrative boundaries.

**Recommendation 5: Improve the coordination of service delivery in the regions**

**Suggested lead:** Department of the Premier and Cabinet

<table>
<thead>
<tr>
<th>ACTION</th>
<th>RESPONSIBILITY</th>
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<tbody>
<tr>
<td>Allocate system-wide coordination and reporting responsibility for public sector operations in the regions to the regional development portfolio.</td>
<td>Decision of Government</td>
</tr>
</tbody>
</table>

\(^8\) Wilson, S. et al. 2015. Joining up public services around local, citizen needs: Perennial challenges and insights on how to tackle them. Institute for Government. London, United Kingdom.
2.3.3 Better services for Aboriginal communities

During its consultation process, the Panel heard that Government-funded services need to be redesigned to meet the differing needs of Aboriginal families and communities. A consistent message was that the Government and Aboriginal people must practise better ways of working together to improve social outcomes, with each having their own role and responsibility.

Progress in improving the lives of Aboriginal people in this State has been slow, however the review has found that there are Aboriginal leaders and organisations and government employees and agencies highly committed to change. The Panel was particularly impressed with the commitment and policy tenacity of the Regional Services Reform Unit and the work of Nyamba Buru Yawuru and Aarnja in the Kimberley to empower local Aboriginal people.

Systemic barriers are inhibiting the pace of change. In the delivery of services for Aboriginal people, frontline public sector employees are often constrained and less effective than they could be. System-wide policies and processes do not generally address or rectify poor institutional performance in tackling Aboriginal-specific challenges. And despite substantial funding for services for Aboriginal people and communities – and multiple programs being delivered – the public sector continues to do what it has always done, often reinforced by the actions of the Commonwealth Government.

The Panel’s view is that a central agency commitment is essential to bring about change to system-wide functions, such as the budget process, and to support a sector-wide focus on designing place-based services for Aboriginal people. The recommendations in this report have the potential to drive much-needed policy and service reforms.

These recommendations range from greater community engagement and the expansion of multi-channel services to better procurement practices and increased public sector diversity.
The establishment of a formal, upgraded representative voice for Aboriginal people in the State, possibly at regional levels, is worthy of further consideration by the Government.

So too is the potential to negotiate agreements with regional Aboriginal groups, either to resolve native title issues or to progress the economic and social aspirations of Aboriginal people.

The continued social and political salience of Aboriginal disadvantage both nationally and across WA suggests that addressing Aboriginal aspirations and disadvantage must be a core priority for all levels of government, as well as for the leadership of the WA public sector.

A failure to prioritise these issues will lock in greater long-term costs for the State and, most importantly, reduce life opportunities for an increasing number of Aboriginal people.

For the public sector to achieve the outcomes proposed by the Panel in this chapter, particularly in addressing Aboriginal aspirations and disadvantage, there will need to be an adjustment to the internal systems and processes with which the sector works. This is the focus of the next chapter of this report.
Enabling the public sector to do its job better

Directions for reform

A high-performing public sector needs good systems that drive better outcomes. Developing new systems to help the public sector do its job better will require change across a range of areas. There must be a major shift in how the Western Australian public sector uses technology and data. The sector will need to be more commercial in how it approaches government purchasing, enabled by much stronger financial, commercial and contracting skills.

The budget system needs to be overhauled so that it supports collaboration and a focus on outcomes. Improving the clarity of roles and responsibilities across a wide range of issues, from the accountability arrangements for budget forecasts, high value projects, strategic assets and statutory bodies such as government trading enterprises (GTEs), has the potential to create an environment that is much more conducive to high performance and better outcomes for the community.

Our members want to be able to deliver services and better value to the community.

Toni Walkington, Branch Secretary, CPSU/CSA

The Service Priority Review Panel has noted the ongoing work of the Public Sector Efficiency Working Group, which is expected to report to the Public Sector Commissioner in late 2017 about opportunities it has identified to reduce internal red tape, waste and inefficiency to build a stronger public sector. Recommendations from that working group will need to be considered in conjunction with the recommendations contained in this report. The Panel supports the direction of the working group’s recommendations.

RECOMMENDATIONS

6. Strengthen data sharing and improve ICT performance and cyber security

7. Leverage government procurement to both reduce costs and improve outcomes for the community

8. Overhaul the budget system to focus on fiscal sustainability and support agencies to achieve outcomes for the community

9. Improve governance, accountability and transparency for public sector entities
3.1 Support sharing and using information

3.1.1 Sharing information within government

(a) Privacy and data sharing

Governments collect and hold large amounts of data about people and organisations – some of which is relatively innocuous, and some highly sensitive.

The Productivity Commission\textsuperscript{82} suggests public attitudes to privacy and community expectations about how their personal data is treated have shifted significantly since privacy legislation emerged in Australia in the late 1980s. Legal and policy settings in all Australian jurisdictions are in flux, reflecting the different rates at which governments have harnessed opportunities presented by the changing environment. As Table 2 shows, all jurisdictions – other than WA and South Australia – now have legislation protecting information privacy, while SA and New South Wales have legislation actively enabling data to be shared between agencies, with some exceptions. Victoria is also considering developing data sharing legislation.

<table>
<thead>
<tr>
<th>Privacy legislation</th>
<th>Data sharing legislation</th>
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<tbody>
<tr>
<td>CTH</td>
<td>Privacy Act 1988</td>
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<tr>
<td>ACT</td>
<td>Information Privacy Act 2014, Health Records (Privacy and Access) Act 1997</td>
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<tr>
<td>NT</td>
<td>Information Act</td>
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<tr>
<td>QLD</td>
<td>Information Privacy Act 2009</td>
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<tr>
<td>SA</td>
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<tr>
<td>TAS</td>
<td>Personal Information Protection Act 2004</td>
</tr>
<tr>
<td>VIC</td>
<td>Privacy and Data Protection Act 2014, Health Records Act 2001</td>
</tr>
<tr>
<td>WA</td>
<td>Nil</td>
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</tbody>
</table>

Although some specific WA statutory regimes regulate information use by different agencies, WA lacks comprehensive privacy or data sharing frameworks. It is the only Australian jurisdiction with neither in place. The absence of an overarching framework means, in situations where there is no specific statute, that the rules revert to the common law of confidentiality. This has developed in the context of criminal prosecutions and reflects judicial interest in protecting individuals from criminal liability, rather than community expectations or government decision making. In practice, this means WA’s legal rules around data use are not consistent or comprehensive, and are often extremely restrictive.

The Public Sector Commissioner’s Circular 2014-02 Policy Framework and Standards for Information Sharing Between Government Agencies takes the approach that government agencies should aim to share information where needed in a structured way. However, the circular is outdated and does not override the legal restrictions on information sharing within the public sector.

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Data sharing should be considered core business for all agencies. Simply being able to discover what data is available within the public sector would be a huge step forward for collaboration between agencies.

Landgate

Submissions to the Service Priority Review have indicated that the lack of clarity in WA leads to unsatisfactory outcomes for the community and for public sector employees. Submitters have stated that the situation inhibits their ability to develop evidence-based policy and deliver benefits to the community by sharing, linking and analysing data. They have described complicated procedures to gain consent from clients to use and share personal information, even between officers of the same agency. Where those procedures are built into online systems they add complexity, causing issues for online service delivery design and representing a serious impediment to moves towards integrated service delivery models. Stakeholders have told the Panel that the situation can cause obstacles for research, with agencies in some other jurisdictions being hesitant to share datasets with WA researchers because of the lack of a formal privacy protection framework in the State.

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83 This is the most recent version of a circular that has been substantially in force since 2003.

84 These issues have been raised by stakeholders including the Department of Communities, Western Australian Council of Social Service and West Kimberley District Leadership Group.
In a human services delivery context, submitters have described crucial needs to share information appropriately to benefit clients. This occurs in an environment where information sharing is not supported at system level but requires individual employees to decide whether and when to share information, often based on personal relationships with employees in other agencies. Some of the information in this category is likely to be highly sensitive and not necessarily appropriate to be shared without careful consideration and within strict boundaries of confidentiality. But the lack of any legal basis on which to share it, if circumstances dictate that sharing is warranted, drives inconsistent outcomes and potentially disadvantages community members. It unreasonably puts public sector employees at risk of breaching laws or policies.

The Panel believes that immediate steps should be taken towards establishing data sharing legislation in WA, with appropriate protection for personal and other sensitive information. While the legislation is being developed, the State should adopt, as an interim measure, a mature, risk-based approach consistent with privacy principles to manage the data it holds.

(b) Data analytics and data linkage

The Panel has heard from a number of stakeholders that the opportunity exists for WA to develop its capacity in data analytics. While expertise exists — and much good work is done — at agency level, some submissions to the Panel have proposed that the State needs a central repository of data analytics expertise.

The Panel is aware of government data analytics units operating in other jurisdictions undertaking projects to design more effective policy and better target compliance and other resources. For example, projects recently undertaken, or underway, by the NSW Data Analytics Centre include a pilot project with Infrastructure NSW to predict future infrastructure needs to improve urban planning; a partnership with the NSW Department of Industry to map relationships between vocational education and training service offering, industry need and student enrolments; and a project with the NSW Department of Premier and Cabinet to improve care pathways in out-of-home care.

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85 There is significant stakeholder support for a legislative framework for data sharing, including from Landgate, the West Kimberley District Leadership Group, Department of Mines, Industry Regulation and Safety, Dr Russell-Weisz (Director General Department of Health), Western Australian Network of Alcohol and other Drug Agencies, and the Department of Communities.

86 These include Victoria’s Centre for Data Insights, the South Australian Office of Data Analytics, the New South Wales Data Analytics Centre and the New Zealand Social Investment Agency.

The Panel is in no doubt that leveraging the value of data available in WA can provide community and financial benefits. However, given the relative immaturity of WA’s information sharing and data management framework, the Panel is of the view that it would be premature for WA to invest in establishing a centralised analytics resource at this time. Equally, the demand for this kind of analysis is likely to increase over time if the sector has a sharper focus on outcomes: for example, through the use of whole-of-government targets. Both of these considerations indicate that further consideration should be given to the value of centralising data analysis expertise at a later date.

The Panel is aware that WA is acknowledged as a centre of expertise in data linkage, and notes the recommendations in a recently released report88 into the State’s data linkage capabilities. This report contains specific operational recommendations about the data linkage functions that currently reside within the Department of Health; medium-term recommendations about developing privacy and data sharing legislation and broader oversight of data linkage projects for policy development and implementation; and longer-term recommendations about a statutory body to oversee data use and linkage across the sector. The Panel considers that these sequential recommendations are consistent with the views expressed in this report about the need to develop a facilitative legal framework before establishing a longer-term whole-of-government centre of expertise.

3.1.2 Maximising government’s data management and ICT capability

(a) Digital transformation

Digital transformation is widely regarded as a potential driver of better public sector performance. Embracing technology can lead to simpler processes for citizens and government, leading to financial efficiencies and a better-connected public sector. This presents a significant opportunity for the Government, which spends between $1 billion and $2 billion a year on ICT.89

89 Public Accounts Committee. Doing ICT Better: Improving Outcomes from the Western Australian Government’s Investment in Information and Communications Technology.
A whole-of-government ICT strategy, Digital WA, published by the OGCIO in May 2016, seeks to position “the public sector as a whole to use the opportunities provided by current and emerging technologies to deliver efficient, reliable ICT services that support exceptional public services”.

Digital WA proposes some necessary steps to advance digital transformation strategy in the public sector. Stakeholders have raised concerns about the strategy, including a lack of clarity in and cohesiveness between the strategic goals it proposes, and minimal accountability for their delivery across the sector. The strategy does not contain reference to any cost-benefit analysis of the initiatives it proposes. More generally, stakeholders have suggested that the lack of a formal requirement for agencies to participate in Digital WA initiatives presents a significant risk to realisation of the State’s digital transformation agenda.

(b) Cyber security

Cyber security is a matter of national concern and should be treated as a key issue for the State, given the scale of risk. There are immediate economic and social consequences of cyber security risks as well as consequences for ongoing community trust in and legitimacy of government.

Information sharing about cyber security between jurisdictions has been facilitated at a national level by the Council of Australian Governments (COAG) through a regular cyber security deputy senior officials meeting, at which WA is represented through the Department of the Premier and Cabinet and the OGCIO. Within the State Government:

• at State-wide emergency response level, arrangements to manage future significant cyber security events are under consideration by the Office of State Security and Emergency Coordination within DPC

• at agency level, cyber security arrangements are the subject of the OGCIO’s Whole-of-Government Digital Security Policy, which provides direction for individual WA agencies to manage their digital security risks.


The Panel believes these arrangements are fragmented and underdeveloped in view of the magnitude of the risks and that early action is warranted. The Panel suggests that DPC should, as a priority, coordinate the development of a proactive action and response plan to address the specific cyber security risks to the State.

(c) ICT leadership in WA

The importance of issues related to ICT, including procurement; moves towards online transactions and reporting; and the significant risks to WA infrastructure and the community around cyber security all make ICT leadership and expertise crucial to effective public sector reform. There are opportunities to improve the WA public sector’s approach to ICT by strengthening standards, giving better support to agencies in managing ICT, and building capability across the sector.

The OGCIO was established in July 2015 to deliver major ICT savings and efficiencies. It is established as a sub-department of the Department of Finance and its head, the Government Chief Information Officer, reports directly to the Minister for Innovation and ICT. The OGCIO is tasked with:

- developing a whole-of-government ICT strategy
- collaborating with government agencies and industry
- stabilising costs and increasing value for money
- minimising risk in the delivery of ICT across government.

The 2017-18 State Budget provides funding for the OGCIO until 30 June 2018 and indicates that a decision will be made on the future of the office as part of the 2018-19 budget process.

Submissions to the review have pointed to a lack of cross-government ICT leadership that has consequences in a number of areas. The OGCIO’s role and mandate is widely regarded as limited and ICT priorities are accordingly subservient to competing expenditure decisions at agency level. It is also apparent that the administrative and reporting framework in which the OGCIO operates does not support effective administrative oversight and lacks strong accountability and governance.
Other Australian jurisdictions have allocated ICT and data management functions in various ways. In each case, an agency or independent office is given a clear mandate in specific areas, works collaboratively with other agencies to implement digital transformation and is held to account for performance. The arrangements also cover different areas of responsibility and are aligned differently in relation to the central government. For instance:

- In NSW, the Government Chief Information and Digital Office is responsible for ICT policy and innovation, ICT assurance, government technology platforms, information security, the data analytics centre, State archives and records, the NSW Telco Authority and spatial services.96

- In Victoria, Enterprise Solutions is a branch of the Department of Premier and Cabinet. It reports on the State’s ICT investments and shared services, and produces governance frameworks and policy directives for cross-government shared services and ICT.97

- The Commonwealth Government’s independent Digital Transformation Agency has an extensive mandate including digital transformation of government services, procurement, building digital capability and providing transparency on ICT projects.98

The Panel considers that, while a practical focus on procurement is important, effective policy leadership is also required for other ICT-related issues, including integrated service delivery, cyber security, data analytics and building sector-wide digital capability.

The Panel has heard competing views about the optimal location of the ICT procurement function for WA. Although it is true that ICT purchasing decisions must be made in light of technical expertise in order to ensure functional requirements are met, it is also the case that commercial ability, contract negotiation and management expertise are needed to drive savings. Wherever the function is located, a mix of those skills will be required to maximise value. Care will also need to be taken to ensure purchasing decisions are made in light of the existing and future operational needs and capabilities of end-users within the sector.

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On balance, the Panel’s view is:

- The ICT procurement function should lie within the Department of Finance (DoF) in order to derive better value and leverage commercial and contracting expertise within that department. The Panel notes that ICT procurement and purchasing decisions will need to be soundly based on an understanding of the available and emerging technology, overall costs and the ICT needs of the public sector.

- The broad-based policy functions associated with digital transformation, cyber security and data sharing should be located within the Department of the Premier and Cabinet (DPC) with a clear mandate to drive ICT policy across the public sector. Those functions are interrelated, and leadership could be assigned to a discrete office within DPC.

### Recommendation 6: Strengthen data sharing and improve ICT performance and cyber security

**Suggested lead:** Department of the Premier and Cabinet

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>RESPONSIBILITY</th>
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<tbody>
<tr>
<td>1. Develop legislation and processes to facilitate information sharing while protecting sensitive personal and other information.</td>
<td>DPC</td>
</tr>
<tr>
<td>2. Assign responsibility for leadership of ICT procurement to the Department of Finance.</td>
<td>Decision of Government</td>
</tr>
<tr>
<td>3. Initiate immediate work to substantially upgrade the sector’s preparedness to deal with cyber security threats.</td>
<td>DPC</td>
</tr>
<tr>
<td>4. Transfer the policy functions of the Office of the Government Chief Information Officer to the Department of the Premier and Cabinet.</td>
<td>Decision of Government</td>
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</tbody>
</table>
3.2 Get better value from procurement

3.2.1 Background: procurement in WA

The State Government spent approximately $14.7 billion on goods and services in 2015-16. The largest categories as a proportion of overall agency expenditure included professional services (36.0 per cent), building and construction (23.8 per cent), and health and medicine (12.9 per cent).

As procurement comprises almost half of the Government’s annual expenditure, the potential for significant savings through more effective and efficient procurement cannot be ignored. The size of the sector and its buying power means that purchasing decisions can significantly affect markets. The goods and services procured traverse a broad spectrum, including the materials and resources needed to carry on day-to-day business, major infrastructure and ICT projects, and human services procurement for social outcomes. All these types of procurement present different types and levels of risks and require different approaches for that reason.

While agencies are accountable for their own goods and services procurement, the DoF’s Government Procurement section is responsible for the administration of, and operates with delegated authority under, the State Supply Commission Act 1991. The DoF’s Building Management and Works and Strategic Projects areas undertake works procurement under the Public Works Act 1902, however, other agencies with specific statutory works powers can manage works procurement on their own behalf. In all cases, procurement is affected by applicable procurement policies, such as the Buy Local Policy. Other requirements affecting procurement are set out in Treasurer’s Instructions and Premier’s Circulars.

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Footnotes:

2 Advice from the Department of Finance.
3 Based on the government’s total cost of services.
3.2.2 Commercially robust contracting and contract management practices

The Panel has found that while there are many good systems in place, particularly around common use contracting arrangements and tender probity, contracts and tenders are not always optimally designed, negotiated or managed well subsequent to contractual agreement to manage outcomes or protect the State from risk. Compounding these issues is a lack of centrally held procurement data that can be used to identify and analyse procurement patterns and to evaluate the effectiveness of tenders across the sector.

Stakeholders have indicated to the Panel that a lack of uniform expertise, information and authority for ongoing management of performance of services or provision of goods means the State’s interests are not always well protected, and that the State’s relative weakness in this regard has led to seriously sub-optimal outcomes in some cases.

Better procurement processes across the public sector can drive better outcomes across the board, not only financial savings. Implementing best practice in procurement can drive better targeted and consumer-centred services, encourage innovation and, as a consequence, improve outcomes and increase community satisfaction.

In light of the size of the State’s procurement budget, the Panel considers, in the first instance, that agency heads must take overall responsibility for their individual agencies’ expenditure on goods and services and see driving better procurement decisions as an important part of their role. This includes ensuring officers at an appropriate level and with suitable expertise and experience are managing contracts and that there is transparency of expenditure both within and outside agencies. Importantly, it also means the agency head must have robust governance mechanisms in place to ensure that, on a risk-based approach, the senior team is focused on the management of procurement and the subsequent good management of the agency’s contracts.
Looking ahead, there are opportunities for a common approach to achieve best practice, while driving economies of scale to achieve savings. By developing specialist commercial acumen, the public sector can maximise value and reduce risks. This includes:

- improving contracting and negotiating processes
- leveraging scarce capability by deploying it to where it is most needed
- clustering procurement processes to leverage the State’s buying power
- managing demand from within the sector itself
- moving towards a system based around whole-of-project-life oversight, accountability and transparency beyond the current narrow focus on probity in procurement
- developing contracts that give suppliers and contractors incentives for innovation
- strengthening contract management and oversight capabilities to protect the State’s interests over the longer term.

