SERVICE PRIORITY REVIEW
INTERIM REPORT TO THE WESTERN AUSTRALIAN GOVERNMENT

August 2017
Service Priority Review

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About this report

The Service Priority Review interim report contains the observations and views of the independent Service Priority Review Panel following consultation with stakeholders and according to the review’s Terms of Reference1.

The report outlines directions for reform in the Western Australian public sector that could achieve outcomes in the medium term, including budget repair and better services for the community.

The report does not contain the ‘A to Z’ of public sector reform; it identifies the elements of reform that have the greatest capacity to catalyse change. In general, the report does not contain specific recommendations – these will be included in a final report.

The Panel has provided early advice and recommendations on one key reform initiative – a whole of government targets framework – which, if developed and implemented well, would respond to several of the critical challenges facing the public sector.

The Panel will use this report to canvass the suggested directions, to test whether they are appropriate and the Panel’s assessments are accurate. This will help guide the preparation of a final report by October 2017.

1 The context for the review and Terms of Reference are contained in Appendix A.
INTRODUCTION

Western Australia’s economic circumstances, a new State Government and the recent machinery of government changes create the opportunity and the imperative to rethink the State’s public sector design, practices and service delivery to achieve better outcomes for the community.

The WA public sector faces challenges that could be true of public sectors in any jurisdiction:

- rising community expectations for responsive service delivery
- clear expectations by ministers for high quality policy advice
- high levels of volatility, uncertainty, complexity and ambiguity in the operating and political environments
- accelerating social and technological change
- expectations in the contemporary workforce for greater flexibility, mobility and a forward looking culture in the workplace.

Much that is good about living and working in WA depends on the ability of the State’s public sector to meet these challenges. 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 now 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 State that can be drawn upon.
Starting work now is essential. WA’s financial position means that the State simply cannot afford business as usual. Delay in progressing public sector reform will lead to much greater adjustment costs for the State Government when change is finally embraced. The directions for reform proposed in this report, and developed in the Panel’s final report, will improve outcomes and reduce the financial waste that comes with organisations working in isolation from one another.

Significant and sustained public sector reform will provide a better future for the community. It will create a public sector that attracts and retains the very best people who are proud to work on behalf of all Western Australians.

Working collaboratively will be the key to future success. The people of WA do not care which government department provides their services: they simply care about value for money, outcomes and the experience they have in dealing with government.

The Service Priority Review

The State Government announced the Service Priority Review on 4 May 2017. The wide-ranging review is examining the functions, operations and culture of the WA public sector. It aims to drive lasting reform of service delivery, accountability and efficiency.

The independent Service Priority Review Panel comprises former New Zealand State Services Commissioner Iain Rennie CNZM (chair), former UWA Senior Deputy Vice Chancellor Professor Margaret Seares AO and former Indigenous Land Corporation Chief Executive Officer Michael Dillon.

The Panel, supported by a secretariat, has undertaken consultation with stakeholders, including Cabinet, senior ministerial staff, agency leaders, public sector officers, community and business leaders, peak bodies, unions and academics. The Panel has held consultations in Perth, several WA regions and in New South Wales and Victoria.

The consultation has enabled the Panel to build an evidence base to inform the review.

2 The process and participants are further outlined in Appendices C and D.
Defining ‘the public sector’

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

In this report the phrase ‘the public sector’ refers to all government agencies and organisations – departments, ministers’ offices, statutory authorities, government trading enterprises and more – that are established under a written law and 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 or environmental services. Although those organisations are beyond the scope of this review, some have contributed to the review 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 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.
COSTS AND OUTCOMES

It is beyond argument that in 2017 Western Australia finds itself in an extremely difficult financial situation. In comparison with other states, WA’s debt levels are high and are forecast to continue growing. In 2016-17, WA’s:

- ratio of net debt to revenue for the total non-financial public sector (a sub set of the total public sector and a key focus of credit rating agency assessments) was estimated to be 82 per cent. This is the highest of all states, with the equivalent ratio in other states ranging from 27 per cent in Tasmania to 70 per cent in South Australia

- net debt as a share of the economy was estimated to be 14 per cent. Again, this is the highest of all states, with the equivalent ratio ranging from four per cent in New South Wales to 13 per cent in South Australia.

WA’s high debt levels are primarily the result of higher levels of per capita infrastructure spending and public sector wages compared to other states, as well as the decline in general government revenue since 2013-14, which has necessitated additional borrowings. In the post boom era the public sector as presently structured is financially unsustainable. Figure 1 demonstrates the serious structural imbalance in the State’s revenue and expenditure over the past five years. Figure 2 illustrates total expenditure on public services in 2016-17.

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FIGURE 1: GENERAL GOVERNMENT REVENUE AND EXPENSES, 2012-13 TO 2016-17

Source: 2016-17 Pre-election Financial Projections Statement, Chapter 1, Department of Treasury

FIGURE 2: TOTAL EXPENDITURE ON PUBLIC SERVICES

Source: 2016-17 Pre-election Financial Projection Statement, Table 1, Department of Treasury

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3 Information provided by the Department of Treasury.
Figure 3 shows total public sector salaries, which currently account for approximately 44 per cent of general government expenditure. Figure 4 shows how public sector salaries have increased from 2011-12 to 2015-16, with average growth of 4.5 per cent per year.

**FIGURE 3: PUBLIC SECTOR LABOUR COSTS**

**FIGURE 4: PUBLIC SECTOR LABOUR COSTS OVER TIME**

Source: 2016 State of the Sectors Report, Table 1, Public Sector Commission; Australian Bureau of Statistics, Labour Force Publication 6202.0; 2015-16 Annual Report on State Finances, Table 3, Department of Treasury

Source: Annual Report on State Finances, Various, Department of Treasury

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Figure 5 shows comparative salaries for employees in some sectors to illustrate the impact of public sector wages on the overall cost of the sector.

Unprecedented demand during the resources boom led to recruitment of extra front-line staff to service population growth, and led to upwards pressure on public sector wage levels.

Further to the fiscal situation, the Panel was surprised to find that there is little systematic information on WA’s public sector performance – and the outcomes the sector achieves for the community. While the paucity of information means that caution needs to be taken in making conclusions, 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 service areas. To the contrary, Productivity Commission data indicates that some key public services in WA are less efficient and effective than other states.

* Data relates to nurses at an equivalent rate to registered nurses 1.8, teachers equivalent rate to level 2.9 and police sergeants at entry level.

Source: Department of Treasury analysis based on published wage information as at 30 June 2017.
For instance:

- although WA’s public hospital system was the most expensive of all states in 2014-15 in per-capita terms, only 65 per cent of emergency department patients were seen on time compared with 74 per cent nationally

- WA’s recurrent court services costs per criminal case are 43 per cent above the Commonwealth Grants Commission (CGC) benchmark, per prisoner costs are 21 per cent above the CGC benchmark and per community corrections offender costs are 102 per cent above the benchmark. However, 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.

And, despite state-wide expenditure on services for Aboriginal people amounting to $53,000 per person, or $4.9 billion per annum (with higher numbers in regional WA), 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 46 per cent of 15-64 year olds are employed (79 per cent for non-Aboriginal people).

While providing value for money is an important public sector responsibility, the sector’s role as a steward of public resources goes further than financial management. The public sector is responsible for decisions about access to resources, environmental custodianship, the allocation and management of property rights and other matters. However, there appears to be no central data available that demonstrates the public sector’s collective effort in these areas.

The lack of a coherent, overarching set of data illustrating the State’s aims and its progress towards them speaks of a lack of focus on priorities, consistent narrative and direction. The Panel asks, how can the State make informed decisions about where its resources should be allocated and how its efforts are best directed without robust, readily available information about how it is performing in key policy areas?

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6 Information provided by the Department of Treasury.
8 Department of the Premier and Cabinet. 2014. Location Based Expenditure Review. Government of Western Australia, Perth.
9 Department of Aboriginal Affairs. 2015. Progress against closing the gap. Government of Western Australia, Perth.
FOUR DIRECTIONS FOR REFORM

There are significant strengths in the Western Australia public sector that provide a strong foundation on which to build. Public sector employees in general 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 engagement, collaboration and innovation across the sector.