While agency heads have a role in ensuring procurement performance within agencies, the DoF has a central role in procurement and in building procurement capability across government. The support it provides to line agencies to improve procurement is positive, but there is scope for further best practice improvements.

The Panel believes that, in addition to the DoF’s overarching role in leading and providing oversight of procurement and contract management across the sector, there is an overwhelming case for the department to strengthen the levels of commercial acumen in major procurement decisions, and in managing contracts once they are finalised. The Panel suggests the department should develop a formal internal strategy or plan to ensure a whole-of-sector step up in procurement negotiation and contract management capability.
The Panel has observed a tendency in the public sector to regard opportunities for adopting common systems and processes with suspicion. This is particularly relevant in the procurement field, where risk aversion around whole-of-sector contracting must be addressed if the sector is to take advantage of government’s potential buying power.

WORKING EXAMPLE

The New Zealand Procurement Academy was established as part of the New Zealand Government’s procurement reform program. The academy works alongside private training institutes to provide public and private sector practitioners with access to training courses and study towards procurement qualifications. It is helping to address NZ’s procurement skills gaps by increasing the number of people with the right skills and experience to meet growing demands.

The Panel is aware there are concerns about the State’s contract negotiation and oversight capacity and performance in ICT and large projects. In this regard, the Panel notes the State Government’s Special Inquiry into Government Programs and Projects, which is due to report in late 2017. Given the serious financial, operational and reputational risks inherent in such projects, the Panel is of the view that the State should give high priority to implementing any changes recommended by that inquiry.

A wealth of data is collected in the course of the Government’s procurement operations that could be leveraged more effectively to increase accountability, service delivery and supplier management. Better capture and understanding of procurement data would allow for better analyses of buying patterns and anomalies to identify opportunities for efficiency through benchmarking or clustering. Complementing this, a more formal and structured procurement planning process by agencies, regularly updated and reported to the DoF and the Department of Treasury, would facilitate the take-up of whole-of-sector procurement opportunities.

3.2.3 Procurement for community outcomes

Since 2011, the State has funded the not-for-profit sector by way of procurement for human services, rather than through the provision of grants, reflecting a change in approach to bringing about social outcomes. Contractual relationships between government and the not-for-profit sector are yet to reach maturity and there remains much to be learned by both sides.

Government spending can shape how communities work and the opportunities available to community members. Coordinated and well-designed services are more likely to succeed and to represent value for government and the community.

There needs to be a shift from a narrow obsession with 'good procurement' based on probity, price and value for money towards 'sound investment' based on public value, which includes the value of relationships, local knowledge, co-design, co-production and shared risk.

Department of Communities

The amount of WA's annual procurement expenditure means there is potential for its purchasing decisions to drive community benefits in other areas. This would require adjusting procurement policy settings beyond narrow conceptions of value towards a framework that allows the government of the day to include consideration of other legitimate government objectives.

A more sophisticated approach to procurement will need to recognise some of the constraints on State procurement policies, such as international trade agreements. If social outcomes are to be counted, they will need to be assessed rigorously – if there is a financial cost to realise broader community outcomes, it is important that these costs are transparently presented to decision makers. All these considerations mean that extensive support to and capability building within the sector will be required to implement this approach.
In many remote communities, government spending on services is the principal economic activity and is therefore a key lever to generate beneficial social outcomes. Economic mechanisms could be used to support regional communities, particularly Aboriginal communities, by providing employment, skills and entrepreneurship opportunities through government-funded service delivery and economic activity. The Government has made a commitment to introduce an Aboriginal Procurement Policy with State-wide application, with a goal of awarding three per cent of government contracts to Aboriginal businesses by 2020. More broadly, government tenders and contracts that are let in regional WA could be structured to include opportunities for employment and training for local Aboriginal people.

Greater central support would help to develop capability in procurement for human services and beneficial community outcomes in a contestable environment. There is a role for the DoF to strengthen its functional leadership role to provide support and develop as a ‘centre of excellence’ in this area. The policy frameworks that set the Government’s priorities for the outcomes being sought in the sector need to be more strongly developed and clearly articulated if effective procurement in this area is to occur. There is also scope for agreement between Treasury and DoF to develop and test processes that encourage agencies to seek the most efficient – as opposed to the easiest – procurement option, and to undertake more mature evaluation of risk and outcomes.

Procurement in the regions comes with its own set of issues, many of which are common to any government operation outside the metropolitan area. Staff are often transient and expertise in agencies can easily be lost. Provider options – and therefore buying options – may be limited, requiring particularly careful probity management in smaller towns and communities. Region-specific solutions may be needed when considering any changes to procurement processes. Solutions that specifically address procurement in the regions could include development of regional procurement hubs, which could be co-located with other government services.

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3.2.4 Benchmarking and contestability

Benchmarking is one tool to support evaluation and value-driven purchasing. In this context, benchmarking refers to the process of measuring various factors related to an organisation’s acquisition of goods against industry standards. Done well, benchmarking allows opportunities for joined-up procurement and shared and common services to be identified. It measures procurement performance against private sector or international benchmarks and, in this way, can also be used to evaluate government’s delivery of services against best practice models. The goal is to continually develop and facilitate adherence to industry best practices.

Since 2009 it has been mandatory for most non-corporate Commonwealth entities subject to the Public Governance, Performance and Accountability Act 2013 (Cth) to participate in annual benchmarking of ICT procurement activities. Benchmarking is undertaken according to a common framework document. Benchmarking data is circulated to affected agencies and high-level trends are reported publicly each year. The process allows for increased transparency in ICT procurement and provides a strong point of reference for value at the agency and whole-of-sector level.

Procurement benchmarking could be implemented in WA to:

- identify where there is merit in considering the opportunities to make currently government-delivered services contestable (an example may be the State Fleet, which directly services the sector and does not impact on the wider community)
- better assess the value of significant contracts
- evaluate publicly delivered services to identify areas for improvement.

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**Recommendation 7:** Leverage government procurement to both reduce costs and improve outcomes for the community

**Suggested lead:** Department of Finance

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<thead>
<tr>
<th>ACTIONS</th>
<th>RESPONSIBILITY</th>
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</thead>
<tbody>
<tr>
<td>1. Strengthen the development and application of commercial acumen and contract management skills in procurement, and ensure regular evaluation, transparency and accountability applies at a system level.</td>
<td>DoF</td>
</tr>
<tr>
<td>2. Develop a whole-of-government procurement strategy that accounts for operational, economic and social outcomes, including regional outcomes. Provide practical and targeted support for officers with procurement responsibility.</td>
<td>DoF</td>
</tr>
</tbody>
</table>
3.3 Develop a budget system that supports the reform agenda

3.3.1 Cabinet and budget systems and processes

(a) Support for the Cabinet process

The State Budget system is integrally linked with the Cabinet process. Budget submissions are scrutinised by the Expenditure Review Committee (ERC), a subcommittee of Cabinet, and Treasury is included in consideration of individual Cabinet submissions made throughout the year. This reflects the crucial importance of clear, strategic, financial decision making to the social and economic wellbeing of the State, and the importance of financial levers in bringing about policy outcomes.

A robust Cabinet process drives better outcomes across the board by ensuring sound and balanced decisions informed by multiple points of view. Agencies can facilitate Cabinet decision making by engaging in meaningful, timely consultation on Cabinet proposals. As administrator of the Cabinet process and the key interface between Cabinet and the public sector, DPC, in collaboration with other central agencies, can significantly influence the quality and relevance of material submitted. Cabinet processes should ensure that matters put before Cabinet reflect broader government strategic intent while ensuring fiscally sustainable decision making. This requires Cabinet material to be based on robust policy analysis, rigorous costing and risk assessment, and a synthesis of multiple relevant perspectives.

To build and sustain a more robust Cabinet process, the Panel suggests the focus of the Cabinet Secretariat within DPC needs to move from administrative support to substantive quality assurance. The Cabinet Secretariat should have the mandate and authority to ensure submissions are comprehensive and address all appropriate options, to enforce Cabinet rules and processes, and the ability and expertise to work collaboratively and proactively with agencies and their heads to build a culture of quality and professionalism in the development of Cabinet submissions. A more robust Cabinet process will ensure Cabinet receives the highest quality information possible when making decisions.
(b) Budget systems and processes

In shifting the WA public sector culture towards an outcomes focus, as proposed in this report, it is crucial to understand and reconsider the mechanisms by which resources are allocated to public sector activities.

The State Budget process operates cyclically each year, from mid-November when Treasury sends a budget process circular to ministers and agencies, until estimates hearings in the Legislative Assembly and Legislative Council during the following May and June. The process requires agencies to submit ministerially-endorsed budget submissions to Treasury, which are considered by the ERC. Agencies’ budget submissions cover two areas:

- cost and demand pressures – these submissions relate to changes in the timing of existing programs or projects, accounting treatment changes and changes in underlying economic parameters
- new budget bids – these are recurrent or capital submissions that require new funding.

Budget-funded agencies subject to the Financial Management Act 2006 are also required to operate within a performance management framework known as the Outcome Based Management (OBM) framework. This framework requires the identification of agency level government desired outcomes, which contribute to one or more of the Government’s identified high-level strategic goals.
3.3.2 Introducing rigour through accountability for budget forecasting

One crucial component of the budget process is ensuring the independence of the assumptions underpinning the economic and financial forecasts published by the Under Treasurer as part of the annual budget. In the WA context, where the economy and, in turn, the State’s finances, are closely linked to the commodities cycle, it is particularly important that transparency and independence are assured. For example, assumptions related to expected commodity prices and expected funding from the Commonwealth Government can make a significant difference to overall budget parameters, which are one of the important factors underpinning and influencing government decisions on expenditure and revenue measures.

The current institutional framework governing budget processes is set out in the Government Financial Responsibility Act 2000. This legislation provides that, while ministers and Cabinet make the final decisions, it is the role of Treasury to develop the information base upon which decisions are taken. Section 12(8) of that Act requires the Under Treasurer to certify that financial projections, economic forecasts and assumptions were prepared by the Under Treasurer in light of all relevant information available and decisions known to the Under Treasurer, and on the basis of economic assumptions that were finalised, on the budget cut-off date. The legislation does not clearly establish the independence of the Under Treasurer from ministers in respect of the preparation of the budget projections or place a duty on Treasury to prepare the projections according to its best professional judgment. Therefore, the Panel is concerned that the legislative framework does not adequately assure the independence of budget assumptions and forecasts.

Western Australia can look to the experience of other jurisdictions in assessing models to strengthen its current arrangements. Following public and political debate on the integrity of the budget projections in the late 1980s, the New Zealand Government sought to outline the roles and responsibilities of ministers and the Treasury with a greater degree of specificity than in the WA model. The Secretary of the Treasury has a statutory responsibility to certify that the Treasury has used its best professional judgement to supply the Minister of Finance with an economic and fiscal update. The update incorporates the fiscal and economic implications of both government decisions and other circumstances as at the budget cut-off date.
The Minister of Finance also signs the statement of responsibility accepting responsibility for the accuracy of the disclosures contained in the update.

Other jurisdictions have moved even further. Both the Commonwealth Government and the United Kingdom Government, recognising the importance of creating certainty on the independence of forecasting and fiscal policy, have created separate, independent offices designed to provide independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals.

The UK recognised the need to address past weaknesses in the credibility of economic and fiscal forecasting and fiscal policy. In 2010, it established the Office of Budget Responsibility107, which is guided by a Charter for Budget Responsibility. The charter includes the Government’s objective for fiscal policy and its objective for the management of the national debt, its fiscal mandate, and the minimum requirements of the financial statement and budget report.

Similarly, the Commonwealth Government created the Parliamentary Budget Office in 2012 to provide independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals to Parliament. The functions of that office are set out in the Parliamentary Service Act 1999. Victoria has also recently passed legislation to establish a Victorian Parliamentary Budget Office.

While the Panel does not, on balance, consider it necessary to introduce an independent budget office in Western Australia to verify forecasts and costs, the experience of other jurisdictions reinforces the importance placed on professional independence, accountability and transparency in budget decision making. Accordingly, the Panel considers that the Government Financial Responsibility Act 2000 should be amended to ensure greater clarity and transparency around the independence of the forecasting process, in particular, to require the assumptions underpinning the budget projections to be prepared by the Under Treasurer according to his or her best professional judgement.

The Panel also sees considerable merit in Treasury commissioning and publishing regular reviews of its economic and fiscal forecasting performance to allow the community to assess its performance over time and to encourage continuous improvement in its budget forecasting role.

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3.3.3 Introducing rigour through formal evaluation

To complement a focus on outcomes, to provide an evidence base for policy and funding decisions, and to strengthen the culture of evaluation across government, the Panel considers that a formal evaluation framework should be introduced for key programs selected on the basis of size, impact and risk.

Such a schedule should be developed in partnership with Treasury and relevant agencies and include agreed outcomes or milestones for programs. It is important to implement this process to determine how programs have performed, if results have been achieved, if programs have delivered value for money or whether improvements need to be made.

Supporting guidance and frameworks would be developed by Treasury in conjunction with relevant agencies to outline government expectations for outcomes definition, measurement and reporting and also support the evaluation process. Agencies would be required to submit progress reports to Treasury for key programs to be evaluated. Evaluations should be targeted at a limited number of significant issues, carried out independently of the sponsoring agency to ensure objectivity and, as a general rule, made public. Evaluation data could be made public at aggregate level if there are genuine obstacles to publishing specific results.
3.3.4 Using budget measures to bring about positive change

(a) Short-term efficiency measures in WA

Budget policy settings in WA are, to a large extent, the result of the State’s recent history. During the height of the resources boom, government revenue grew strongly as a result of healthy royalties, growth in land and transfer duty taxes for domestic and commercial properties, and increased payroll tax. Following the dramatic decline in iron ore prices and their flow-on effect on royalty revenues, payroll tax and stamp duties, Treasury implemented a number of efficiency measures for agencies. These included:

- multiple, and cumulative, efficiency dividends
- mandatory reductions in expenditure on paper and printing, media, advertising, travel, and external legal advice
- procurement savings targets
- ICT savings and reform
- agency expenditure reviews
- voluntary redundancies, FTE freezes and wages and workforce renewal policies
- reductions in operating subsidies to Synergy, Water Corporation and LandCorp, matched by a requirement for these entities to identify offsetting expenditure savings.

A number of different stakeholders have observed perverse incentives and unintended consequences created by some of the efficiency measures listed above. Public sector agency heads emphasised how cumulative efficiency measures have significantly diminished their ability to “plan their workforce requirements, to recruit and retain effectively and to sustain morale.”\textsuperscript{108} Other stakeholders pointed to the increased use of contractors to bypass budgetary constraints on FTE caps, leading ultimately to more expensive and less efficient outcomes and to the loss of internal institutional expertise.

\textsuperscript{108} Alec Coles, CEO Western Australian Museum. 14 September 2017. Submission to Service Priority Review.
As well as providing short-term financial savings, these measures have restricted agency heads’ scope to manage their budgets independently. Arguably, this has reinforced an insular culture where agencies are increasingly driven by a perceived need to secure resources, rather than looking outward towards whole-of-sector priorities and solutions.

(b) Budget measures as policy levers

Budget systems are key levers by which governments can ensure accountability for allocation, expenditure and management of public money. Central budget agencies can choose ways of exercising their control over allocation of funds that bring about particular outcomes or encourage particular types of approach. It has been suggested¹⁰⁹ that central financial agencies can act as ‘responsive regulators’, using approaches founded in regulatory theory to give agencies flexibility while maintaining an appropriate degree of central accountability and control. Such an approach recognises the range of possible interventions to bring about compliance. From a budget perspective, interventions designed to bring about desired behaviour may include rewards such as increased autonomy for willing compliance or budget rewards such as retained proceeds; disincentives for poor behaviour may include escalating degrees of reporting or oversight, or increased contestability.¹¹⁰

Although the Panel has been made aware of some incentive-based approaches taken by Treasury, it appears that these are deployed in an ad hoc manner rather than in the integrated way required to bring about change at agency level. There is an absence of systemic incentives for agency heads to manage the State’s finances and assets, of which they are custodians, as scrupulously as they do their core business. In the Panel’s view, a key benefit of taking a ‘responsive regulation’ approach in WA would be that it necessarily requires a degree of overarching strategic decision making both in designing budget tools and interventions to drive behavioural change and in deciding when those tools and interventions are best deployed.

¹¹¹ Ibid. p884.
The current context of budget repair, in particular, creates a tension between the immediate need for control over government expenditure and the need for agency heads to be able to deploy their resources sensibly, flexibly and innovatively to bring about better outcomes for the public. These competing goals are not necessarily irreconcilable, but must be acknowledged at central agency and Cabinet level to ensure that decisions about financial policy do not create unintended consequences, or limit the capacity of agency heads – who have a better understanding of their own operating needs – to individually manage their budgets. There is also a significant opportunity to use budget tools, with appropriate strategic revision, to support positive change and drive the reform agenda proposed in this report. Reforms in this area are not about removing the capacity of Treasury to drive savings, but rather about recognising the need to also give agencies the tools and the incentives to make cultural and behavioural changes that will result in beneficial financial consequences for the State in the longer term.

An example of an incentives-based approach already introduced into the State Budget process is the streamlined budget process. The process was introduced as part of the 2015-16 budget. It guarantees small, low-risk general government agencies an automatic one per cent cash service appropriation and an exemption from whole-of-government savings measures (unless otherwise determined by government) as a financial incentive to participate. Agencies participating in the streamlined budget process do not go through any other budget processes and receive no additional funding beyond the automatic appropriation. Although the process has allowed the ERC to concentrate on significant budget bids, it can also result in removal of ERC scrutiny of smaller agency budgets if implemented over an extended period.

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111 Those with total operating expenditure under a Cabinet agreed financial threshold. In 2016, this was agencies with recurrent expenditure of less than $100m per annum (Department of Treasury. 2017. Streamlined Budget Process Policy Principles. Government of Western Australia. Perth, Australia).
Another example is found in the UK, where Treasury manages public spending through departmental expenditure limits and annually managed expenditure. Departmental expenditure limits are three-year departmental expenditure plans set under instruction from the Minister of Finance. Department heads have increased autonomy and devolved decision-making rights over expenditure in this category. Annually managed expenditure (AME) relates to major unpredictable demand-led expenditure that departments cannot control within existing budgetary limits. Treasury reviews the AME program twice a year with departments to ensure spending proposals meet the priorities of the Government of the day and criteria for the use of public funds.

Establishing departmental expenditure limit budgets for WA would give agency heads greater discretion over expenditure while ensuring agencies review programs, reprioritise and find efficiencies to meet the expenditure limits approved, thereby increasing accountability. Further incentives would be needed within the process to encourage agencies to maximise the return on agency-held funds to the State in support of the Government’s fiscal objectives.

Further examples from other jurisdictions reflect attempts to ensure that financial decisions reflect the true cost of agency assets. For example, the New Zealand Government does this through a capital charge levied by Treasury on the net worth (assets minus liabilities) of departments and some Crown entities. Similar arrangements apply in Victoria. Placing a charge on capital has a dual purpose – it signals that capital is not without cost and should be managed as any other cost of production, and it spurs managers to include the cost of capital in comparing outputs produced by agencies with outputs from outside suppliers. The charge puts internal contracting on the same footing as contracting out and encourages full cost recovery from government or private users.
While WA currently requires agencies to reflect the opportunity cost of capital within their established pricing structures of government services (providing information to government when making decisions on things such as resource allocation, price-setting when charging for services, and benchmarking), this does not create the same direct incentive for agencies to actively manage their own assets within the budget framework. It is noted that WA has previously implemented a capital user charge, similar to the New Zealand system; however the process was cumbersome and, according to Treasury’s reports, it did not successfully influence agency behaviour with regard to holding and managing assets. Any changes to improve the management of assets by agencies would need to incorporate the lessons from this experience.