The Panel’s consultation to date has also found a widely-held view that the public sector needs comprehensive and sustained reform to adjust to contemporary circumstances. While stakeholders have identified differing areas for improvement, there are broad areas of convergence.

Beyond the issues already noted above, the public sector faces challenges more particular to the State’s economy and geography:

- fiscal conditions that make tough choices inevitable
- cyclical nature of the WA economy causing a ‘boom-bust’ employment cycle that affects public sector recruitment and retention
- changing climate, including progressive drying, particularly in the South-West
- a range of environmental pressures on WA’s unique biodiversity
- dispersed regional and remote communities, especially Aboriginal communities
- diverse regions with pockets of disadvantage alongside communities grappling with the consequences of rapid economic growth.

Many of the challenges facing the WA public sector are not new. They have surfaced in previous reviews in WA and other jurisdictions. But too often, the public sector has been unable to move from problem identification to action and then to sustained and effective solution. The 2009 Economic Audit Committee review10 is a case in point: it contains more than 500 pages of analysis based on months of work by an eminently qualified steering group, including several of the most senior WA public servants. However, implementation appears to have been selective – mainly focused on contracting with the community services sector – and consequently the wider potential benefits of reform have not been realised. This is not an isolated case and points to a lack of implementation capability in the WA public sector.

10 Economic Audit Committee. 2009. Putting the Public First, Partnering with the Community and Business to Deliver Outcomes. Government of Western Australia, Perth.
This section explores four directions for reform that will be further developed in the Panel’s final report to the State Government.

1 Building a public sector focused on community needs

Factors causing sub-optimal performance in the WA public sector:

- insufficient focus on the external ‘customer’ – the public
- lack of collaboration across the sector to solve complex problems
- lack of solutions – despite efforts – to improve outcomes for remote communities
- insufficient recognition that all regions and communities are different and need tailored, often community-led, solutions
- limited genuine co-design of services, in particular for regional and Aboriginal people
- undeveloped relationships with businesses and the community services sector
- fragmentation and duplication of services within and between tiers of government and the private sector, resulting in service gaps and inefficient use of funding.

The public sector delivers and facilitates services that vary greatly in purpose, design, delivery, cost and outcomes. The sector’s services can be categorised as a spectrum, ranging across:

- transactional services such as licensing and payments
- regulatory functions, including single and multiple approvals
- services to large cohorts (such as health or education)
- wrap-around human services
1.1 Improve service design and delivery

While there are differences between the transactional and human services, there are opportunities for improvement right across the service delivery spectrum, based on an understanding of and respect for customers’ and communities’ needs. Underpinning customer involvement across the spectrum is the need for the sector to understand, use and appropriately share the data it holds.

The design and delivery of human services, in particular, should involve input from the customer so that services are tailored appropriately and are place-based, especially in regional and remote areas of WA. Regional workforces also need decision-making authority to implement local solutions. Community services organisations and public sector agencies have unanimously supported the co-design of human services as a way to improve outcomes.

Consultation with the public sector has revealed a strong and common desire for data to be shared among agencies and used to make informed decisions about service delivery and contract management. The data should also be publicly available wherever possible to enable communities to identify and advocate for their needs.

There is a strong desire for data to be shared and used to make informed decisions about service delivery. Data should be publicly available to enable communities to identify and advocate for their needs.
1.2 Deliver better services through digital transformation

There are opportunities to transform transactional service design and delivery (for instance, managing payments, notifications, licensing and entitlements) by improving the public sector’s harnessing of technology.

Digital technologies can provide a better customer experience while reducing the cost of service delivery. A 2015 analysis\(^1\) suggests the cost of a face-to-face customer transaction is $16.90 compared to $0.40 for an online transaction.

There are pockets of innovation in online service delivery but, in general, online service delivery across the public sector is inconsistent and fragmented. The Office of the Auditor General has identified the potential to save more than $2.2 billion over 10 years by moving services online\(^2\).