Options also exist to create incentives for agencies to better manage their assets within the current system. For example, savings identified through Treasury’s Asset Investment Program currently need to be returned to Treasury rather than being allocated to other programs. Allowing agencies to retain and reinvest a portion of the savings would create an ongoing inducement for agencies to think more strategically about maximising the value of their assets (noting the risk of creating perverse incentives).

(c) Outcome Based Management framework

The Panel has heard that while the intention of Outcome Based Management (OBM) framework is to measure agency and program outcomes, the way it currently operates inhibits meaningful evaluation. Agencies are currently required to account for all expenditure by way of key performance indicators (KPIs). Reporting against KPIs is high level and does not always satisfactorily link against individual funded programs. KPI reporting does not provide useful detail or meaningful transparency around program effectiveness or achievement against goals.
In the Panel’s view, an overhaul of OBM is required in the short term. This could include:

- reporting data against programs of expenditure, rather than against the broader category of ‘services’, as is currently required under the Financial Management Act 2006
- future reconsideration of the requirement for the Office of the Auditor General to audit agencies’ KPIs in the context of potential changes to OBM. The Panel has heard that this audit is unique to WA and its positive aspects should be carried forward, while aspects which lead to a tendency for KPI reporting to be treated as a compliance process rather than a meaningful exercise in performance reporting should be reviewed
- review of agencies’ OBM targets and KPIs to ensure they are realistic, appropriate and informed by external benchmarks for similar activities in other jurisdictions and trends in performance from prior periods.

Any changes to OBM will also need to be aligned with whole-of-government targets. Targets are designed to be achieved through cross-agency collaboration, providing the opportunity to include collaboration as a component of a revised OBM or alternative budget measure.

While joint agency or ministerial submissions are currently possible, neither the budget approvals nor reporting systems are designed to actively support agencies to work collaboratively in the budget process. To change this, the approvals process could be amended to consider submissions from more than one minister by clustering related agencies’ budget bids together. A multilateral process of this kind could increase focus on whole-of-government targets or other cross-agency initiatives. For example, selected justice and police submissions could be considered together as part of the focus on the ‘justice pipeline’.
(d) Asset management

The Strategic Asset Management Framework is in place to allow Treasury to evaluate agencies’ asset investment proposals. However, the framework does not prescribe, and agencies do not always habitually take, a whole-of-life-cycle approach to managing assets. This raises some concerns, given that about two-thirds of the total cost of an asset generally occurs after it is acquired.114

The Panel has heard:

- there is limited guidance and oversight of agencies’ asset investment and management performance
- as individual WA agencies’ asset-owning role is generally secondary to their primary service delivery functions, there is often insufficient focus on the importance of asset management
- there is no systemic incentive for agencies to relinquish assets or to plan to maintain older assets with recurrent funding, in lieu of applying for capital funding for new buildings.

The Panel notes more rigorous oversight arrangements in other jurisdictions, including New Zealand115, and the existence of the ISO 55000 international standards for asset management.

Importantly, the Government as the asset investor has little insight into how well agencies are undertaking the task of asset management. Existing asset data is incomplete, inconsistent and has often been gathered for financial balance sheet purposes rather than for managing asset performance in an effective manner. Lack of data about the condition or desired performance of assets increases the risk of asset breakdown, which affects service delivery and often leaves the agency (and government) with limited and expensive options.

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The Panel considers that the community would directly benefit from an improved approach to asset management and maintenance – including better service delivery outcomes and reduced financial and service delivery risk. Support is required for agencies to meet asset management framework requirements to improve the amount and type of information available to central government about assets held by agencies – information which will help to drive a system-wide approach to asset management. A mature approach to asset maintenance could support the Government’s jobs and local content election commitments by creating employment opportunities across the State.

(e) Proposals to support reform

In the shorter term, support for cross-agency collaboration could continue to be encouraged through the budget reporting process. The Panel notes that the 2017-18 budget\(^{116}\) contains specific reporting on collaborative cross-agency projects including, for instance, the Justice Pipeline Model, which is a partnership between the Department of Justice, Western Australian Police Force, the Office of the Director of Public Prosecutions and Legal Aid Commission.

Continuous reporting of this kind will highlight the work being done to achieve whole-of-government targets, as well as other examples of collaborative work being done across the sector.

There is a lack of connectivity between policing, justice, prisons and child protection – particularly given that decisions within one agency drive costs and service delivery in other agencies.

Anthony Kannis, Executive Director, WA Police

It is clear to the Panel that the use of financial levers to bring about policy outcomes in WA needs to be managed carefully, and in conjunction with the other levers available to central government agencies, to ensure that longer term strategic, financial, workforce and policy goals continue to be met. The Panel takes the view that Treasury should consider designing and using a range of interventions on a ‘responsive regulator’ basis to incentivise positive behaviour and stewardship of finances and assets across the sector.

Treasury should consider designing and using a range of interventions on a ‘responsive regulator’ basis to incentivise positive behaviour and stewardship of finances and assets across the sector.

WORKING EXAMPLE

The New South Wales Government Treasury has begun a reform program to improve financial governance across the public sector and bring NSW up to the world’s best practice in financial management. The Financial Management Transformation has three pillars: new legislation to establish a single framework for public sector financial management; new policies to support performance and resource management; and a new financial management framework that enables end-to-end management of the budget (from planning to benchmarking of results). The transformation program is expected to improve outcomes for the people of NSW by introducing a strong focus on results and performance of government expenditure.
**Recommendation 8:** *Overhaul the budget system to focus on fiscal sustainability and support agencies to achieve outcomes for the community*

*Suggested lead:* Department of Treasury

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>RESPONSIBILITY</th>
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<tbody>
<tr>
<td>i.</td>
<td>Strengthen the institutions surrounding the budget system, including by upgrading Cabinet processes and ensuring in legislation the independence and transparency of the budget forecasting process.</td>
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<tr>
<td>ii.</td>
<td>Revise budget tools and processes to improve effectiveness and support agencies to focus on outcomes.</td>
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<tr>
<td>iii.</td>
<td>Provide incentives for agencies to manage assets and finances to maximise their value to the State.</td>
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</table>
3.4 Strengthen governance, accountability and transparency of agencies

3.4.1 Constitution of the WA public sector

The WA public sector is made up of a range of statutory and non-statutory entities. Many of these – departments and other organisations and entities – fall within categories defined in the *Public Sector Management Act 1994*. As well as those categories, other types of agency take various forms, including authorities, corporations, commissions, boards and committees. Each of these has various attributes prescribed by its governing statute, including whether it represents the Crown, whether it is a body corporate, the nature of its relationship with responsible ministers (or, in some cases, directly with Parliament), and its governance and accountability arrangements. Statutes also directly assign functions and responsibilities to the entities they create. Some other entities (generally advisory boards or committees) are also created administratively to assist departments.

Statutory and non-statutory boards and committees are used globally as a mechanism to provide independent and expert advice to government and, where appropriate, to provide management oversight of critical government functions. They perform an important role in good governance and provide a link between government and the community. However, growth in their number can drive levels of complexity and administrative process that work against effective governance of the sector and against efficient public administration. As at October 2017, there are 294 boards and committees in the WA public sector\(^{118}\), reduced from 2009 levels of more than 1270\(^{119}\) following a 2012 Public Sector Commission review.

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In WA, the government trading enterprises (GTEs) and most of the non-GTE statutory corporations with non-commercial functions have governing boards. These have oversight and governance functions and duties analogous to those of boards of corporations under the Corporations Act 2001 (Cth). Some statutory boards and committees are established to exercise stewardship functions in the public interest – these include, for example, the Aboriginal Lands Trust, Public Education Endowment Trust and Local Government Grants Commission. Some statutory boards and committees have registration, professional accreditation or other oversight roles – these include the Legal Practice Board of Western Australia and the Local Government Standards Panel. Other board and committee structures are highly tailored to particular policy areas, an example being the Western Australian Planning Commission and its statutory committees under the Planning and Development Act 2005.

Given the number and diverse roles and functions of agencies, it will be important that each portfolio and, from time to time, the public sector as a whole, review the ongoing relevance and necessity of each. These regular review processes should lead to action, as appropriate, to ensure the public sector is structured to focus on delivering outcomes of continuing value to the community.
3.4.2 Public sector system design

The Panel has observed that the WA public sector does not appear to be arranged according to high-level organisational principles. While the separation of functions of departments and some higher-level organisations is straightforward, the Chart of the Western Australian Government\textsuperscript{120} depicts a proliferation of smaller agencies and other bodies. It is telling that size constraints mean the chart reflects only a sample of some of these.

Addressing and improving organisational design – including structure, roles, policies, work systems and management practices – can generate efficiency and effectiveness gains. A fragmented system creates unnecessary financial costs; costs associated with fragmented government and management; and costs to the community in interacting with multiple agencies. Carefully designed organisations, at system level, can support desired behaviours and culture, and can generate better results. A system without an overarching organising framework and identifiable principles to guide its future growth is liable to become increasingly inefficient.

It is not uncommon for governments to periodically review the range of departments and statutory entities within their public sectors with a view to both rationalising and reducing their number, and to determine if the overall framework is based upon sound organisational principles.

The 2003 Uhrig review of the corporate governance of Commonwealth statutory authorities\textsuperscript{121}, for example, developed a broad template of governance and organisational principles through which the Commonwealth Government could assess the effectiveness of the governance framework for its range of statutory and non-departmental organisations. The principles, at the highest level, required the Government and organisation heads to, among other things:

- establish clear criteria for success for an organisation
- set a clear purpose for the organisation, together with expectations of performance
- ensure appropriate governance arrangements were established.
The report also stressed the importance of establishing clarity of roles between ministers, boards and agency heads for all statutory authorities.

Other jurisdictions have also articulated high-level organisational design principles.

WORKING EXAMPLE

The New Zealand State Services Commission works closely with other central agencies to provide machinery of government advice. Machinery of government refers to the changing set of organisations within government, their functions and governance arrangements, and how they work together to deliver results for ministers and the public. Guidelines have been developed to assist government departments to: decide which functions might best be undertaken by central government, local authorities, non-government agencies or others; choose between different approaches to achieve public policy objectives; undertake organisational design; and make internal management structure design choices.

The absence of clearly stated and rigorously applied principles governing the establishment and governance of, and relationship between, public sector entities in WA speaks to a lack of system-wide stewardship over the long term. Although designing and implementing a better public sector organisational architecture will take time, the Panel considers that current arrangements contribute to inefficiency both within the system and for individuals dealing with it, and prevent the sector working together cohesively at system level.

A carefully designed public sector system can provide role clarity for employees at all levels and facilitate concerted effort towards shared goals.
The Panel recognises that a series of machinery of government changes are occurring in WA. There is also an opportunity to review the stock of ‘building blocks’ that make up the sector, assess their effectiveness and suitability, and define some common principles about which elements can best be used – and how – into the future.

This will allow high-level principles around organisational design to guide future machinery of government changes. The need for a common, consistent understanding of how the public sector is structured at a system level, and how functions are appropriately allocated across the system, underpins the Panel’s recommendations below about reviews of GTEs and government boards and committees. Over time, reference to key organisational principles will result in a better-designed and better-functioning public sector, providing role clarity to public sector employees and resulting in efficiency for government and the community.

### 3.4.3 Government trading enterprises

**a)** Background

Stakeholders have drawn the Panel’s attention to issues relating to GTEs and government boards established for advisory, governance and other purposes.

Government decisions to corporatise publicly-held commercial entities (or create new statutory corporate entities) are made in order to introduce private sector discipline and practices to their activities, and to separate commercially-based, revenue-generating activities undertaken by government from the public service-based operations of the general government sector. However, despite the existence of commercial objectives in place of a singular focus on public interest considerations, and governing boards with fiduciary responsibilities, government commercial entities are not situated in an operating or authorising environment that is perfectly (or even nearly) analogous to the private market.
The 1993 McCarrey Commission\textsuperscript{122} specified five ‘principles of corporatisation’ to guide decisions on GTE design in order to realise the benefits of the model and to recreate more closely the effects of some elements of the commercial environment in a public sector context. These principles were: clear and non-conflicting objectives; an arm’s-length relationship between the governing board and the government of the day; external performance monitoring to ensure boards were not the sole source of information and advice to government on the agency’s performance; appropriate rewards and sanctions; and competitive neutrality to provide a level regulatory playing field.

However, it has become apparent to the Panel that those principles have not always been rigorously applied in the establishment and operation of GTEs in WA.

Arrangements for the establishment and governance of GTEs\textsuperscript{123} represent a balance between governments’ desire to closely manage their business portfolio while allowing their individual business interests freedom to operate effectively in a commercial or quasi-commercial environment. In WA and elsewhere\textsuperscript{124} the proper scope of government control of, or intervention in, GTEs is not always transparent or clear. Surrounding this tension is the ongoing need to justify, on competitive neutrality grounds, decisions to retain a government interest in a particular business that could otherwise be operated by the private sector.

While government is the ultimate owner of GTEs, there are risks associated with excessive political or administrative interference in them. It is important that all ministerial directions to GTE boards be transmitted formally and subject to public scrutiny; in this regard, the Panel notes that directions from ministers to State GTE boards are required to be tabled in Parliament. In instances where there is an overarching public interest in direct ministerial oversight because of the nature of a GTE’s functions, the status of the agency as a GTE should be reconsidered.


\textsuperscript{123} Different jurisdictions use different terms; GTE is used for convenience in this paper.

(b) Models of GTE in WA

A range of statutory corporations carries out commercial activities in WA, operating under a range of governance models. There is no common definition of what a GTE is, and different regulators and areas of government use different definitions for their own purposes. Common to all definitions is that the agency operates at least partially in a commercial environment; is primarily self-financing through charging for the goods and services it provides; has a degree of independence from government; and is established under a statute.

Treasury identifies 20 entities and types of commercial and quasi-commercial agency as having attributes of GTEs. These are listed in Table 3.

Although there is room for argument that other statutory corporations could be identified as GTEs, Table 3 is a representative list that illustrates the multiplicity of arrangements applying to these.

As shown in Table 3, some GTEs are established directly within the public sector (as defined under the Public Sector Management Act 1994 [PSM Act]) and some outside it. Entities outside the PSM Act ‘public sector’ are not bound by the State’s wages policy or the employment framework specified in that Act. Nor are they subject to Premier’s circulars or Public Sector Commissioner’s circulars. In addition to these inconsistencies, each agency in Table 3 is established under its own statute, each of which sets out different aims and prescribes a different mix of governance and accountability arrangements.

GTEs are major participants – sometimes the only participant – in economically significant markets for the State and represent a significant public asset. Figure 11 illustrates 2017-18 forecast net worth, revenue, expenditure and capital works expenditure attributable to public non-financial corporations (a category including most of the agencies named in Table 3, and a reasonable proxy measure for them).
### TABLE 3 – GTES IN WESTERN AUSTRALIA

<table>
<thead>
<tr>
<th>Schedule 1 PSM Act (outside the PSM public sector)</th>
<th>Schedule 2 PSM Act (within the PSM public sector)</th>
<th>Not listed in PSM Act</th>
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</thead>
<tbody>
<tr>
<td>Racing and Wagering WA</td>
<td>ChemCentre</td>
<td>Animal Resources Authority</td>
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<tr>
<td>WA Treasury Corporation</td>
<td>Landgate</td>
<td>Forest Products Commission</td>
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<tr>
<td><strong>Port authorities:</strong></td>
<td>Rottnest Island Authority</td>
<td>Keystart Housing Scheme Trust</td>
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<tr>
<td>Fremantle Port Authority</td>
<td>Metropolitan Cemeteries Board</td>
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<td>Kimberley Ports Authority</td>
<td>Metropolitan Redevelopment Authority</td>
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<td>Mid West Ports Authority</td>
<td>Public Transport Authority</td>
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<td>Pilbara Ports Authority</td>
<td>Housing Authority</td>
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<td>Southern Ports Authority</td>
<td>Lotterywest</td>
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<td>LandCorp</td>
<td>Government Employees</td>
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<td>Superannuation Board</td>
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<td><strong>Energy corporations:</strong></td>
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<td>Horizon Power</td>
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<td>Synergy</td>
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<td>Bunbury Water Corporation</td>
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<td>Busselton Water Corporation</td>
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<tr>
<td>Gold Corporation</td>
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FIGURE 11 – FINANCIAL ASPECTS OF PUBLIC NON-FINANCIAL CORPORATIONS, 2017-18

- **NET WORTH**: 49.7% of $108.9 billion
- **REVENUE**: 7.7% of $28.5 billion
- **EXPENSES**: 6.4% of $30.8 billion
- **CAPITAL WORKS**: 73.3% of $6.0 billion

Source: Government of Western Australia, 2017-2018 Budget Paper No. 3: Economic and Fiscal Outlook
The economic significance of the GTEs’ operations means their governance, accountability and performance arrangements are of serious importance to the State.

GTEs are all governed by boards of management, accountable to the responsible minister. GTE boards must act in accordance with the GTE’s statutory objectives, which can include a combination of commercial and other policy objectives. Most – but not all – GTEs have a statutory requirement to provide statements of corporate intent and strategic development plans for approval to their responsible minister and the Treasurer. GTEs with significant assets are also expected to submit strategic asset plans consistent with the State’s Strategic Asset Management Framework to Treasury.

(c) Governance and accountability of GTEs

Some stakeholders, including GTE board members and senior staff, have suggested the statutory objectives of GTEs do not always give governing boards clear direction, particularly in the case of conflicts that may arise between competing commercial and other objectives. Stakeholders have also suggested there is sometimes misalignment between GTEs’ statutory objectives and the wider objectives of government.

Some of the GTEs listed in Table 3 do not operate subject to any statement of corporate intent or strategic development plan requirements. This appears to be unacceptable from a governance perspective and should be rectified as soon as possible. Some stakeholders have commented that the degree of scrutiny applied to those instruments by responsible ministers has varied over time. To the extent that insufficient rigour is applied, this represents a potential failure of government to properly manage key assets.
There is an opportunity to introduce external perspectives, including advice from portfolio departments, and a higher degree of consistency and rigour around statement of corporate intent and strategic development plan approvals to protect the Government’s policy goals and financial interests.

Consideration could also be given to introducing expressly designated ‘shareholder ministers’, perhaps the Treasurer and another minister, to ensure a spectrum of advice is available – and consistent decisions are made – on GTE strategic direction and other matters.

The Panel’s attention has been drawn to arrangements for government-owned commercial entities in other Australian jurisdictions, many of which have overarching statutory frameworks setting out governance and accountability principles and dealing expressly with the existence and identity of shareholder ministers.

The existence of comprehensive statutes in itself imposes rigour around government decisions when establishing new government businesses. A consistent framework would also facilitate comparison across the sector, and external performance monitoring and oversight – all of which will drive better outcomes for the community over time.

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126 Including the State Owned Corporations Act 1989 (NSW), State Owned Enterprises Act 1992 (Vic); and the Public Governance, Performance and Accountability Act 2013 (Cth), but noting the Commonwealth Act covers other types of public sector agency.
In its 2009 report, the Economic Audit Committee proposed that “moving to umbrella legislation for GTE governance would be one way to address the challenges inherent in the currently fragmented state of the legislative base for GTE governance. It would also help to clarify the responsibilities and rights of participants within the governance framework. Under this approach the governance framework applying to all GTEs would be codified within a single Act while considerations specific to individual GTEs, for example where a particular GTE is expected to behave in a less than fully commercial fashion, would continue to be incorporated into the agency’s enabling statute.” The Panel understands that only preparatory scoping work has been undertaken in respect of such legislation.

The Panel has concluded that there is substantial scope to improve the overall quality of governance and accountability of GTEs in WA.

In particular, there would be merit in ensuring departments take an active interest in the operations of GTEs within their operational scope, and ensuring ministers receive robust and independent advice on GTE performance against expectations set out in statements of corporate intent and strategic development plans, as well as against general accountability requirements.

There is also a strong case for revisiting the issue of legislating a general ‘umbrella’ framework for the State’s GTEs to provide consistency in the overarching governance and accountability arrangements applicable to GTEs.

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127 Economic Audit Committee. Putting the Public First: Partnering with the Community and Business to Deliver Outcomes – Final Report, p127.
3.4.4 Boards and committees in WA

The quality of board appointments is the single biggest lever that the Government has to influence the performance of GTEs and other entities with governing boards. Premier’s Circular 2017-08 governs appointment and remuneration arrangements for government boards and committees, but does not apply to boards of entities established outside the PSM Act public sector (that is, those listed in Column 1 of Table 3).

In practice, GTE board appointments are ordinarily proposed by the GTEs with little or no input from line or central agencies. In practice, this means that the board members of GTEs are the most influential actors in determining the pool of potential board members, and in many cases in determining future board membership. At a systemic level, the appointment process lacks transparency. Stakeholders have suggested that the process would be improved, and more varied skill sets would be represented on boards, if wider input were required to be sought during the nomination process.

While remuneration of chief executives of most GTEs is determined by the Salaries and Allowances Tribunal (under section 7C of the Salaries and Allowances Act 1975), arrangements for board member remuneration ordinarily depend on specific provisions of the Act establishing the relevant agency. These provisions vary, but generally allow for ministerial determination of salaries, either with or without the advice of the Public Sector Commissioner. Board members who are on the public payroll are ineligible to receive fees.

Stakeholders have suggested that the lack of clarity and consistency on board appointments and remuneration may lead to performance issues. Given the Government’s large investment in GTEs and other statutory corporations, and the important public interest matters dealt with by other boards and committees, the Panel considers it would be preferable if a higher degree of independent scrutiny was applied to ensure an appropriate skills mix and transparent governance and remuneration for all government boards and committees.

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Accordingly, the Panel has concluded that there are strong grounds for adjusting the current appointment processes for GTE boards to ensure wider input and appropriate due diligence in relation to the suitability and expertise of potential appointees.

In recommending the actions below, the Panel recognises the range of recommendations relating to GTEs that were made by the Economic Audit Committee, a number of which do not appear to have yet been implemented. These earlier recommendations should be revisited as part of the policy development process required to address the recommendation below.

### Recommendation 9: Improve governance, accountability and transparency for public sector entities

**Suggested lead:** Department of the Premier and Cabinet

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>RESPONSIBILITY</th>
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</thead>
<tbody>
<tr>
<td>i. Review and rationalise the categories of agencies and other organisations within the public sector to establish key organisational principles to guide future review and reform.</td>
<td>DPC</td>
</tr>
<tr>
<td>ii. Prepare ‘umbrella’ legislation to reform governance, accountability and oversight of GTEs in light of key organisational principles.</td>
<td>Treasury</td>
</tr>
<tr>
<td>iii. Introduce a transparent, consultative mechanism for government board member selection, appointment and remuneration.</td>
<td>DPC supported by PSC</td>
</tr>
</tbody>
</table>

Following the above review of systems and processes under which the public sector operates in WA, the next chapter examines opportunities to improve the ways in which the public sector manages its workforce.
4 Reshaping and strengthening the public sector workforce

Directions for reform

The Western Australian public sector employs many talented people. However, the workforce as a whole needs a clear shared identity and sense of purpose. Significant gaps in capability and skills need to be filled to meet emerging challenges, and increasing the diversity of the workforce is itself a challenge to which the sector needs to rise. There are opportunities to manage the sector’s wealth of talent systematically and deploy talented people across the sector. Outdated performance management policies and practices need to be overturned to allow for productive, highly-engaged workplaces.

An immediate priority is to ensure agency heads have the capacity and capability to manage their workplaces well while they implement budget repair measures, embed the recent machinery of government changes and support the State Government’s public sector reform program. Over time, the sector must move to a more consistent, straightforward and flexible employment framework that reinforces an ethos of ‘one sector’ and encourages and rewards a productive, professional and engaged workforce.

RECOMMENDATIONS

10 Develop a shared public sector workforce identity to support purposeful collaboration

11 Strengthen employee capability through better workforce planning and talent management

12 Modernise the employment framework to support employees and assist agency heads
4.1 A shared workforce identity

Stakeholders have identified that the WA public sector workforce lacks an overall vision or purpose that would provide a unifying perspective for the sector. This hinders cross-sector collaboration and resource sharing, impedes overall sector performance, and ultimately impacts on community outcomes.

*Employment should be about working for the WA public sector, not for an individual agency.*

Participant, Service Priority Review's Public Sector Young Leaders Forum

A sector-wide identity statement or employee value proposition can communicate values and culture, while highlighting the opportunities and experiences employees will gain from working in the sector. This can contribute to improved employee attraction, retention and motivation.

**WORKING EXAMPLE**

The New South Wales Public Service Commission launched an [employee value proposition](https://www.psc.nsw.gov.au/workplace-culture-diversity/workplace-culture/employee-value-proposition) in 2015 to build a culture of agencies working together. The proposition statement – ‘I Work for NSW’ – also aims to attract the best and brightest people to the public sector. Created in consultation with public sector employees, the statement challenges traditional perceptions of working in the public service. Two years after its introduction, the New South Wales Government was named among the Australian Financial Review’s ‘Top 100 Most Popular Graduate Employers’.

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[106]

Several stakeholders expressed support for a public sector identity statement that outlines a broad set of workforce values linked to ethics, choice, opportunity and diversity. The WA public sector has the preliminary foundations of an identity statement in its Code of Ethics. However, the code is grounded in a compliance-based approach to values. Many public sector agencies have values statements, but these typically only apply to the individual organisation.

The success of a WA public sector identity statement will depend on support from the largest public sector employers – health, education and police – and consideration will need to be given to the need to acknowledge the specific, professional cultures in those sectors while creating a strong attachment to a broader public sector identity.

Recommendation 10: Develop a shared public sector workforce identity to support purposeful collaboration

Suggested lead: Public Sector Commission

<table>
<thead>
<tr>
<th>ACTION</th>
<th>RESPONSIBILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopt and promote a public sector identity statement unique to WA that provides a collective vision and set of core values.</td>
<td>PSC supported by all agencies</td>
</tr>
</tbody>
</table>

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4.2 Building workforce capability

(a) Employee capability framework

An employee capability framework sets out the core capabilities (behaviours, skills, knowledge, abilities and attributes) required for success in the performance of a job.

Employee capability frameworks are used across all Australian public sector jurisdictions for a range of workforce management activities. A well-designed employee capability framework can lead to improved recruitment outcomes, targeted learning and development, clarity in performance management, increased mobility, effective career planning, and more strategic workforce planning.131

The WA employee capability framework comprises two overarching profiles based on classification, complemented by specific profiles in the areas of human resource management, finance, policy and ICT.132

Stakeholders have suggested that the current employee capability framework does not meet the needs of a contemporary public sector. Specific issues include the level of complexity, unnecessary overlap between and within profiles, and inconsistent application of the framework by agencies.

Some public sector jurisdictions have moved away from measuring competency at classification level. For example, the New South Wales Government uses a whole-of-sector capability framework describing the capabilities and associated behaviours that are expected of all public sector employees, at every level and in every agency. The capabilities are measured against five level descriptors ranging from ‘foundational’ to ‘highly advanced’ and reflect a progressive increase in complexity and skill.133

In 2016, the Public Sector Commission (PSC) issued a finance capability profile that adopts a similar approach to that of NSW. It “recognises the wide variety of roles, position classifications and levels of responsibilities that exist within the central finance units of small, medium and large organisations. As these roles require a range of competencies at varying levels, the capability areas and sets are not based on specific classification and job role levels. This allows for a more holistic analysis of the competencies that contribute to a capable and effective finance function”. In other words, the finance capability profile enables agencies to look at the value proposition of roles, rather than simply relying on traditional hierarchical levels.134

The Panel suggests that this approach could be expanded across the entire WA public sector, with the aim of streamlining the existing capability framework and ensuring consistency across measurement criteria.

(b) Workforce diversity

Having a workforce drawn from diverse groups within the community injects a broader range of skills, knowledge, experiences, backgrounds and capabilities into organisations to drive better outcomes. As such, a diverse workforce is a prerequisite for a high-performing workforce. The public sector’s ongoing social licence to operate depends, to some extent, on its ability to be an employer that actively engages people from diverse backgrounds to reflect the broader community.

Over the past decade, various attempts have been made to address some aspects of diversity in the WA public sector. Interventions include awareness raising, tailored workforce planning, goal-setting, employee/employer support arrangements, and training programs. Notwithstanding these initiatives, some diversity indicators, such as the representation rates of Aboriginal people and people with a disability, have deteriorated over the past five years, as indicated in Figure 12.

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The Panel is dismayed at the slow progress of women in senior leadership roles over recent years. As shown in Figure 13, women continue to make up an overwhelming proportion of the public sector workforce, yet remain under-represented at senior levels. Eight directors general were recently appointed to lead new departments created following the machinery of government changes. Only one appointee was a woman and, overall, only six of the 26 departmental heads are now female. At the current rate of progress, it will take about three decades before the percentage of women in senior leadership roles matches the current percentage of women in the public sector as a whole.

FIGURE 12 – DIVERSITY REPRESENTATION IN THE WA PUBLIC SECTOR, 2013-17

The Panel is dismayed at the slow progress of women in senior leadership roles over recent years. As shown in Figure 13, women continue to make up an overwhelming proportion of the public sector workforce, yet remain under-represented at senior levels. Eight directors general were recently appointed to lead new departments created following the machinery of government changes. Only one appointee was a woman and, overall, only six of the 26 departmental heads are now female. At the current rate of progress, it will take about three decades before the percentage of women in senior leadership roles matches the current percentage of women in the public sector as a whole.

110
Potential factors contributing to these poor results include:

- unconscious bias in recruitment, and rigid recruitment practices
- implementation of financial constraints in a manner that has a disproportionate impact on groups in the workforce that face greater barriers to advancement
- limited take-up of flexible working arrangements
- a lack of leadership commitment to increased workplace diversity
- a lack of professional development opportunities for people of diverse backgrounds
- insufficient positive role models
- a lack of evaluation following the implementation of diversity initiatives.

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There is no single solution to improving diversity outcomes. This issue requires ongoing commitment from senior leadership, a clear understanding of why workforce diversity is a priority, and a range of interventions appropriate to each diversity group. The Government should consider the development of a set of benchmark indicators to demonstrate progress towards a more diverse workforce and hold agency heads to account for their performance against these indicators.

WORKING EXAMPLE

The South Australia Strategic Plan\textsuperscript{137} includes targets to increase the number of women in executive roles in the public sector and on boards and committees. In the plan, the South Australian Government committed to increase the number of women at executive levels (including chief executives) from 29 per cent in 2003 to 50 per cent by 2014. As at June 2016, 47 per cent of public sector executives were women. Representation has increased steadily over time and progress is publicly available on the Government’s website. The targets are supported by other women in leadership initiatives, such as the Commissioner for Public Sector Employment’s Women’s Mentoring Program.

The following initiatives have been identified as key components of delivering real change:

• demonstrated leadership commitment to diversity in the workplace

• removing framework, policy and procedural barriers that may limit the recruitment of people from diverse backgrounds

• delivering structured diversity training and education programs

• increasing diversity rates, targets and benchmarking

• conducting regular reviews to measure the effectiveness of whole-of-sector diversity strategies and initiatives.\textsuperscript{138}


(c) Talent management

Talent management focuses on ensuring that an organisation has the people and capacity to rapidly respond to changing needs. It is distinct from general capability building, and involves the systematic identification, development, engagement, deployment and retention of high potential employees. Systematic talent management should be seen as a complementary initiative to improving diversity in the workforce.

While the PSC offers a range of leadership development programs to agency heads, Senior Executive Service (SES) officers and emerging leaders across the public sector, there appears to be no systematic approach to talent management in WA. Talent management in agencies is sporadic, and largely dependent on individual leaders identifying and investing in capability development.

The New Zealand State Services Commission has developed a standardised toolkit for agencies that contains practical resources for managing talent at all levels of the public sector. New Zealand has also established Talent Exchange, an online talent management database that can be accessed by both public sector agencies and individual employees. This approach supports both career development and the deployment of talent.

Several stakeholders expressed an appetite for the introduction of a whole-of-sector graduate program to inject younger talent, address known capability shortfalls, improve diversity representation rates, and foster a greater culture of mobility.
Other Australian jurisdictions, including Queensland, New South Wales and Victoria, manage whole-of-government graduate programs which share the following characteristics:

- specific streams in certain capability areas such as science, policy, human resources and ICT
- placements for each graduate across multiple agencies
- a combination of on-the-job experience and formal training
- mentoring or sponsoring arrangements
- the attainment of further qualifications.

Under the Victorian program, graduates are typically rotated through three departments during a 12-month period. The program has multiple ‘streams’ tailored to specific skill sets and provides comprehensive formal training to complement on-the-job learning. It also encompasses an Aboriginal-specific graduate program, which uses the same guiding principles but with an increased focus on cultural sensitivity, pastoral care and strong networking.142

Some WA agencies already offer graduate programs: for instance, the Interagency Graduate Program run by the former departments of Mines and Petroleum, State Development and Regional Development143. The PSC oversees the Graduate Development Program, which brings together graduate officers from across the public sector to undertake training. The PSC also offers entry-level programs related to apprenticeships, traineeships and cadetships. The Panel strongly urges drawing upon these experiences from WA and other jurisdictions to implement a whole-of-government graduate program.

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(d) Capability building

More broadly, a systematic approach to workforce capability development is critical to build a more agile, responsive and contemporary public sector.

Stakeholders have identified current capability deficits in relation to policy, strategic human resources and industrial relations, ICT, procurement, data analysis and contract management.

Efforts to build capability have already been made in some of these functional areas. For example, the PSC has taken preliminary steps to build human resources capability through tailored training, the roll-out of human resources employee capability frameworks, and the establishment of a chief human resources officer community of practice. A similar approach has been taken to the financial stream. However, this approach appears to lack:

- an overarching workforce planning framework that takes account of, and seeks to address, broader system capability deficits as they emerge over time
- clarity in supporting advice and materials to agencies
- built-in measurement and evaluation systems to ensure initiatives are delivering intended outcomes.

WORKING EXAMPLE

The Queensland Public Service Commission has partnered with a private company to develop human resources capability. The Strategic Human Resources - Capability Assessment and Development (SHR-CAD) initiative provides insights into the knowledge and skills of human resources professionals, helping them to support their business. Almost 70 per cent of human resources professionals surveyed through the SHR-CAD pulse survey (a cross-section of employees from government departments) agreed that SHR-CAD, underpinned by the Strategic Human Resources Competency Framework, had increased their awareness of their strengths and areas for development.144

There is a need for agency heads, supported by the PSC, to formulate and implement a clear, measureable strategy to develop the capability of key occupational groups across the public sector.

**Recommendation 11: Strengthen employee capability through better workforce planning and talent management**

**Suggested lead:** Public Sector Commission

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>RESPONSIBILITY</th>
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<tbody>
<tr>
<td>1. Revise the current Western Australian Public Sector Employee Capability Framework to ensure it is fit for purpose and meets the needs of a contemporary workforce.</td>
<td>PSC</td>
</tr>
<tr>
<td>2. Adopt a more robust whole-of-sector diversity strategy that better reflects the broader population, including through strategies to increase the representation of Aboriginal people, people with disability and women in senior levels.</td>
<td>PSC</td>
</tr>
<tr>
<td>3. Implement strategic and systematic talent management within agencies and across the sector, including through a whole-of-sector graduate program.</td>
<td>PSC supported by all agencies</td>
</tr>
</tbody>
</table>
4.3 Contemporary workforce arrangements

(a) Improving workforce management practices

In 2009, the Economic Audit Committee identified that poor human resources practices at agency level and over-zealous self-regulation were hindering workforce performance.145

Eight years on, the Panel has observed a proliferation of inflexible human resources rules and practices focused on process rather than organisational and community outcomes. Contributing factors include a system-wide culture of risk aversion, the perpetuation of employment myths and, despite PSC efforts to build capability, an ongoing lack of strategic human resources support within agencies.

One of the strongest messages to the Panel from agency heads about the need for reform generally relates to the urgent need for workforce management practice change to enable professional performance management, including the management of poor performance. In addition, agency heads stressed the need for urgent steps to be taken to facilitate much higher levels of mobility of senior staff across agencies in the context of the recent machinery of government changes so that the sector’s talent is deployed in the interests of the sector rather than individual agencies.

It is apparent to the Panel that the practices of many agencies have resulted in a thicket of technical process that hinders senior management’s ability to make effective workforce decisions. Key areas of concern relate to recruitment, performance management, sub-standard performance, and the management of surplus employees.

We need clearer and simpler guidance on workforce-related matters.

Adam Tomison, Director General, Department of Justice

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145 Economic Audit Committee. Putting the Public First: Partnering with the Community and Business to Deliver Outcomes – Final Report, p137.
Removal of these administrative constraints will, in the Panel’s view, prove to be ‘low hanging fruit’ that will provide immediate benefits to the public sector and broader community. Moving urgently to institute modern, professional workplace practices is critical to allow the Government to implement budget repair measures, to harness the opportunity created by the machinery of government changes and to meet government’s expectations about collaborative work practices.

The sector must work together to generate the type of rapid results sought by the sector’s leaders. Agency heads must prioritise workforce management issues within their agencies to drive change in practices. The PSC and Public Sector Labour Relations must engage closely with agency heads to identify the highest priority areas for change and then bring energy and expertise to the table to catalyse rapid change.

(b) Oversight of system-level workforce management

Public sector workforce functions are overseen by two areas within the public sector:

- the Public Sector Commissioner, supported by PSC, is responsible for strategic workforce functions as prescribed under the Public Sector Management Act 1994 (PSM Act)
- the Executive Director Labour Relations, supported by Public Sector Labour Relations, is responsible for industrial relations functions as described under Premier’s Circular 2017/03 – Coordination and Governance of Public Sector Labour Relations.

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146 A directorate within the Department of Mines, Industry Regulation and Safety.

147 Financial interventions implemented by the Department of Treasury can also have a significant influence on agency workforce practices.
As observed by many stakeholders, maintaining a separation of these functions does not appear to be the most effective approach given their significant intersection. Job classification and work value, change processes, performance management, attraction and retention, termination and severance all have human resources and industrial relations implications. Bringing industrial relations and human resources management functions together will both generate operational efficiencies and assist the Government to embark on the longer-term change process.

(c) Public sector employment framework settings

The WA public sector employment framework is made up of legislation, other legal instruments, and whole-of-government policies and directives. Stakeholders claim that the current employment framework is overly complex, unwieldy and, in some instances, incompatible with contemporary workforce and agency needs. Specific issues raised with the Service Priority Review include:

- inconsistencies in regulatory settings
- inflexible wage-setting arrangements
- restrictive award and industrial agreement provisions
- barriers to workforce scalability and employee mobility
- inconsistent employment conditions between occupational groups
- overly prescriptive arrangements for recruitment, modes of employment, performance management, and severance.
The sheer volume\(^{488}\) of administrative workforce directives issued by central agencies is argued to lack clarity and cohesiveness. These directives are typically compliance focused, rather than enabling workforce flexibility for agency heads in the execution of their functions. Some directives have been misapplied at the operational level. Stakeholders also referenced a lack of central agency strategic support and advice in navigating the framework requirements.

An example of how inflexible workforce frameworks impede positive workforce outcomes are the multiple barriers to workforce mobility. The ability for employees to move within and between roles, occupational groups and agencies allows the sharing of expertise, builds capability and enables better alignment of resources to business need. When used as a professional development tool, mobility also contributes to a more engaged and motivated workforce.

While the PSM Act, on paper, facilitates the movement of some occupational groups – via secondment, transfer, placement, redeployment, and general powers to direct – stakeholders have identified several barriers to improved workforce mobility. These include the absence of sector-wide mechanisms (for instance, talent exchange) to give effect to some of the Act’s provisions, and significant variation in employment conditions between occupational groups and agencies – for example, around working hours, penalty rates, shift loadings and leave.