In other jurisdictions (most notably New South Wales), new digital platforms have resulted in simplified processes, more efficient compliance, better engagement with the customer, integrated evaluation and continuous improvement.

The Panel has reviewed the WA Government ICT Strategy 2016-2020 and notes the progress of the ‘ServiceWA (Digital) Program’, which aims to provide a whole of government portal providing secure access to digital services and information\(^3\). The portal is an important step towards improving awareness of and access to WA Government services available online, but until the underlying architecture allows for an integrated user experience, it falls short of true digital transformation.

There are significant barriers to digital transformation in the State. First, there are potential barriers to delivery and participation caused by inconsistent internet services and telecommunications pricing, particularly in the regions.

Second, digital transformation – beyond just channel-shifting – requires strong leadership and commitment to a fundamental reconsideration of development methods and service design approaches for WA.

Third, there will be a requirement for upfront investment in skills and infrastructure. These may need to be funded through revised priorities within the sector rather than additional or new funding.

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Fourth, there are both legal and cultural barriers to information sharing between agencies, and the lack of a clear legislative and policy framework around how data can be lawfully and fairly managed is causing unnecessary blockage.

Fifth, low implementation capability increases the risk that reform commitment will not be sustained or effective\(^4\).

These barriers call for a major cultural shift requiring transformative leadership and comprehensive upskilling, including openness to using relevant skills from the private sector to implement the required changes.

**1.3 Adopt a whole of government approach to many transactional services**

A step beyond digital service delivery is an integrated ‘one stop’ model, including digital services as well as call centre and face-to-face delivery for selected services. This approach underpins the NSW Government’s Service NSW model, which allows customers to access more than 950 services on behalf of more than 40 government agencies from single locations across the Service NSW network.

Victoria will launch an online services initiative later this year. The Panel notes that both states have invested almost five years’ work to reach their current capability.

The current or planned physical co-location of State Government agencies, particularly in regional areas, could be an opportunity to test the ‘one stop’ model in WA (Service NSW was trialled in the regional city of Kiama).

As with digital transformation, similar initial barriers exist. The most significant include cultural and legal barriers to information sharing within and between agencies, as well as the implementation capability constraint identified earlier.

Crucially, ‘one-stop’ service delivery involves developing a deep understanding of customers’ needs and the ability to redesign and regroup services to meet them. Establishing a ‘one stop’ model for WA also offers a potential tool to drive a greater whole of government service culture which would deliver substantial benefits and be welcomed by the broader WA community.

The fact that WA has made only preliminary steps towards online service delivery puts the State in a good position to learn from other jurisdictions’ experiences and leverage existing intellectual property.

\(^{4}\) At least as far back as 2006-07, the Department of the Premier and Cabinet in its annual report was referring to the need to embark on digital transformation.
1.4 Recognise community needs in designing and delivering services

The geographic expanse of Western Australia presents particular challenges in designing and delivering services. A metro-centric ‘one size fits all’ approach is failing to meet the needs of regional and remote communities. The approach generates red tape and means that regional issues and priorities are not always well understood.

Standards do need to be applied consistently across the State but solutions for metropolitan areas often have limited success in the regions. This is especially true for the State’s remote Aboriginal communities.

Long lasting and systemic change is required to improve outcomes for Aboriginal people in regional and remote WA. The Panel notes the work of the regional services reform team now placed within the new Department of Communities. The team is driving reforms in the delivery of housing, education, employment and human services. Initial findings of the team’s consultation with Aboriginal people include the need for better co-design and coordination of government services; improved access to key services; and greater employment and economic opportunities.

Similar feedback has been provided to the Panel during its consultation with stakeholders. The Panel has heard that greater flexibility in service design and delivery and better engagement with Aboriginal people will contribute to improved outcomes for Aboriginal communities. Place-based models of service delivery, cultural awareness training for public sector employees and increased recruitment of Aboriginal people in the public sector have been identified as strategies for positive change.