Many of these differences arise from legal instruments, including awards and industrial agreements, in recognition of work value or the nature of the work being performed. Some agencies administer additional and improved arrangements to assist in employee retention. This disparity of conditions can be a major barrier to sector mobility, with employees unwilling to move when faced with a loss of pay and entitlements. Other factors limiting mobility include inflexible budget rules, myths about the movement of employees, and increased specialisation in administrative roles.

\(^{488}\) As well as principal and subsidiary legislation, these include numerous whole-of-government workforce policy settings and directives. Examples include Commissioner’s Instructions, Public Sector Commissioners’ Circulars, Public Sector Standards in Human Resource Management, administrative instructions, Approved Procedures, and the Public Sector Code of Ethics. There are also assorted policy statements, circulars to departments and authorities, CEO circulars, Premier’s Circulars, and Treasurer’s Instructions.
While the need for framework reform is evident, various factors mean that solutions lie in both short and long-term actions.

In the short to medium term, rationalising whole-of-government workforce policy settings, with a view to taking a principles-based approach wherever possible, will alleviate a number of the issues identified by stakeholders. To maintain the requisite focus on short-term measures, the Panel suggests the PSC, in partnership with agency heads, develops and implements a whole-of-sector plan to simplify and rationalise workforce policy settings and promote mobility. Such a plan might include actions designed to simplify rules, procedures and policies which are excessively process-based; ensure performance management processes are substantively – rather than mechanistically – effective; and promote sector-wide mobility.

Other difficult workforce issues which require either industrial agreement or legislative change may need to be tackled over the longer term, once the impact of the package of practice and policy change outlined here has been assessed.
A component of an effective workforce is high quality leadership, without which many of the initiatives proposed above risk failure. This is an issue addressed in the next chapter.

### Recommendation 12: Modernise the employment framework to support employees and assist agency heads

**Suggested lead:** Public Sector Commission

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>RESPONSIBILITY</th>
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</thead>
<tbody>
<tr>
<td>i. Streamline agency practices to enable effective workforce management.</td>
<td>Agency heads, supported by PSC and DMIRS</td>
</tr>
<tr>
<td>ii. Simplify and rationalise sector-wide workforce policy settings, directives and processes to achieve flexibility, mobility and scalability.</td>
<td>PSC and DMIRS</td>
</tr>
<tr>
<td>iii. Transfer public sector industrial relations functions and capability from the Department of Mines, Industry Regulation and Safety to the Public Sector Commission.</td>
<td>Decision of Government</td>
</tr>
</tbody>
</table>
5 Strengthening leadership across government

Directions for reform

A high performing public sector needs strong leadership driving reforms and building alignment. To achieve this, central agencies must move from siloed gatekeepers to system stewards, supporting a culture of collaboration, continuous learning and looking outside for new ideas.

Critical functions such as human resources management, procurement and information technology require a much stronger corporate leadership model that supports sharing of expertise and services and delivers a step change in efficiency and outcomes.

Agency heads and the senior executive service (SES) need to be better supported with clear roles and accountabilities and greater mobility.

RECOMMENDATIONS

13 Redesign executive performance systems to clarify contemporary leadership expectations and to measure success

14 Strengthen the capacity of central agencies to take on a sector stewardship role

15 Establish system-wide leadership to drive performance across common functions

16 Introduce a regular cycle of agency capability reviews to drive ongoing improvement across the sector
5.1. Support high performance from CEOs and SES officers

The changes proposed in this report will place new demands on public sector leaders. The emphasis on collaboration to achieve outcomes, development of citizen-centric services and the opportunities arising from digital service delivery will need effective leadership with an emphasis on achieving results.

The introduction of cross-sector targets will produce a new set of challenges for agency heads and the SES alike. This, when combined with the proposed linkage of achievement of public sector chief executive performance with remuneration\textsuperscript{149}, dictates the need for the employment and performance assessment framework for agency heads to be appropriate, fair and aligned to the achievement of outcomes.

\textit{Culture and leadership are the keys to long-lasting change in the public sector.}

Richard Sellers, Director General, Department of Transport

5.1.1 Chief executive officers and other agency heads

Feedback to the Service Priority Review Panel from Western Australian public sector agency heads suggests their current employment and performance assessment regime can be significantly improved. In particular, public sector agency heads have indicated that they do not consider themselves to have a strong employment relationship with the Public Sector Commissioner. There is a commonly-held view that the current performance assessment process does not adequately support continuous improvement or professional development, both of which are necessary if public sector leaders are to fulfil the expectations placed on them.
(a) CEO appointment in WA – employment framework

While elsewhere in this report the term ‘agency head’ is used to describe heads of all types of agencies, it is necessary for the purposes of this section, which describes specific statutory employment relationships, to use some of the terms defined in the *Public Sector Management Act 1994* (PSM Act). The terms ‘CEO’ and ‘chief officer’ are used, for that reason, to describe heads of departments and other entities respectively. ‘Agency head’ is used to capture both.

Under the PSM Act, the Public Sector Commissioner is the defined ‘employing authority’ of each CEO of a department and SES organisation CEO. While the Commissioner is the CEOs’ formal employer, all CEO appointments, under section 45 of the PSM Act, must be approved by the Governor; by convention, recommendations are first referred to Cabinet for approval. The functions of CEOs are set out in section 29 of the PSM Act, the *Financial Management Act 2006* and, where applicable, an agency’s enabling legislation.

Chief employees of statutory entities (including government trading enterprises (GTEs) and other statutory bodies) are appointed under section 44 of the PSM Act. Chief employees have similar responsibilities to CEOs, but are appointed by the relevant agency’s governing board of management, or by the agency itself.

Under the PSM Act, the Public Sector Commissioner’s employing authority role is contractual and facilitative, going to the conditions of employment of each agency head. Performance assessment, by contrast, is undertaken by the ‘responsible authority’ – which is either the relevant minister or the board, committee or other body administering the relevant agency. This is the case even though, under section 47 of the PSM Act, public sector CEO performance agreements include the Commissioner as a party, as well as the responsible authority. There is no clear assignment of role to support the CEO in the context of performance management, including the provision of systematic real-time feedback to improve performance, the provision of appropriate professional development to support the CEO to succeed, career management and succession planning.

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94 SES organisations are listed in Schedule 2 to the PSM Act.
96 Public Sector Commission. *Good governance for WA boards and committees.*
Figure 14 illustrates the relationships and information flows between CEOs, the Commissioner and the responsible authority in terms of CEO employment and performance management. As the figure shows, while the Commissioner is each CEO’s employer, the Commissioner has no role in making an assessment of CEO performance other than to provide advice on performance to the responsible authority. Conversely, if performance is deemed to be substandard by the responsible authority, it can ultimately only be addressed through the Commissioner as the employing authority, even though the Commissioner is unlikely to have a view of the CEO’s performance that is fully informed and independent from the view of the responsible authority.

To add to the complexity, determinations about agency head remuneration may be made by the independent Salaries and Allowances Tribunal or under other industrial arrangements.

FIGURE 14: FORMAL PUBLIC SECTOR CEO EMPLOYMENT AND PERFORMANCE ASSESSMENT ARRANGEMENTS IN WA
(b) CEO performance agreements in WA

The Public Sector Commissioner’s Approved Procedure 8 sets out timing, procedure and minimum assessment requirements for CEOs’ performance agreements. In 2017-18 the framework covers key priorities for the current year’s performance cycle and contribution to sector-wide initiatives. The Panel considers that the current template is not fit for purpose. Its focus is low-level, compliance-focused and has insufficient emphasis on the CEO’s stewardship responsibilities to his or her organisation and to the sector. In previous years the framework has included a CEO personal development plan, but this does not form part of the current template. The procedure requires assessments to be conducted once every 12 months.

Under Approved Procedure 8, the responsible authority or authorities and the Public Sector Commissioner evaluate the extent to which the agreed initiatives and targets outlined in the performance agreement have been achieved. In evaluating CEO performance, the parties can draw on the observations and experience of the responsible minister or board chair, CEO self-assessment, or any other information collected by the Commissioner.

For the public sector, just as for any other employer, the quality of the performance management framework is a key enabler of performance. A robust and responsive performance management framework recognises people for what they do well, and supports them while holding them to account for the results that they have achieved. Improvement in this area will support CEOs by giving them clear expectations about their stewardship role and allow them to better respond to the priorities of the government of the day. Performance feedback is a strong and positive enabler of performance, allowing people to understand what they are doing well while recognising what the challenges are and how to overcome them.

While the CEO performance agreement framework is intended to support leadership and accountability across the public sector, the Panel has formed the view that the current system falls far short of being an effective performance management framework.
The performance agreement instruments themselves, being creatures of the unsatisfactory system, do not measure performance against key strategic issues – as would be the expectation in a system that supports high performance – but instead focus on operational matters and narrow measures of rule-based compliance. In particular, the Panel considers that the lack of regular and real-time informal feedback is a barrier to high performance. It also provides insufficient support to CEOs in the current context of larger and more complex departments following the recent machinery of government changes and the changed leadership expectations of CEOs as the sector sets out on the reform process.

The introduction of whole-of-government targets and performance-based pay generate new dimensions that may not be adequately catered for within existing arrangements. At the very least, the desire held by government for agency heads to be held more accountable for achievement of whole-of-sector outcomes and a need to drive public sector stewardship values means that there will need to be a review of reporting arrangements and a strengthening of performance assessment processes.

A range of alternative CEO appointment and accountability models is in operation across Australia and New Zealand. While there are some variations, the approaches can be distilled into four models. They are:

- CEOs are employed by an employing authority with performance assessment undertaken by that authority (for instance, New Zealand).
- CEOs are employed by an employing authority with performance assessment undertaken by another party (for instance, Western Australia).
- CEOs (secretaries) are employed by the Premier with performance assessment being undertaken by the Premier or delegate (for instance, Victoria, New South Wales, Queensland).
- CEOs (secretaries) are employed by the Premier with performance assessment undertaken by the Premier or delegate via a panel which might comprise CEOs of the central agencies (for instance, South Australia).

In this respect, the WA model is unique as it incorporates a split between the formal employer and the person formally responsible for assessing performance.
(c) Performance pay for CEOs

The Panel’s concerns about the current CEO performance assessment arrangements are magnified in the context of the proposal to introduce performance-related pay for CEOs.153

For performance pay arrangements to be equitable, meaningful and effective, the employment and performance assessment framework on which pay decisions are based must be appropriate, consistent and aligned to the achievement of outcomes. Concerns about the effectiveness of the existing process have been noted elsewhere. For instance, in 2014 the Legislative Assembly Public Accounts Committee was concerned that, of 76 CEOs for whom the Public Sector Commissioner was the employing authority, not one had received a negative performance rating in the preceding three years154, in an environment where there were few financial consequences associated with performance.

Arrangements for performance-related pay for chief and senior executives vary across jurisdictions.

In NSW, in addition to base pay, each senior executive may earn additional discretionary remuneration, the entitlement to which is determined by assessment of capability, knowledge and experience.155 Individual executive performance payments and other bonus arrangements are also provided in the Australian Public Service, subject to approval by the Australian Public Service Commissioner.156 Remuneration arrangements for executive officers in Victoria, which include bonus payments of up to 17 per cent per annum, are currently under revision following a July 2016 review which found existing arrangements did not provide transparency, fairness and rigour, and that bonus payments were not driving improved performance.157

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In New Zealand, the State Services Commissioner is the employer of most public service chief executives\textsuperscript{158}, having responsibility for their appointment and performance management, and the terms and conditions of their employment. The State Services Commissioner has a direct influence on the remuneration received by about 130 chief executive positions in the State sector\textsuperscript{159}.

In 2014, New Zealand introduced a new remuneration model for chief executives with two performance-related components. The first component, known as ‘earn back’, is up to 10 per cent of target remuneration and is linked to performance in delivering against expectations. Target remuneration is the level of pay CEOs can expect to earn if they perform well; 90 per cent of the target amount is paid fortnightly as salary, and the ‘earn back’ component is withheld until after performance has been assessed at the end of the year. For chief executives to receive the ‘earn back’ payment, their departments have to be well managed and deliver core services effectively and efficiently.

The second component rewards exceptional performance against system-wide stewardship expectations by allowing for extra payments of up to 15 per cent of target remuneration. The bar for receiving this payment has been set high\textsuperscript{160}. Payment of some or all of the at-risk components is considered annually as part of the chief executive end-of-year performance review and is at the State Services Commissioner’s discretion.

A well designed performance pay scheme for WA agency heads could support the Government’s reform agenda, with an increased focus on whole-of-government outcomes, stewardship of the agency and the sector, and a culture of good performance. The scheme should be designed to reward behaviours such as leading through influence and not just control, as well as more traditional performance metrics around managing agencies to perform core business and supporting relevant ministers.

\textsuperscript{158} This excludes those chief executives whose remuneration is set by the Remuneration Authority, which includes the chief executives of the State Services Commission, the Crown Law Office and the Government Communications Security Bureau. The remuneration of 13 chief executives of government departments and officers of parliament is set by the Remuneration Authority.


\textsuperscript{160} Ibid.
The scheme should be simple to administer and transparent, and support timely decisions. It should also be developed with full awareness of the revisions being made to the Victorian scheme so that the same issues are not encountered in WA.

Performance pay arrangements will need to be integrated with the Government's wages policy. For example, the NZ 'earn back' model may be appropriate in the current wages policy context, with the option of including an exceptional performance pay component in the longer term.

The Panel understands legislation would need to be amended to introduce performance-related pay in WA. When designing legislation, consideration should be given to limiting the coverage to directors general in the first instance to test the integrity of the process. It will be important that the scheme is supported by comprehensive information, including feedback from ministers and stakeholders, financial and other organisational performance information and 360-degree feedback. Judgements on performance should be moderated to ensure consistency and fairness. This could be undertaken by a panel of public and private sector representatives providing advice to the decision maker. Given the focus on whole-of-government outcomes, the Panel suggests that the decision maker should be the Premier.161

(d) Proposed reforms

The Panel has formed the view that the employment and performance assessment and management model for agency heads in WA is no longer suited to address the challenges facing the sector into the future.

The Panel considers that the PSC should immediately overhaul the performance management arrangements for agency heads to ensure expectations on them are appropriately strategic and support current expectations of a high-performing leadership cohort. At the same time, the PSC should put in place mechanisms to ensure agency heads are provided with greater professional support and feedback. Succession management and recruitment approaches for agency heads should be in keeping with modern practice.

161 The Panel notes this has implications for the model of CEO appointment and performance management discussed elsewhere in this chapter, but is broadly consistent with that discussion. The Panel also notes that whether or not a new model should affect agency heads of GTEs and other statutory authorities is a question for government and further legislative amendments would be likely to be required if they are to be in scope.
In light of the intent to introduce performance-related pay for CEOs, work should start in the near term to develop legislation supporting a robustly assessed performance-related pay system. The Panel notes that this may entail different arrangements for CEOs of departments and for other public sector entities.

Consideration should be given to aligning responsibilities for substantive decision-making on appointment, performance assessment and, if required, dismissal of agency heads. This may itself require legislative change, which can be undertaken at the same time as the performance pay-related amendments. There is significant benefit to be derived from moving away from the current set of arrangements to support a high-performing leadership cohort that is able and supported to deliver the policy program of the government of the day. Given the long-term benefits, we recommend that reform should be undertaken in a way that seeks the broadest possible support across Parliamentary parties in WA. Bipartisan support is critical, given the importance of durability of arrangements and the value to successive governments of a robust and effective public sector.

5.1.2 Senior executive service officers

While leadership is crucial at all levels of the public sector, it is particularly important among the senior cohort. Members of the SES are generally considered to be highly professional and hardworking, and tend to possess strong technical expertise within specific agency or policy areas. However, stakeholders have pointed to a gap between the way the SES is envisaged to operate under the PSM Act and how SES status has come to be used in practice.

*I’m not sure there is much evidence to support the aspirational view of the SES being a mobile, easily-deployed group of public sector leaders. A risk is we become subject matter experts and stay put.*

Damien Stewart, Executive Director, Department of Education
The SES is established under section 42(1) of the PSM Act as a cohort of executive officers capable of furnishing high-level policy advice, undertaking managerial responsibilities in agencies, and being deployable within and between agencies to promote the efficiency of the public sector. The SES plays a key leadership role in providing critical support to agency heads, setting the values and culture of individual agencies, and having strong bearing on the sector’s capacity to do its job.

However, in practice, there is limited mobility of SES officers between agencies. Many stakeholders do not perceive the SES as a strategic or collaborative leadership/management group as envisaged under the PSM Act. Specific SES issues raised included attracting and retaining the ‘right’ people, a lack of mobility and capability development, and difficulties associated with performance management and termination. Previous reviews have identified several factors limiting SES mobility, including:

- a lack of willingness by agency heads to release valued SES officers to other agencies
- the assumption that career progression is more likely achieved by longevity within an individual agency
- the establishment of technical and role-specific SES positions within agencies, resulting in a loss of generic and transferable capabilities
- disparate classification levels between agencies for similar roles.

Further, it is not clear whether current arrangements are delivering the best outcomes for attracting, retaining, managing and removing SES officers. There are significant variations between Australian jurisdictions in respect of the nature of executive employment (that is, employing authority, appointment to band or particular position); offer arrangements (fixed term or ongoing employment, termination payment, length of probation, right of return, performance-related pay); and other remuneration components (number of classifications and salary increments, superannuation rates, access to fleet vehicles and parking).

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As shown in Figure 15, there has been considerable growth in the number of SES officers since 2004. Contributing factors include:

- implementation of government policy initiatives in 2005 (including initiatives associated with e-government, shared services and restructuring of the Department of Education and Training)
- machinery of government changes between 2011 and 2013 resulting in a larger number of agencies
- a significant increase in demand for government services due to the resources boom.\(^{164}\)

**FIGURE 15: NUMBER OF SENIOR EXECUTIVE SERVICE OFFICERS IN WA, 2000-17\(^{165}\)**

The Panel has noted that in April 2017 the State Government committed to a 20 per cent reduction in the number of SES officers by 31 December 2017.\(^{166}\) In September 2017, it further announced legislative changes to remove existing ‘right of return’ provisions for SES officers and a reduction in early termination payments.\(^{167}\)
As these initiatives have yet to be fully implemented, it is not clear what effect they will have on the structure, composition or culture of the SES in the long term. In that context, the Panel considers that the SES needs to be re-established as a strategic, collaborative and mobile leadership group, as originally envisaged under the PSM Act. Ideally, SES status should be an aspirational career goal, providing rewarding, varied careers for high-performing public sector leaders. Numbers in the SES need to be managed much more proactively going forward to minimise the risk of large swings in numbers over the course of the economic cycle similar to those seen over the past 20 years.

The Panel notes that the Public Sector Commissioner is responsible under section 21A of the PSM Act for “the future management and operation of the public sector”. This positions the Commissioner to lead revision of arrangements for the SES to:

- support agency heads in attracting, retaining and developing the best SES leaders from both within and outside the public sector
- ensure the SES is established as a truly mobile leadership group
- set clear SES performance expectations and assessment.

Examples of approaches taken, or in progress, towards those aims by other jurisdictions include the following:

- In 2013 the New South Wales Government introduced legislation providing for senior executives to be employed on either an ‘ongoing’ (that is, continuous employment) or on a specified term basis. Senior executives in that jurisdiction can be terminated at any time, for any or no stated reason, and without notice. Compensation payments vary depending on whether the executive was terminated for being surplus to requirements, unsatisfactory performance, or misconduct.168
- The Victorian Public Sector Commission is conducting a long-term review of its executive officer framework, seeking improvements in transparency, fairness and rigour related to executive classification, remuneration and performance management.169

168 Clause 39 of the Government Sector Employment Regulation 2014. No compensation payment is made where an executive is terminated for misconduct.
The Australian Public Service Commission (APSC) runs a comprehensive training program for Commonwealth senior executives via its Centre for Leadership and Learning. Structured training courses are tailored for different levels within the executive, supplemented by a variety of leadership and management short courses and master classes. The APSC also provides an advisory service to individual senior executives in relation to redundancy, retraining and development opportunities, and redeployment and retirement options. In addition to inter-agency movements, the APSC also facilitates executive secondments into the private, not-for-profit, and non-government organisation sectors.