The Panel strongly supports the continuation of regional services reform as both a mechanism to increase engagement and collaboration between the State Government and Aboriginal people, and as an essential journey towards overcoming Aboriginal disadvantage.
1.5 Design and implement good quality regulation

One of the roles of the public sector is regulating private sector activity to improve public outcomes. The Panel has heard from the business sector and industry that a multiplicity of regulatory requirements in some areas can constrain the State’s economy, particularly when resources are diverted to managing multiple decision-makers or complying with inconsistent requirements. The State Government has clearly articulated the priority of generating more jobs and diversifying WA’s economic base. An effective regulatory system is one of the most powerful levers available to the State Government to realise these outcomes.

The public sector – as the custodian of the State’s resources – must act in the public interest to ensure the highest possible environmental and safety standards. But the Panel encourages the sector to find ways in which this stewardship responsibility can be achieved without imposing an unnecessary resourcing or compliance burden on business and industry.

The recent machinery of government changes, by bringing together agencies with common regulatory aims, represent an important opportunity to streamline and improve regulatory processes and practice.

High quality regulation avoids undue compliance burden and can be a positive driver for innovation and investment, attracting industry and business to the State. Achieving a coherent regulatory framework requires strong system-wide leadership.

The ability to design and implement streamlined regulatory schemes can be a powerful tool for change, and the skills it requires should not be underestimated. Regulatory professional skills would be enhanced by cross-agency communication and mobility. A sophisticated approach to data would also help the sector to align regulatory processes and design fit for purpose regulation.
The Panel is aware of efforts to reduce regulatory red tape, including those of the Regulatory Gatekeeping Unit in the Department of Treasury. At the same time, other jurisdictions show that there can be additional value from formal, perhaps mandatory, mechanisms to limit the growth of subsidiary legislation. Managing the State’s stock of regulation to ensure that it is fit for purpose is an important and ongoing task.

1.6 Introduce whole of government targets

One tool to shift the focus of the sector more to community outcomes is a whole of government targets approach. This is an initiative to support a culture of ensuring outward benefits are actually delivered, whereas some of the current tools simply ensure separate, internal process is followed. Targets are a tool that can enhance a culture of intervening to prevent problems, rather than waiting to react to them. Targets can enable groups of agencies to align their actions to achieve more benefit for the community than they could by acting alone.

A targets approach is about tackling some of the most complex issues facing the community. It enables government to clarify those priorities it will put collective effort into for the medium and long term. This is a challenging approach, as there is often no quick fix and some issues may get worse before the benefits of the longer term strategies can be seen. However, the community is front and centre in terms of reaping the benefits, and progress is reported to the community through indicators drawn from accessible data.

In preparing this interim report, the Panel concluded that it should provide early advice and recommendations on a whole of government targets framework as a catalyst for reform. The intent is to start to address some of the issues raised and energise the sector through changed ways of working. Whole of government targets are discussed in greater detail later in this report.
2 Enabling the public sector to do its job better

Factors causing sub-optimal performance in the WA public sector:

- poor use of project planning, competition and innovation to maximise public value from the whole sector
- processes and practices that focus on narrow conceptions of accountability and compliance, and discourage effectiveness and collaboration
- internal rules, red tape and risk aversion stifling innovation
- a culture of process over outcomes
- a cultural tendency to avoid risk, driven by internal systems and by a political environment that is unforgiving of mistakes
- inconsistent collection, management and sharing of data
- inconsistent uptake of technological solutions to enhance service delivery and generate efficiencies
- poor use of data to understand customer needs, measure outcomes, drive contemporary service design and evaluate effectiveness
- uncertainty and inconsistency around governance arrangements for, and the public value to be derived from, government trading enterprises
- existing frameworks and approaches unable to respond to complexity.
2.1 Discard counterproductive rules and processes

Overly prescriptive systems, rules and internal processes can stifle innovation and collaboration, and divert agency efforts away from achieving broader outcomes. Stakeholders have identified that this is particularly true of aspects of the budget process and public sector human resource management processes, such as recruitment activity.

The budget process is structured in a way that contributes to siloed behaviours in departments, focusing agencies on protecting funds and responsibilities, as opposed to identifying needs at a customer level. In recent years, the use of blunt, short-term ‘efficiency dividends’ and staffing caps to support short-term deficit reduction have weakened the incentives for departments to develop sustainable financial management strategies. These approaches may have created incentives for agencies to use external contractors and consultants where this may not have been the optimal decision.