The Panel considers that WA should look closely at other models within Australia and, as a matter of urgency, overhaul the arrangements for the SES to become a stable, mobile and high-performing leadership group. Such a group would be the prime source of talent for agency head roles across the public sector.

**Recommendation 13:** Redesign executive performance systems to clarify contemporary leadership expectations and to measure success

**Suggested lead:** Public Sector Commission

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>RESPONSIBILITY</th>
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<tbody>
<tr>
<td>i</td>
<td>Improve CEO performance management to support a more effective focus on system stewardship and whole-of-government objectives.</td>
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<tr>
<td>ii</td>
<td>Amend applicable legislation to:</td>
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<tr>
<td></td>
<td>• clarify responsibilities for CEO appointment, performance management and termination</td>
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<td></td>
<td>• develop and introduce a mechanism for performance-based remuneration for CEOs.</td>
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<tr>
<td>iii</td>
<td>Revise arrangements for the senior executive service to retain and develop a mobile and high performing leadership group.</td>
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171 Ibid.
5.2 Build and support stewardship of the sector

5.2.1 The role of the centre

There is widespread recognition of the importance of an effective central core to any well-functioning public sector system. Public sectors everywhere are operating in an environment requiring greater cooperation and collaboration across government, and between government and external entities. Public sectors themselves are complex systems, requiring effective leadership at all levels to ensure efficient operations and effective service delivery.

The Panel considers that it is a primary responsibility of central agencies to take a stewardship role towards the public sector as a whole. This includes providing overarching strategic direction and implementing policy levers carefully and in concert; setting high-level cultural and behavioural expectations; and overseeing the structure and functions of the sector at a high level to ensure its individual parts can operate as a cohesive whole. It also involves tending to the issues which will shape the future capability and effectiveness of the public sector over the medium term. This recognises the fact that the public sector is an important institution in its own right, and plays an essential role in maintaining our democratic and pluralist system of government.

The exact composition of the agencies that constitute the centre of government varies between jurisdictions. In WA, the centre of government is considered to be constituted by the Department of the Premier and Cabinet (DPC), the Department of Treasury and the PSC. DPC is responsible for driving the Government’s policy agenda, providing support to the Premier and Cabinet and also providing leadership and coordination of cross-agency solutions to complex policy issues. Treasury provides economic and financial management and advice to government and controls the public sector budget, budgeting processes and financial policy. The PSC undertakes a number of functions relating to workforce management and integrity. Looking to the future, it can be envisaged that the functions now undertaken by the Department of Finance (DoF) and the Office of the Government Chief Information Officer may increase in importance and be recognised as part of the central agency role.
Feedback from stakeholders suggests that in WA the centre is not performing its cross-agency stewardship role optimally. Comments received by the Panel suggest there is a lack of cohesion between central agencies, particularly with respect to setting and implementing whole-of-sector strategy. Line agencies are keen to have greater involvement and engagement with the centre, and there is a desire to see the centre play more of a facilitative, enabling role.

The Panel has also formed the view that the stewardship role of central agencies has been left relatively unattended in recent decades. The magnitude of the current structural challenges facing the sector suggests that, in recent years, central agencies have over-invested in short term priorities to the detriment of medium and longer-term priorities.

Rather than creating new processes and rules, agencies want the centre to work with them to overcome barriers and break down an entrenched, insular culture. In some cases, highly prescriptive policies and frameworks issued by the centre encourage risk aversion rather than empowering agencies to innovate. Purposeful collaboration between line and central agencies will generate stronger synergies and better outcomes than the transactional, compliance-based relationships that are currently the norm. These observations are of particular relevance because so many of the recommendations contained in this report depend on leaders across the public sector taking a collaborative approach – both within and outside the sector – to achieve high-level and operational goals.

The proposal to introduce whole-of-government targets, demands for digital service delivery and better coordinated services means the central agencies will need to drive coordinated programs of change. They will need to ensure there are appropriate support and accountability mechanisms to promote success. They will need to collaborate in shaping a public sector management and industrial relations system that meets the needs of a contemporary public sector and workforce. This will require them to rethink their methods of interaction and to develop better collaborative mechanisms between themselves and with agencies.
The new way of working will require a transformational cultural change. The Panel has been surprised at how little regular formal interaction has taken place between the heads of the central agencies and considers that it is immediately incumbent on the individuals holding those positions to take the lead in demonstrating the behaviours and practices required, leading by example to illustrate the rewards of taking a collaborative approach.

Truly effective central agencies are essential to realising the Government's vision for a collaborative, outward-facing public sector that puts the citizen at the focus of service delivery and design. WA's central agencies must demonstrate cooperation and stewardship to encourage those values to be embraced by other parts of the sector.

**WORKING EXAMPLE**

New Zealand’s three central government agencies – State Services Commission, Treasury and the Department of the Prime Minister and Cabinet – work together as a Corporate Centre to lead a State sector that delivers better public services and value for money. The Corporate Centre takes an active role across the sector, providing system-level coordination, a clear focus and strong leadership.

Successful establishment of ‘one sector’ will largely depend on the extent to which the central agencies can work together to achieve common goals. Policy, workforce and budget levers need to work cohesively to be effective. Purposeful collaboration – including regular meetings – between central agency heads and, where needed, ministers and others, will enable delivery of stronger outcomes. Under the collaborative style of public sector leadership envisaged in this report, SES officers and other public sector leaders will be routinely expected to work across the sector. The central agencies will need to both model and facilitate these approaches.

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All three central agencies will need to develop much more sophisticated operating styles to be successful. Each of them is likely to find this transition to be challenging. DPC’s overall leadership of public sector reform will require it to take a longer-term stewardship role of the development of the public sector as well as continuing to address the short-term imperatives required by the Premier and Cabinet. Treasury will need to actively support ministers and their departments to find financially and economically smart solutions to the medium-term challenges they face while continuing to be able to provide Cabinet with sharp commentary on agency proposals. The PSC will need to become much more engaged with the sector and bring stronger expertise to the table in the sector’s workforce issues while continuing to preserve its independence of action. These changes will require a shift in leadership style and possibly a recalibration of central agency resources to support the new directions.

Importantly, the PSC has highlighted to the Panel two limitations on how it might contribute to the reform project.

First, the Commissioner’s statutory obligation to act independently in relation to the performance of his or her functions may impose practical limitations on the extent to which the Commissioner can participate in cross-agency initiatives.173

Second, the PSC’s integrity-related responsibilities influence the Commissioner’s priorities and focus, and result in a degree of tension between these responsibilities and the Commissioner’s other statutory functions around ensuring the efficiency and effectiveness of the public sector and planning for its future management and operation. The PSC has also identified resourcing constraints for the agency in addressing the broad scope of its integrity functions, which can result in other functions being treated as secondary.174

These limitations need to be addressed as a priority, given the centrality of workforce-related issues to the reform agenda. As agencies often have multiple and potentially competing functions, the Panel does not accept that these tensions are unmanageable.

173 Public Sector Commission. 20 October 2017. Correspondence to Service Priority Review.
174 Public Sector Commission. 8 August 2017. Submission to Service Priority Review.
Recommendation 14: Strengthen the capacity of central agencies to take on a sector stewardship role

Suggested lead: Department of the Premier and Cabinet

<table>
<thead>
<tr>
<th>ACTION</th>
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<tbody>
<tr>
<td>1. Ensure regular, formal, purposeful engagement between central agency heads to strategically manage sector-wide issues including budget, workforce and high-level policy levers.</td>
<td>DPC with Treasury and PSC</td>
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5.2.2 Implement system-wide leadership to drive better outcomes

Each public sector agency deploys resources towards functions that exist horizontally across the sector. These include corporate functions such as finance and ICT and many professional functions including legal services and human resources. Comments from stakeholders have suggested that there are system-wide capability gaps in some common government functions, and that learning and good practice are not systematically supported across the sector.

Adopting greater alignment and, in some cases, standardisation of processes across government can bring significant savings. This would also reinforce a ‘one sector’ culture with agencies adhering to common approaches and principles across functions, enabling resources to be better directed to service delivery. This has been achieved in other jurisdictions by assigning leadership for cross-system functions to particular agencies. Common approaches to horizontal functions also strengthen the ‘one sector’ approach that this report has recommended, and can simplify interactions between the community and the Government.
The public sector must always seek to obtain maximum value across its common corporate functions; this is even more critical in times of fiscal challenge. The scale of ‘government as a business’ should not be underestimated in financial terms. For instance, the Government spends about $14 billion each year on goods and services. Leveraging public sector buying power to generate efficiencies of, say, five per cent, would generate $700 million in savings annually. Or, put another way, each one per cent gain in efficiency would save $140 million per annum.

A broad range of initiatives can fall within the scope of functional leadership – ranging from a ‘head of profession’ leading a profession or occupational group such as legal or financial professionals, to a line agency leading the development of common systems and standards for business functions such as human resources or project management on a multi-agency basis. Depending on its application, functional leadership can deliver cost efficiencies and build capability and expertise in specific functions.

Most Australian States and Territories have not formally embraced functional leadership as an operating model. It is applied informally in WA – for instance, the DoF is already a functional leader in procurement and accommodation, mandated in part via the State Supply Commission Act 1991 and the WA Government Office Accommodation Master Planning Strategy.

There are clear benefits in adopting uniform standards for some corporate activities. Functional leadership supports a clear leader for a particular function across the sector with significant levels of autonomy remaining at agency level. This approach has been described as “centrally led, collaboratively delivered” by the New Zealand Government Chief Information Officer.

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The Panel strongly endorses adoption of a purposefully driven, strongly mandated and accountable functional leadership approach in WA. The approach should be led at agency level, driven by agency heads, overseen by central agencies and with centralised reporting of progress and outcomes. Decisions on functional leadership will need to be taken in collaboration with the sector to ensure that it is designed and applied in a way that provides the greatest value.

 Appropriately implemented, functional leadership can realise significant benefits. Feedback from stakeholders suggests that its adoption would be welcomed across procurement, ICT, accommodation and human resources management in the first instance. Strong leadership will also be needed to drive the digital transformation agenda, explore an integrated service delivery strategy and provide support and advice to the Government on emerging issues such as cyber security.

**WORKING EXAMPLE**

The United Kingdom’s civil service has a strong functional leadership model to drive improvements, deliver better services and accelerate savings. The model applies to 10 core functions that are priority areas of common, across-departmental activity: commercial, communications, corporate finance, digital, finance, human resources, internal audit, project delivery, property and legal. These functions, which are among the 25 government professions in the UK, benefit from central leadership. The functional leadership model aims to achieve better public services, financial savings, better decision making, enhanced resilience and flexibility, tighter control of spending and better across-government working.

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There is also scope to introduce less formal ‘heads of profession’ or ‘communities of practice’ arrangements to build capability and expertise in key professions across government. Legal services, policy, communications and finance have been identified by the Panel as key professions that are fundamental to a coherent approach to operations across the sector. There are multiple benefits from arrangements allowing greater collegiality and shared knowledge, including professional growth and enhanced skills for individual officers and efficiencies for the sector and the community.

**Recommendation 15:** *Establish system-wide leadership to drive performance across common functions*

**Suggested lead:** Department of the Premier and Cabinet

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<tr>
<td>Develop a functional leadership framework and allocate responsibility for leadership of common functions across the sector, beginning with human resources, procurement and ICT.</td>
<td>DPC</td>
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5.2.3 Improve and maintain agency capabilities for sector-wide performance

Public sector improvement programs often focus on employee capability because services cannot be delivered unless there are people with the right skills to design and deliver them. The extent to which agencies have appropriate internal business processes, culture and leadership – organisational capability – is less well understood, yet crucially important.

Capability directly influences the quality and quantity of services delivered. The need for performance improvement is well known, but strategies to support performance improvement are rarely practised at a whole-of-sector or whole-of-agency level. The focus tends to be on the performance of individuals rather than on the systems, processes and outputs that constitute the combined efforts of individuals.

If the public sector is to adapt and evolve in response to the challenges identified in this report, it will need diagnostic and support tools to guide change and identify focus areas for improvement at organisational and system level. Agency capability reviews, sometimes referred to as ‘performance improvement reviews’, are proving to be powerful agents for change that can drive a culture of continuous improvement in government sectors.

While models differ across jurisdictions, the fundamental intent of agency capability reviews is to assess the organisational capabilities of individual departments and to publish results that can be compared across departments. The method of inquiry is qualitative, using a combination of desktop analysis, one-on-one interviews and focus groups, and is usually run by an independent review panel. Following a review, each agency must prepare an action plan to ensure it can meet the challenges for its current and future delivery.177

Critical to the success of these models is the ability to engage high levels of outside expertise, in the form of external reviewers, to support the agency head and the senior team in a constructive and challenging way on the medium-term performance challenges that the agency faces. These review models also use a common methodology so that good practice can be identified and disseminated as reviews are undertaken. Finally, the reviews undertaken in these models typically are published so that agency leaders can use the reviews openly with staff and stakeholders, and good practice can be identified. In addition, this ensures agency leaders are transparent with the public about the ongoing steps that they are taking to improve the effectiveness of their organisations.

The reviews are not audits – they do not record or measure compliance with particular frameworks or process requirements. Instead, capability reviews consider the current state of an agency and how well placed it is to deal with the issues that confront it in the near to medium-term future. They link to the notion of stewardship and give leaders an insight into how ready their organisation is to deliver on outcomes for the community and contribute to the development of the public sector overall.

**WORKING EXAMPLE**

The New Zealand Government’s Performance Improvement Framework Reviews determine how well placed a State sector agency is to deal with short to medium-term issues and respond to Government priorities. Leaders use the framework to identify the gaps and opportunities between current and future capability and performance. The framework is supported by the Corporate Centre.

New Zealand’s Performance Improvement Framework is based on an examination of five core themes. Figure 16 is adapted from that model and illustrates how a framework might apply in a WA context.

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The Commonwealth Government has also adopted a capability review framework. The body of knowledge and data amassed through reviews across a range of agencies can be used to develop new solutions to common problems or to share experiences and strategies with others. Central agencies can use this information to develop support strategies and plan for future sector capability needs. Agency capability reports, and agencies’ formal commitments in response to them, should be published in order to promote transparency and drive better performance in all agencies.

The Panel considers that introducing a cyclical program of agency capability reviews to the WA public sector will provide a critical tool to assist the public sector to adapt to future change. In particular, it will provide a mechanism which ensures that key agencies and the senior leadership of the public sector allocate attention to medium-term capability issues – an area the Panel considers has been neglected in recent decades.

A collaborative approach to service delivery and design will require a different approach to leadership at agency level; it is crucial that agencies are fit-for-purpose in terms of having the right culture, strategy, people and leadership to realise the potential benefits of the reform agenda.

The Panel is strongly of the view that central agencies should ensure that their own departments are reviewed early, with at least one being involved in the first round of reviews. To support the sector, the Panel considers establishment and initiation of the reviews should initially be undertaken by DPC, with ongoing responsibility transferred to the PSC over time.
The reviews should be conducted by independent reviewers, preferably with extensive experience at a senior level in the public sector across a diversity of environments and services. They could be former senior public servants from WA or other jurisdictions or reviewers from the private sector with an understanding of the public sector environment, supported by serving members of the SES with appropriate skills and a desire to contribute to public sector improvement. Capability reviews should apply broadly across the public sector with participation by all agencies as appropriate.

**Recommendation 16:** *Introduce a regular cycle of agency capability reviews to drive ongoing improvement across the sector*

**Suggested lead:** Department of the Premier and Cabinet

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<tr>
<td>Adopt an agency capability improvement framework and implement a cycle of agency reviews using independent reviewers.</td>
<td>DPC supported by PSC</td>
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The effectiveness with which central agencies work together, and with which they work with other agencies across the sector, will ultimately determine the success or otherwise of the implementation of this review. This is a key concern for the Panel, and is addressed in the next chapter with a view to ensuring that this report does not become just another document sitting on a shelf somewhere in the sector – to be read by another review team in a few years’ time.
6 Driving effective implementation

6.1 Plan for success

The implementation of this Blueprint for Reform (Blueprint) will require significant change to the way Western Australia’s public sector operates. The relatively small number of recommendations has been carefully selected to drive and enable the fundamental changes the sector needs now. The recommendations work together as a whole package and support each other to build a comprehensive strategy for reform. They are designed to deliver an effective response to current circumstances, as well as to set up a high-performing, coherent and contemporary public sector that will serve the State for the medium and longer term.

Implementing the changes will be challenging, especially as many agencies are already focused on the practical and cultural challenges of merging organisations, as well as on their expanded spheres of responsibility. Bringing about reform will need a sustained commitment politically, centrally and within agencies. The Service Priority Review Panel has noted the chequered implementation record of previous reform initiatives, a function of a structural weakness around implementation both across and at the centre of the WA public sector. To give the Blueprint the best chance to succeed, the Panel has made a specific recommendation on implementation.

**RECOMMENDATION**

17 Drive effective implementation of public sector reform and renewal by allocating responsibility for oversight and action
Successful implementation of the Blueprint will require a clear sense of purpose and priority, ‘buy in’ from the leadership – including political leadership – sustained support from central agencies, and explicit responsibility for agency heads to drive the short, medium and long-term stewardship of the whole public sector.

There is much to learn in terms of implementation from other jurisdictions in Australia and internationally, in particular the importance of leadership. Many of the new initiatives in the Commonwealth Government’s *Ahead of the Game* report relied on the support of ministers, particularly the use of shared outcomes, the focus on long-term policy issues, reporting and accountability, and the emphasis on fostering innovation and countering risk-averse behaviour.\textsuperscript{180}

The Panel suggests that assigning a minister with responsibility for public sector reform to assist the Minister for Public Sector Management would establish a clear line of direction and accountability, and help give priority to the reform agenda.

Despite the challenges, the reform outlined in the Blueprint is achievable. The recommendations encourage a collaborative approach and focus on mechanisms to support agency heads and their organisations to be more effective. The current fiscal constraints and limited capacity do not need to be impediments. With a considered approach to sequencing, the program of reform can be staged over four to five years, with significant benefits realised early. A clear commitment to setting priorities and aligning resources to them will facilitate progress.

Table 4 shows the recommendations or actions that the Panel considers will be most effectively undertaken in the first year of reform. Introducing priority new initiatives early will provide momentum and model new ways of working. In particular, introducing whole-of-government targets shows a commitment to address complex issues that matter to the community, as well as make collaborative approaches the new normal. Similarly, introducing a cycle of capability reviews gives agencies a framework to systematically work towards improving performance. The Panel also suggests that work to enhance data sharing commences immediately, as the benefits of improving services can be exponential.

The first steps of some of the most catalytic recommendations can begin now. The sector need not wait for permission. On the assumption that Cabinet endorses the Blueprint, agency heads with the Public Sector Commission (PSC) can start to streamline agency workforce practices; Treasury can phase in improvements to the budget process; and the PSC can transform CEO performance agreements. The Department of Finance can initiate a strategic approach to leveraging government procurement, and regulatory agencies can confront overlap and duplication.

The central agencies have an essential collective role to lead and facilitate a more integrated and cohesive whole-of-system approach to strategy and priorities as well as to coordinate and support key reform initiatives. While capacity will need to be built over time, beginning now with regular, purposeful engagement provides a strong example that will do much to support a culture of integration.