Public sector recruitment practices are regulated through the Public Sector Management Act 1994 and Public Sector Commissioner’s Instructions. A recent internal Public Sector Commission review found that time spent filling vacancies had generally improved across the public sector and compares favourably to other state jurisdictions. However, the review also found variable agency recruitment performance, additional ‘layers’ of policy and process being applied to mitigate risk against ‘Breach of Standard’ claims, and inadequate measuring of the quality of hire. The Panel is concerned that current agency recruitment practices may not be attracting the best candidates, which can significantly impact on overall sector performance.

A directors general working group on public sector efficiency is reviewing internal red tape issues in greater detail. The Panel believes that central agencies have a critical role in reducing burdensome and unnecessary rules and regulation at the macro level.
2.2 Get better value from procurement

Procurement is a core public sector function, ranging across low-cost day-to-day purchases to high-cost, high-risk contractual arrangements. Current procurement practices across the sector suggest there are opportunities for a common approach to achieve best practice, while driving economies of scale to achieve savings.

By developing commercial acumen, the public sector can maximise value from procurement activities and reduce risks. This includes:

- further improving contracting and negotiating processes
- clustering procurement processes to leverage the State’s buying power
- managing the demand of the sector itself
- 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.

The opportunity for more effective procurement processes across the public sector is not just about financial savings. Implementing best practice in procurement can drive better targeted and consumer-centred services, encourage innovation and as a consequence, increase community satisfaction.

The Department of Finance has a central role in procurement and is working to build procurement capability across government\(^\text{15}\). While the support it provides to line agencies to improve procurement is positive, there is scope for further improvements, particularly around establishing best practice and clustering contracts. A wealth of data is collected in the course of the State Government’s procurement operations that could be leveraged much more effectively to increase accountability, service delivery and supplier management.

The Panel notes the Government’s current Special Inquiry into Government Programs and Projects which is due to report later this year.

\(^{15}\) Department of Finance submission to the Service Priority Review, p.6.
2.3 Link data and share information for better outcomes

The Panel notes WA’s Open Data Policy and the initiative to publish datasets online16, and endorses the approach that most data should be open by default. The Panel is also aware of highly sophisticated approaches in WA to data linkage between sensitive datasets for research and service design purposes.

However, the Panel has heard evidence from many sources describing difficulties with sharing information within and between WA public sector agencies, other State and Commonwealth government agencies and contracted service providers. Whether information is shared sometimes depends on the judgement of individual officers, against a background of inconsistent internal procedures. Overall, there is a high degree of uncertainty about what is allowed to be shared, leading to risk-averse and inconsistent decisions being made and depriving the community of value.

WA is now the only Australian jurisdiction that does not have specific legislation dealing with data sharing or information privacy. Addressing uncertainty in this space will benefit human service delivery, support evidence-based decision-making and facilitate digital transformation and linked up ‘one stop’ service provision.

A clear, consistent legislative framework for data sharing would give certainty to public sector employees and confidence to the public about what information may be shared freely and what information is subject to restrictions around its use. Data sharing legislation would provide a framework that actively supports maximising the value to the community of data held by the State Government. It should be geared towards facilitating information sharing by the Government while appropriately protecting privacy rights and sensitive information. Careful consideration should be given to selecting the appropriate agency responsible for the new legislation, and the skills in data science and information management needed across the sector to leverage the benefits to the State.
2.4 Clarify the accountability and governance frameworks for government trading enterprises

WA’s government trading enterprises (GTEs) comprise a range of corporate entities established under legislation to carry out commercial and semi-commercial functions at arm’s length from the Government. These entities deliver a range of services that are important to Western Australians. Taxpayers have also made a significant investment in GTEs over time: public corporations account for $81.7 billion of the State’s $173.4 billion physical asset base. Good performance therefore matters and the accountability and governance framework is the Government’s most effective lever to enable better performance over time.