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**TABLE 4 – FIRST YEAR OF PUBLIC SECTOR REFORM**

<table>
<thead>
<tr>
<th>Recommendations to be introduced</th>
<th>Actions to begin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole-of-government targets</td>
<td>Regulatory reform</td>
</tr>
<tr>
<td>(Rec 1)</td>
<td>(Rec 3, actions [i]-[iv])</td>
</tr>
<tr>
<td>Data sharing and cyber security</td>
<td>Procurement approach</td>
</tr>
<tr>
<td>(Rec 6)</td>
<td>(Rec 7, actions [i] and [ii])</td>
</tr>
<tr>
<td>Agency capability reviews</td>
<td>Budget tools and processes</td>
</tr>
<tr>
<td>(Rec 16)</td>
<td>(Rec 8, action [ii])</td>
</tr>
<tr>
<td>Implementation</td>
<td>Workforce processes</td>
</tr>
<tr>
<td>(Rec 17)</td>
<td>(Rec 12, action [ii])</td>
</tr>
<tr>
<td></td>
<td>CEO performance management</td>
</tr>
<tr>
<td></td>
<td>(Rec 13, action [i])</td>
</tr>
<tr>
<td></td>
<td>Central agency stewardship</td>
</tr>
<tr>
<td></td>
<td>(Rec 14, action [i])</td>
</tr>
</tbody>
</table>
The Panel suggests that the Department of the Premier and Cabinet be assigned the responsibility of leading the reform program, with a central implementation unit to coordinate and support actions. The implementation unit should plan the timing, sequencing and priority of those actions that need central coordination and support. It should also report progress of reform initiatives to the Government, the public sector and the community.

The recent creation of the Public Sector Leadership Council, the membership of which comprises of agency heads with the support of DPC, is a vehicle to provide system-wide governance of the reform program. As a first step, the Panel recommends that the council, with support from DPC, prepares a detailed implementation plan that integrates system-wide and agency-based reform actions with other government and public sector renewal priorities.

It will be important for relevant agencies to take proactive carriage of those elements of the reform agenda that are within their remit. DPC must act as an architect or overseer; the heavy lifting will fall in many cases to individual agencies.

DPC has leadership functions touching all aspects of the broad reform program that are crucial to ensure its success. Notwithstanding the current financial constraints, it will be necessary to ensure sufficient resources are available to allow the implementation program to proceed without delay.

An Institute for Government analysis of United Kingdom Civil Service reform observed that success largely depends on the awareness, understanding and insight of leaders. In each of the reforms they explored as part of their analysis, leaders who understood the context and operating environment, who set the ambition accordingly, and who had the right leadership and reform process in place to drive desired changes were the most successful.

Together, agency heads have a stewardship role to support and enable a system-wide approach to a culture of effectiveness, collaboration and community focus, and to lead and support reform initiatives.

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Regular external assessment of the reform progress is essential and the action plan will need to be reviewed and amended over time. The focus of the assessment will change as the implementation process matures. The Panel suggests that consideration be given to establishing a program and framework for its assessment, ideally to be undertaken externally to ensure objectivity. An initial short and sharp assessment at around 12 months should ask questions about resourcing, capabilities and expertise, and whether the reforms are getting traction. Later assessments should start to focus on outputs and, subsequently, on effectiveness, including workforce diversity and talent, and cultural change.

Achieving a whole-of-government approach depends on establishing both the structural mechanisms to build a more effective system and the cultural shift towards an outward facing sector with a shared sense of purpose. This calls for a range of action on all fronts. At every level, the sector should look to adopt system-wide thinking, more effective processes, a community and business-centred approach to design and delivery of services, and a focus on learning, adapting and improving. This is not a top-down or bottom-up shift – there is a role for everyone and a collective responsibility.

_The key ingredients to any change in the status quo will always lie with the Government’s unwavering commitment to fully implement any and all sensible recommendations; its various agencies’ commitment to changing the way they currently do business; and community being placed by both to be an informant, developer and driver of change._

Aboriginal Health Council of Western Australia
**Recommendation 17:** Drive effective implementation of public sector reform and renewal by allocating responsibility for oversight and action

**Suggested lead:** Decision of Government

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>RESPONSIBILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Consider assigning a minister with responsibility for public sector reform and renewal to assist the Minister for Public Sector Management.</td>
<td>Decision of Government</td>
</tr>
<tr>
<td>ii. Prepare a detailed implementation plan that integrates the Government's public sector renewal priorities.</td>
<td>Public Sector Leadership Council</td>
</tr>
<tr>
<td>iii. Lead, support and track progress of the ongoing public sector reform and renewal process.</td>
<td>DPC</td>
</tr>
</tbody>
</table>
6.2 Blueprint for reform

Building a public sector focused on community needs

**Recommendation 1**

*Introduce whole-of-government targets that will improve outcomes for the community*

**DPC**

**Actions**

1. Agree targets for a short list of community priorities that need cross-agency collaboration.

2. Lead the implementation of a whole-of-government targets approach, support agencies to deliver well against the targets, integrate and align the CEO performance arrangements and Treasury’s Outcome Based Management framework, and regularly publish sector-wide performance data.

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Decision of Government</th>
</tr>
</thead>
</table>

**Recommendation 2**

*Improve the quality of engagement with the community to enable a sharper focus on its needs*

**DPC**

**Action**

1. Develop a whole-of-government strategy for community engagement, including consideration of new approaches to program design and implementation.

| Responsibility          | DPC supported by all agencies |

DPC supported by all agencies
Building a public sector focused on community needs

**Recommendation 3**  
**Suggested Lead**  
*Drive regulatory approaches that are risk-based and outcomes-focused*

<table>
<thead>
<tr>
<th>Actions</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Develop best practice principles for making and applying regulation that include evaluation of policy objectives, involvement of end users, and transparency of data and decisions.</td>
<td>Treasury supported by regulatory agencies</td>
</tr>
<tr>
<td>ii. Redesign the Regulatory Impact Assessment process from assessment of regulatory burden to consideration of policy options, of which regulation is one option.</td>
<td>Treasury</td>
</tr>
<tr>
<td>iii. Develop a regulatory reform program for the whole of government that prioritises areas that have a significant impact on business, consumers and/or the community, and publish a progress report annually.</td>
<td>Treasury</td>
</tr>
<tr>
<td>iv. Make all heads of regulatory agencies responsible for regulation stewardship, including reducing regulatory overlap and duplication within and between agencies and between levels of government.</td>
<td>DPC</td>
</tr>
</tbody>
</table>

**Recommendation 4**  
**Suggested Lead**  
*Increase online service delivery to provide multiple channels for delivering transactional services*

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Undertake a feasibility study for implementation of a whole-of-government multi-channel transactional service delivery model.</td>
<td>DPC</td>
</tr>
</tbody>
</table>

**Recommendation 5**  
**Suggested Lead**  
*Improve the coordination of service delivery in the regions*

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Allocate system-wide coordination and reporting responsibility for public sector operations in the regions to the regional development portfolio.</td>
<td>Decision of Government</td>
</tr>
</tbody>
</table>
Enabling the public sector to do its job better

### Recommendation 6

**Strengthen data sharing and improve ICT performance and cyber security**

<table>
<thead>
<tr>
<th>Actions</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Develop legislation and processes to facilitate information sharing while protecting sensitive personal and other information.</td>
<td>DPC</td>
</tr>
<tr>
<td>ii. Assign responsibility for leadership of ICT procurement to the Department of Finance.</td>
<td>Decision of Government</td>
</tr>
<tr>
<td>iii. Initiate immediate work to substantially upgrade the sector's preparedness to deal with cyber security threats.</td>
<td>DPC</td>
</tr>
<tr>
<td>iv. Transfer the policy functions of the Office of the Government Chief Information Officer to the Department of the Premier and Cabinet</td>
<td>Decision of Government</td>
</tr>
</tbody>
</table>

**Suggested Lead**: DPC

### Recommendation 7

**Leverage government procurement to both reduce costs and improve outcomes for the community**

<table>
<thead>
<tr>
<th>Actions</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Strengthen the development and application of commercial acumen and contract management skills in procurement, and ensure regular evaluation, transparency and accountability applies at a system level.</td>
<td>DoF</td>
</tr>
<tr>
<td>ii. Develop a whole-of-government procurement strategy that accounts for operational, economic and social outcomes, including regional outcomes. Provide practical and targeted support for officers with procurement responsibility.</td>
<td>DoF</td>
</tr>
</tbody>
</table>

**Suggested Lead**: DoF
### Recommendation 8

**Overhaul the budget system to focus on fiscal sustainability and support agencies to achieve outcomes for the community**

<table>
<thead>
<tr>
<th>Actions</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i Strengthen the institutions surrounding the budget system, including by upgrading Cabinet processes and ensuring in legislation the independence and transparency of the budget forecasting process.</td>
<td>Treasury</td>
</tr>
<tr>
<td>ii Revise budget tools and processes to improve effectiveness and support agencies to focus on outcomes.</td>
<td>Treasury</td>
</tr>
<tr>
<td>iii Provide incentives for agencies to manage assets and finances to maximise their value to the State.</td>
<td>DoF</td>
</tr>
</tbody>
</table>

### Recommendation 9

**Improve governance, accountability and transparency for public sector entities**

<table>
<thead>
<tr>
<th>Actions</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i Review and rationalise the categories of agencies and other organisations within the public sector to establish key organisational principles to guide future review and reform.</td>
<td>DPC</td>
</tr>
<tr>
<td>ii Prepare ‘umbrella’ legislation to reform governance, accountability and oversight of GTEs in light of key organisational principles.</td>
<td>Treasury</td>
</tr>
<tr>
<td>iii Introduce a transparent, consultative mechanism for government board member selection, appointment and remuneration.</td>
<td>DPC supported by PSC</td>
</tr>
</tbody>
</table>
Reshaping and strengthening the public sector workforce

### Recommendation 10

**Develop a shared public sector workforce identity to support purposeful collaboration**

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Adopt and promote a public sector identity statement unique to WA that provides a collective vision and set of core values.</td>
<td>PSC supported by all agencies</td>
</tr>
</tbody>
</table>

### Recommendation 11

**Strengthen employee capability through better workforce planning and talent management**

<table>
<thead>
<tr>
<th>Actions</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Revise the current Western Australian Public Sector Employee Capability Framework to ensure it is fit for purpose and meets the needs of a contemporary workforce. Adopt a more robust whole-of-sector diversity strategy that better reflects the broader population, including through strategies to increase the representation of Aboriginal people, people with disability and women in senior levels. Implement strategic and systematic talent management within agencies and across the sector, including through a whole-of-sector graduate program.</td>
<td>PSC</td>
</tr>
<tr>
<td>ii.</td>
<td>PSC</td>
</tr>
<tr>
<td>iii.</td>
<td>PSC supported by all agencies</td>
</tr>
</tbody>
</table>
Reshaping and strengthening the public sector workforce

**Recommendation 12**  
*Modernise the employment framework to support employees and assist agency heads*  

**Actions**  

1. Streamline agency practices to enable effective workforce management  
2. Simplify and rationalise sector-wide workforce policy settings, directives and processes to achieve flexibility, mobility and scalability.  
3. Transfer public sector industrial relations functions and capability from the Department of Mines, Industry Regulation and Safety to the Public Sector Commission.

**Responsibility**  

- Agency heads supported by PSC and DMIRS  
- PSC and DMIRS  
- Decision of Government

Strengthening leadership across government

**Recommendation 13**  
*Redesign executive performance systems to clarify contemporary leadership expectations and to measure success*  

**Actions**  

1. Improve CEO performance management to support a more effective focus on system stewardship and whole-of-government objectives.  
2. Amend applicable legislation to:  
   - clarify responsibilities for CEO appointment, performance management and termination  
   - develop and introduce a mechanism for performance-based remuneration for CEOs.  
3. Revise arrangements for the senior executive service to retain and develop a mobile and high performing leadership group.

**Responsibility**  

- PSC  
- PSC  
- PSC
### Recommendation 14

**Strengthen the capacity of central agencies to take on a sector stewardship role**

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure regular, formal, purposeful engagement between central agency heads to strategically manage sector-wide issues including budget, workforce and high-level policy levers.</td>
<td>DPC with Treasury and PSC</td>
</tr>
</tbody>
</table>

### Recommendation 15

**Establish system-wide leadership to drive performance across common functions**

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a functional leadership framework and allocate responsibility for leadership of common functions across the sector, beginning with human resources, procurement and ICT.</td>
<td>DPC</td>
</tr>
</tbody>
</table>

### Recommendation 16

**Introduce a regular cycle of agency capability reviews to drive ongoing improvement across the sector**

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopt an agency capability improvement framework and implement a cycle of agency reviews using independent reviewers.</td>
<td>DPC supported by PSC</td>
</tr>
</tbody>
</table>
## Driving effective implementation

**Recommendation 17**

*Drive effective implementation of public sector reform and renewal by allocating responsibility for oversight and action*

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Consider assigning a minister with responsibility for public sector reform and renewal to assist the Minister for Public Sector Management.</td>
<td>Decision of Government</td>
</tr>
<tr>
<td>ii. Prepare a detailed implementation plan that integrates the Government’s public sector renewal priorities.</td>
<td>Public Sector Leadership Council</td>
</tr>
<tr>
<td>iii. Lead, support and track progress of the ongoing public sector reform and renewal process.</td>
<td>DPC</td>
</tr>
</tbody>
</table>
In the view of the Service Priority Review Panel, the Western Australian public sector has reached a fork in the road.

The high road leads to the creation of a high-performing public sector, as good as in any Australian jurisdiction, capable of giving high-quality advice to the government of the day, and delivering effective, affordable services to the community while adjusting to the risks and opportunities of a changing world. This road leads to a public sector which has an overarching identity based on an ethos of working together to consistently deliver outcomes for the Western Australian community.

The low road leads to ‘business as usual’, the continued substitution of process for outcomes, confused and vague lines of accountability, poor governance in key institutions, patchy coordination among different arms of government, a lack of clear priorities and a focus on short-term fixes rather than substantive solutions. In the face of rising community expectations in relation to government performance, the low road will inevitably lead over time to deepening community dissatisfaction.
The Panel has been impressed with the individual components of the public sector we have engaged with. Whether committed public servants in remote regions, or public sector employees engaged in various parts of the justice pipeline – to mention just two areas – we have invariably found that people are engaged, professional and committed to delivering for the government of the day and the community. Individual members of the public sector, and often their organisational units and agencies, are generally of high quality, often striving against complex bureaucratic barriers to make a difference.

It is not the individual components of the public sector which require reform. It is the public sector system which is not fit for purpose. The Blueprint for Reform is the product of a deliberate focus to identify the key elements of the public sector system which contribute to functional incapacity and therefore to systemic risks. The focus is limited to the issues which can make a tangible difference to outcomes for both the government of the day and the community.

One of the keystones of the Panel’s analysis is the recognition that the public sector is a core institution of our democratic system with a crucial role to play in assisting the government of the day to set priorities, take decisions on policy and programs, and a responsibility to implement government decisions conscientiously and efficiently. The quality of the public sector overall directly affects the quality of government and, ultimately, the quality of life and wellbeing of the community.

A key theme emphasised in the Panel’s analysis is the importance of the public sector’s collaborating and working together to reinforce the efforts of individual agencies and portfolio bodies. We have also identified a need for the senior leadership of the public sector to invest simultaneously in serving the government of the day and in tending to the longer-term needs of the sector so as to ensure it builds capability to serve future governments effectively and well. This stewardship role also extends to ensuring that the central agencies effectively operate with a single voice to reinforce the importance of the key values and drivers of a high-performing public sector.
The Panel’s analysis also recognises that the culture of the public sector is an important potential contributor – or constraint – to high performance. Culture is the sum of the values, formal and informal, that are broadly accepted across the sector. These values in turn derive from actions, not just rhetoric and words. Accordingly, the review has given priority to a series of recommendations and associated actions which are designed to be emblematic of the way a high-performing public sector operates. The focus on a single shared public sector identity, on whole-of-government targets and a regular cycle of agency capability reviews are not solutions in themselves. They are designed to slowly, methodically and incrementally expand the sector’s ways of working so as to reinforce systemic changes which will in turn drive positive change, shifting the culture explicitly towards better priority setting and achieving outcomes for the community.

The recommendations contained in this report also support changes to a number of other practices and values which will assist in building and sustaining system-wide capabilities. The Panel has been particularly conscious that the implementation of any public sector reform agenda is both complex and challenging. The day-to-day demands of public administration and policy development do not recede to make room for the change agenda, nor does the pace of change and emergence of new issues let up.

The scale of the challenges facing governments and the public sector will only increase into the future. The Panel’s view is that the WA public sector needs to step up a level to ensure it is capable of meeting these challenges. While proactive change is never easy, the risks of complacency are extremely high and will increase over time. To take just one example, the capacity of the sector as a whole to absorb, or find innovative solutions to, the financial constraints arising from the end of the resources boom and the drop off in State Government revenues will be substantially diminished should the public sector choose the low road of ‘business as usual’. Conversely, the high road will better position the public sector to drive the necessary changes and solutions, to take the tough decisions, and to assist the government of the day to explain the reasons for the decisions taken.
We are conscious that a number of reviews into particular aspects of public administration have either recently reported or will report over the coming months. The implementation task for the Blueprint will necessarily need to integrate with, sequence and prioritise the initiatives arising from the full suite of reviews. Moreover, there is a limit to the capacity of any public sector system to digest and take on board change. Our expectation is that, if endorsed, full implementation of the Blueprint will take the best part of four years, and inevitably circumstances and priorities will change over that period. The crucial element will be a commitment to drive a substantive and well-considered reform agenda, rather than a mechanistic box-ticking exercise.

The Blueprint laid out in this report is not a panacea. It does not avoid the need for tough decisions, for difficult choices, and for perseverance and patience. It does provide a roadmap forward which builds on the significant and real strengths of the public sector – such as the professionalism and integrity of most public sector staff – and identifies the missing ingredients which have allowed the sector to run down over recent decades and lose core functional capabilities. Those ingredients, which our recommendations are designed to foster and support, are institutional resilience built on proactive central agency leadership; cross-agency collaboration; sector-wide stewardship; a culture of transparency; a sense of purpose and shared identity across the public sector; and, most of all, a commitment at all levels of the public sector to work together to achieve tangible outcomes for the community.
GLOSSARY

The following words and phrases have specific meanings in this report:

Agency
A department, organisation, or other entity within the public sector, including government trading enterprises, statutory authorities, and all entities of that kind within the public education, health, justice and police systems. This definition is broader than the definition used in the Public Sector Management Act.

Agency head
The head of an agency, whether designated as a chief executive officer, chief employee, commissioner, director general or any other like term.

Blueprint for Reform
The 17 recommendations and 37 actions in this report, grouped under four directions for reform.

CEO
Chief executive officer as defined in the PSM Act.

Chief employee
Chief employee as defined in the PSM Act.

DMIRS
Department of Mines, Industry Regulation and Safety

DoF
Department of Finance

DPC
Department of the Premier and Cabinet

ERC
Expenditure Review Committee

FTE
Full-time equivalent employee

GTE
Government Trading Enterprise

ICT
Information and Communications Technology

KPI
Key Performance Indicator
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>OBM</td>
<td>Outcome Based Management framework under the <em>Financial Management Act 2006</em></td>
</tr>
<tr>
<td>OGCIO</td>
<td>Office of the Government Chief Information Officer</td>
</tr>
<tr>
<td>PSC</td>
<td>Public Sector Commission</td>
</tr>
<tr>
<td>PSM Act</td>
<td><em>Public Sector Management Act 1994</em></td>
</tr>
<tr>
<td>Public sector</td>
<td>Includes all agencies (that is, departments, organisations, and other entities including government trading enterprises, statutory authorities, and all entities of that kind within the public education, health, justice and police systems). This definition is broader than the definition used in the PSM Act.</td>
</tr>
<tr>
<td>SES</td>
<td>Senior Executive Service</td>
</tr>
<tr>
<td>Treasury</td>
<td>Department of Treasury</td>
</tr>
</tbody>
</table>
REFERENCES


United Kingdom Government. Year unknown. Welcome to Gov.UK. https://www.gov.uk/ [26 October 2017]


APPENDIX A

Service Priority Review context and Terms of Reference

The Western Australian Government announced the Service Priority Review on 4 May 2017.

The independent Service Priority Review Panel comprised former New Zealand State Services Commissioner Iain Rennie CNZM (Panel Chair), former UWA Senior Deputy Vice Chancellor Professor Margaret Seares AO, and former senior Commonwealth and Northern Territory public servant Michael Dillon. The review examined the functions, operations and culture of the WA public sector, with the aim of driving lasting reform of service delivery, accountability and efficiency.

The Panel, supported by a temporary secretariat of public sector officers, undertook consultation with stakeholders, including Cabinet, senior ministerial staff, agency leaders, public sector officers, community and business leaders, peak bodies, unions and academics. The Panel held consultations in Perth, several WA regions and in New South Wales and Victoria. The consultation gave the Panel a solid evidence base to inform its interim report, which was presented to the State Government on 15 August 2017. Consultation on the broad directions contained in the interim report helped to develop the Panel’s final recommendations.

In May 2017 the State Government asked the Service Priority Review Panel to advise on measures to:

• develop a more effective, outcome focused, adaptable and accountable public sector that is aligned to the State Government’s strategic priorities
• deliver services in an efficient and financially sustainable way
• provide different, better and lower cost services, where appropriate.

The Service Priority Review is one of the State Government’s public sector renewal initiatives, which also include:

• Machinery of government changes
• CEO Working Groups
• Special Inquiry into Government Programs and Projects
• Sustainable Health Review

The Service Priority Review Panel has taken account of these in developing its recommendations.

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182 Biographies of Panel members are contained at Appendix B.
183 The process and participants are further outlined in Appendices C and D.
Terms of Reference

The Service Priority Review is to review, report on and make recommendations with specific reference to:

1. Achieving cultural change within the public sector (e.g. promoting risk based decision making, promoting innovation and radical efficiency, improving accountability, and identifying incentives and disincentives to improved performance).

2. Promoting a culture of collaboration in the achievement of outcomes for the community.

3. Promoting public service innovation that delivers transformative public policy and service delivery that is different, better and lower cost.

4. Identifying opportunities to further consolidate public sector entities™ into departments or other entities aligned with government’s strategic imperatives (or other means to better align and coordinate roles and responsibilities across public sector entities).

5. Identifying opportunities to deliver government services, programs, projects and other initiatives more efficiently or effectively, including through a whole-of-government digital strategy, or to no longer be delivered.

6. Developing and implementing whole-of-sector key performance indicators to ensure more effective delivery of services to the community and support for economic activity and job creation.

7. Attracting and retaining a skilled public sector workforce with the capacity to meet emerging economic, social, environmental and technological challenges.

8. Achieving greater economies and efficiencies in Western Australia’s public sector administration, including opportunities to reduce bureaucracy and red tape within government, improve workforce management processes and facilitate workforce renewal in a fair and transparent manner.

The above issues are to be considered in the context of relevant previous reviews and experiences, both in Western Australia, other States and Territories, nationally and internationally, while recognising existing machinery of government changes.

™ Including all departments, SES organisations, non-SES organisations and public sector entities that are not organisations, but excluding Ministerial offices.
APPENDIX B

Service Priority Review Panel

The Service Priority Review was led by an independent three-member Panel and supported by a secretariat of public sector officers.

Iain Rennie CNZM (Panel chair)

Iain Rennie was the New Zealand State Services Commissioner from 2008 to 2016 and Deputy State Services Commissioner from 2007 to 2008. In his role as State Services Commissioner, Iain was responsible for overseeing a wide range of public sector renewal initiatives, including the introduction of whole-of-government targets, implementing the Performance Improvement Framework for the state sector and rolling out a systematic approach to talent management across the New Zealand Public Service.

Prior to his roles at the State Services Commission, Iain worked in the New Zealand Treasury where he was Deputy Secretary from 1997 to 2007. During this time, he led, first, the Treasury’s Budget and Macroeconomic Policy Branch and then the Regulatory and Tax Policy Branch.

Iain also worked in the New Zealand Department of the Prime Minister and Cabinet on two occasions, first, as Economic Advisor to the Prime Minister between 1990 and 1993 and then as Director of the Policy Advisory Group in 2004.

Iain was made a Companion of the New Zealand Order of Merit (CNZM) in 2017 in recognition of his services to the State.

Margaret Seares AO

Margaret Seares served as Senior Deputy Vice Chancellor of The University of Western Australia from 2004 to 2009, Chief Executive of the former Western Australian Department for the Arts from 1995 to 1997] and chairperson of the Australia Council from 1997 to 2001.

Margaret has been a member of a range of boards and committees at the national and State levels. She served as a member and then chair of the Perth International Arts Festival board from 2009 to 2015, deputy chair of West Australian Symphony Orchestra Holdings (2001-13) and was a member of the Electricity Generation and Retail Corporation from 2010 to 2013 and then the merged agency from 2013 to 2014.

Margaret was made an Officer of the Order of Australia in 2003 in recognition of her work in the arts and education.
Michael Dillon

Michael Dillon is a former CEO of the Northern Territory Department of Community Development, Sports and Cultural Affairs, which included responsibility for local government, public housing, the NT Library and the NT Museum. He is a former CEO of the Indigenous Land Corporation.

Michael was Deputy Secretary of the former Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs and has held senior roles in Aboriginal organisations in the East Kimberley and Central Australia, AusAID and Department of the Prime Minister and Cabinet.

Service Priority Review secretariat

<table>
<thead>
<tr>
<th>Michelle Andrews (Secretary)</th>
<th>Riva Kelly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tricia Alvares</td>
<td>Cheryl Leyland</td>
</tr>
<tr>
<td>Elspeth Burke</td>
<td>Alex Lyon</td>
</tr>
<tr>
<td>Emma Colombera</td>
<td>Paul Stewart</td>
</tr>
<tr>
<td>Frederica Dillon</td>
<td>Pip Strempel</td>
</tr>
<tr>
<td>Geraldine Feely</td>
<td>Lauren Tait</td>
</tr>
<tr>
<td>Jane Hammond</td>
<td>Susan Worley</td>
</tr>
<tr>
<td>Rod Hughes</td>
<td>Anny Yap</td>
</tr>
</tbody>
</table>

The following agencies provided officers to the secretariat on placement:

- Department of Biodiversity, Conservation and Attractions
- Department of Communities
- Department of Finance
- Department of Mines, Industry Regulation and Safety
- Department of the Premier and Cabinet
- Department of Treasury
- Department of Water and Environmental Regulation
- Public Sector Commission

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APPENDIX C

Consultation

The Service Priority Review Panel undertook extensive consultation for the review. The Panel held discussions with Cabinet, ministers, senior ministerial staff, government leaders, public sector employees, the community services sector, business and industry, peak bodies, Aboriginal representatives, unions and academics.

Panel members also engaged with stakeholders in regional Western Australia and met with key thinkers and influencers in other jurisdictions, including New South Wales and Victoria.

Methods of consultation included:

- meetings, workshops and forums
- participation in and input from CEO Working Groups
- visits to frontline service providers
- targeted discussions with new public sector employees and emerging leaders
- written submissions.

The Panel received 69 written submissions relating to the review’s terms of reference. Submissions, except those that were submitted as confidential, are available at www.dpc.wa.gov.au

The tables below outline the most common issues raised by stakeholders and the diversity of stakeholders who contributed to the review.
Stakeholders who provided feedback

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>WA public sector</td>
<td>48%</td>
</tr>
<tr>
<td>Community services sector</td>
<td>11%</td>
</tr>
<tr>
<td>Business and industry</td>
<td>11%</td>
</tr>
<tr>
<td>Other jurisdictions</td>
<td>7%</td>
</tr>
<tr>
<td>Research sector</td>
<td>7%</td>
</tr>
<tr>
<td>Aboriginal representatives</td>
<td>7%</td>
</tr>
<tr>
<td>Unions</td>
<td>3%</td>
</tr>
<tr>
<td>Local government</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

Issues raised by stakeholders

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing reforms</td>
<td>32%</td>
</tr>
<tr>
<td>Clarity on priorities</td>
<td>31%</td>
</tr>
<tr>
<td>Cross-sector collaboration</td>
<td>27%</td>
</tr>
<tr>
<td>Workforce capability</td>
<td>23%</td>
</tr>
<tr>
<td>Commercial acumen</td>
<td>22%</td>
</tr>
<tr>
<td>Sharing and using data</td>
<td>20%</td>
</tr>
<tr>
<td>Strategic direction</td>
<td>20%</td>
</tr>
<tr>
<td>Employment framework</td>
<td>19%</td>
</tr>
<tr>
<td>Place-based service design</td>
<td>16%</td>
</tr>
<tr>
<td>Efficiency</td>
<td>16%</td>
</tr>
<tr>
<td>Public sector culture</td>
<td>16%</td>
</tr>
<tr>
<td>Digital transformation</td>
<td>16%</td>
</tr>
</tbody>
</table>
APPENDIX D

List of meetings and submissions

Meetings

**Western Australian Government ministers**

Hon Mark McGowan MLA, Premier; Minister for Public Sector Management; State Development, Jobs and Trade; Federal-State Relations

Hon Roger Cook MLA, Deputy Premier; Minister for Health; Mental Health

Hon Stephen Dawson MLC, Minister for Environment; Disability Services

Hon Sue Ellery MLC, Minister for Education and Training

Hon Bill Johnston MLA, Minister for Mines and Petroleum; Commerce and Industrial Relations; Electoral Affairs; Asian Engagement

Hon Dave Kelly MLA, Minister for Water; Fisheries; Forestry; Innovation and ICT; Science

Hon Francis Logan MLA, Minister for Emergency Services; Corrective Services

Hon Alannah MacTiernan MLC, Minister for Regional Development; Agriculture and Food; Minister assisting the Minister for State Development, Jobs and Trade

Hon Simone McGurk MLA, Minister for Child Protection; Women’s Interests; Prevention of Family and Domestic Violence; Community Services

Hon Mick Murray MLA, Minister for Seniors and Ageing; Volunteering; Sport and Recreation

Hon Paul Papalia MLA, Minister for Tourism; Racing and Gaming; Small Business; Defence Issues; Citizenship and Multicultural Interests

Hon John Quigley MLA, Attorney General

Hon Rita Saffioti MLA, Minister for Transport; Planning; Lands

Hon David Templeman MLA, Minister for Local Government; Heritage; Culture and the Arts

Hon Peter Tinley MLA, Minister for Housing; Veterans Issues; Youth

Hon Ben Wyatt MLA, Treasurer; Minister for Finance; Energy; Aboriginal Affairs
Government entities

Aboriginal Lands Trust
Aqwest
Busseton Water Corporation
City of Karratha
Department of Biodiversity, Conservation and Attractions
Department of Communities
Department of Education
Department of Finance
Department of Health
Department of Jobs, Tourism, Science and Innovation
Department of Justice
Department of Local Government, Sport and Cultural Industries
Department of Mines, Industry Regulation and Safety
Department of Planning, Lands and Heritage
Department of Primary Industries and Regional Development
Department of the Premier and Cabinet
Department of Training and Workforce Development
Department of Transport
Department of Treasury

Department of Water and Environmental Regulation
Fremantle Port Authority
Gold Corporation
Horizon Power
Karratha Quarter Interagency Working Group
Kimberley Development Commission
Kimberley Ports Authority
Kimberley Strategic Regional Advisory Council’s Aboriginal advisers
LandCorp
Landgate
Mental Health Commission
Mid West Ports Authority
Office of Science
Office of the Auditor General
Office of the Director of Public Prosecutions
Office of the Government Chief Information Officer
Office of the Inspector of Custodial Services
Peel Development Commission
Pilbara Human Services Regional Managers Forum
Pilbara Ports Authority
Public Sector Commission
Racing and Wagering Western Australia
Royal Perth Hospital
Shire of Broome
Shire of Derby
South West Development Commission
Southern Ports Authority
Synergy
WA Country Health Service
Water Corporation
Western Australian Aboriginal Advisory Council
Western Australia Police Force
Western Power
West Kimberley District Leadership Group

**Western Australian public sector renewal initiatives**

CEO Working Groups
Special Inquiry into Government Programs and Projects
Sustainable Health Review

**Government entities of other jurisdictions**

National Audit Office (United Kingdom)
New South Wales Department of Finance, Services and Innovation
New South Wales Department of Premier and Cabinet
New South Wales Public Service Commission
Regional Development Australia - South West Service NSW
Victorian Department of Premier and Cabinet
Victorian Public Sector Commission

**Non-government entities**

Aarnja
Australian Red Cross
Bunbury Geographe Chamber of Commerce and Industry
Carers WA
Chamber of Commerce and Industry of Western Australia
Chamber of Minerals and Energy of Western Australia
Community and Public Sector Union / Civil Service Association of WA
Family Inclusion Network of Western Australia
Family Matters
Health Services Union of Western Australia
Kimberley Regional Service Providers
Mamabulanjin Aboriginal Corporation
Marra Worra Worra Aboriginal Corporation
Mega Data Cluster WA
Morrgul
Murdoch University
Nirumbuk Aboriginal Corporation
Nyamba Buru Yawuru
Project 6718 Working Group
Shelter WA
South West Aboriginal Land and Sea Council
State School Teachers’ Union Western Australia
Telethon Kids Institute
The Nexus Network
UnionsWA
United Voice
WA Local Government Association
WA Regional Capitals Alliance
Western Australian Biodiversity Science Institute
Western Australian Council of Social Service
Western Australian Prison Officers’ Union
Winun Ngari Aboriginal Corporation

Consultants
Ernst & Young
PricewaterhouseCoopers
McKinsey & Company
more than ideas

Individuals
Ralph Addis, Director General Department of Primary Industries and Regional Development
Michael Barnes, Under Treasurer Department of Treasury
Iain Cameron, Interim Road Safety Commissioner
Barry Carbon, former chair Environmental Protection Authority
Vaughan Davies, Director General (former) Department of Aboriginal Affairs
Nicholas Egan, Acting State Solicitor
Chris Field, Ombudsman
Darren Foster, Director General Department of the Premier and Cabinet
Kelly Francis, Aarnja’s Kimberley Aboriginal Young Leaders Program
Richard Goyder
Gary Gray, General Manager External Affairs Mineral Resources
Evan Hall, CEO Tourism Council WA
Warren Harding, Senior Advisor
McKinsey & Company

Stuart Hicks, former chair South West Development Commission

Paul Lane, Director Kimberley Institute

Alama Maher, Aarnja’s Kimberley Aboriginal Young Leaders Program

Timothy Marney, Mental Health Commissioner

Lord Maude of Horsham

Robin McClellan, CEO Leadership WA

Gail McGowan, Director General Department of Planning, Lands and Heritage

Travers McLeod, CEO Centre for Policy Development

Professor Jill Milroy, Dean School of Indigenous Studies, University of Western Australia

Professor Peter Newman, Curtin University Sustainable Policy Institute

Anne Nolan, Director General Department of Finance

Giles Nunis, Government Chief Information Officer

Martin O’Malley, 61st Governor of Maryland, USA

Duncan Ord, Director General Department of Local Government, Sport and Cultural Industries

Ruth Owen, Ernst & Young

John Phillimore, Executive Director John Curtin Institute of Public Policy, Curtin University

Mike Rowe, Director General Department of Water and Environmental Regulation

Grahaeme Searle, Acting Director General Department of Communities

Richard Sellers, Director General Department of Transport

Tim Shanahan, University of Western Australia

Tonii Skeen, Aarnja’s Kimberley Aboriginal Young Leaders Program

David Smith, Director General Department of Mines, Industry Regulation and Safety

Sam Walsh

Mal Wauchope, Public Sector Commissioner

Jeff Whalan, Managing Director Jeff Whalan Learning Group

Emma White, Director General (former) Department for Child Protection and Family Support

Dwesmond Wiggan-Dann, Aarnja’s Kimberley Aboriginal Young Leaders Program
Submissions Received
Listed in order of receipt:

1. Confidential
2. Mark Weeks
3. Confidential
4. Chamber of Commerce and Industry of Western Australia
5. State School Teachers’ Union Western Australia
6. UnionsWA
7. United Voice
8. Community & Public Sector Union / Civil Service Association of WA
9. Health Services Union Western Australia
10. Confidential
11. Western Australian Council of Social Service
12. ShelterWA
13. Duncan Ord, Acting Director General Department of Local Government, Sport and Cultural Industries
14. Department of Treasury
15. Ron Couacaud
16. Colin Pettit, Commissioner for Children and Young People Western Australia
17. Anna Dixon, IQ Creative; Paul Rosair, NAJA Business Consulting Services
18. Minderoo Foundation
19. Coalition for Asylum Seekers, Refugees and Detainees; Riverview Church; Curtin University Centre for Human Rights Education; Uniting Church in Australia WA; Australia Information Industry Association
20. Department of Finance
21. Confidential
22. Kat Lothian
23. Confidential
24. Lauchlan McIntosh, President Australasian College of Road Safety
25. WA Forest Alliance
26. Yaandina Community Services
27. Horizon Power
28. Royal Society for the Prevention of Cruelty to Animals Western Australia
29. Community of Practice of Chief Human Resource Officers
30. Confidential
31. Public Sector Commission
32. Confidential
33. Australia Information Industry Association
34. Confidential
35. Policy Think Tank
36. Tourism Council WA
37. Mark Woffenden, CEO Minerals Research Institute of WA
38. Graham Barrett, Community Matters
39. Peter Newman, Applied Innovation Centre
40. Mark Weeks
41. Neil MacNeill
42. Agnes Tay
43. Valuing Children Initiative
44. Community Legal Centres Association (WA)
45. State Records Office
46. David Russell-Weisz, Director General Department of Health
47. SAS Institute
48. Western Australian Council of Social Service
49. Wheatbelt Development Commission
50. Western Australian Network of Alcohol and other Drug Agencies
51. Joe Calleja
52. Parul Chauhan
53. Department of Communities
54. Department of Finance
55. Western Australian Museum
56. Linkwest
57. Department of Mines, Industry Regulation and Safety
58. Confidential
59. Aboriginal Health Council of Western Australia
60. Landgate
61. Mike Rowe, Director General Department of Water and Environmental Regulation
62. Eugenio Carroll
63. Confidential
64. Professor Peter Newman, Curtin University Sustainable Policy Institute
65. Health Services Union Western Australia
66. Health Services Union Western Australia
67. Royal Society for the Prevention of Cruelty to Animals Western Australia
68. Community and Public Sector Union /Civil Service Association of WA
69. Telstra
APPENDIX E

Background papers

The following background papers were prepared by the Service Priority Review secretariat to inform the work of the Panel.

1. Agency capability reviews
2. Best practice regulation
3. Overview of the budget process
4. Counterproductive rules and processes
5. Digital transformation
6. Engaging with the community
7. Functional leadership
8. Government boards and committees
9. Government trading enterprises
10. Leader performance management and accountability
11. One sector workforce
12. Privacy and information sharing
13. Procurement of goods and services
14. Public sector employment framework
15. Role of the centre
16. Service design and delivery
17. Successful implementation of reform
18. Whole-of-government targets
APPENDIX F

Expenditure report as at 31 October 2017

<table>
<thead>
<tr>
<th></th>
<th>Year to Date</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget ($)</td>
<td>Actual ($) to 31/10/17</td>
<td>Estimated ($) to project end</td>
<td>Variance ($)</td>
</tr>
<tr>
<td>Budget</td>
<td>500,000.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultancy fees*</td>
<td></td>
<td>354,161.00</td>
<td>35,000.00</td>
<td></td>
</tr>
<tr>
<td>All other expenditure**</td>
<td></td>
<td>59,942.80</td>
<td>17,000.00</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>500,000.00</td>
<td>414,103.80</td>
<td>52,000.00</td>
<td>33,896.20</td>
</tr>
</tbody>
</table>

* Service Priority Review Panel consultation charges as per terms of engagement  
** Includes travel, accommodation, meals and secretariat expenditure
WORKING TOGETHER
ONE PUBLIC SECTOR DELIVERING FOR WA

www.dpc.wa.gov.au

SERVICE PRIORITY REVIEW
FINAL REPORT TO THE WESTERN AUSTRALIAN GOVERNMENT
OCTOBER 2017