The Panel has heard some concerns from stakeholders around clarity and transparency of governance of some of these entities. Representatives from GTEs themselves have made comments about inconsistency and duplication of accountability requirements relating to them and have queried whether the arrangements under which they operate are calibrated to maximise public value.

The Panel also recognises that the 2009 Economic Audit Committee review\(^\text{17}\) made several recommendations aimed at changing governance and oversight arrangements for GTEs, many of which the Panel understands have not been implemented. The Panel considers the ongoing uncertainty surrounding this sector is a performance risk, and that accountability arrangements for the GTEs should give effect to the Government’s aims in establishing and maintaining them.

There is a wealth of talent and expertise in these entities and there is opportunity to better use these strengths in delivering the Government’s agenda. The recommendations of the Economic Audit Committee in this area provide a good starting point for considering the changes required.

Reshaping and strengthening the public sector workforce

Factors causing sub-optimal performance in the WA public sector:

- the sector workforce does not have a shared identity or sense of purpose
- central agencies have been reluctant to take a stewardship function in relation to workforce-related policy
- central agencies have tended to act as gatekeepers rather than facilitators
- the Senior Executive Service, while technically proficient, is not perceived as a strategic or collaborative leadership/management group
- the workforce has operated under a framework of public sector management and industrial relations laws, regulations and policies that are complex, often misinterpreted and inconsistently applied and, in some instances, are incongruous with contemporary workforce and business needs
- low levels of employee mobility within and between agencies, and other sectors
- absence of systematic and long-term workforce planning, capability development and effective workforce management
- lack of systematic and meaningful data related to workforce engagement, productivity, and performance
- proportionately low diversity representation across the workforce
- lack of coordinated effort to achieve generational change
- insufficient capability in strategic human resources, policy and analysis, information and communications technology (ICT), contract negotiation, and operational leadership and management
- need for better attraction and retention in regional areas and/or specific occupational groups.

*Some aspects of this section of the report apply only to the public service as defined under the Public Sector Management Act as it relates to workforce management and accountability.*
The public sector is the largest employer in the State\(^9\) and its workforce is a significant component of the State Government's operating capability. The workforce of 107,809 full-time equivalent employees\(^{20}\) encompasses a wide range of occupational groups as shown in Figure 6 below.

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**FIGURE 6: PUBLIC SECTOR WORKFORCE COMPOSITION BY OCCUPATION TYPE, AS AT MAY 2017**

<table>
<thead>
<tr>
<th>Occupation Type</th>
<th>Percentage</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>

Source: Department of the Treasury, unpublished data.

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The Panel has observed a public sector workforce that is highly professional, ethical and hardworking, with a genuine commitment to improving community experiences. There are some encouraging results in the State of the Sectors 2016 report\textsuperscript{21} but the Panel has also observed a workforce that needs to keep pace with a rapidly changing and increasingly complex external environment.

The nature of work is evolving, particularly in relation to digital and data-enabled service design and delivery. The transformation of digital capabilities globally will change the community expectations of government, and thus the ways of working in agencies and the tasks that employees are asked to perform.

Perceptions of work are also changing, with new public sector employees seeking flexibility, skills development and a stronger sense of purpose from the organisations for which they work. This presents an opportunity to review how the employment relationship is managed and how work is structured.

The Panel’s final report will further explore shifts in focus, systems, structures and service delivery with potential longer term implications for the design of public sector work and jobs. In this context, the Panel has identified the following areas to reshape and strengthen the workforce.

3.1 Create a unified sector

It is clear that for too long the WA public sector has operated as a series of disconnected entities, with individual agencies and occupational groups operating sometimes at cross-purposes and in competition for resources, influence and authority. This situation must change; it impedes the sector’s capacity to deliver public value, to collaborate, to monitor and improve its performance and to attract and retain talented employees.

Other jurisdictions have implemented strategies to unify their public sector workforces. The Queensland Government developed a 30-year state plan providing a focal point for agencies and their employees in delivering services to the community\textsuperscript{22}. New South Wales’ approach is more targeted, establishing both a shared employee value proposition\textsuperscript{23} and common public sector badging. There is an opportunity for WA to adopt a similar ‘one sector’ approach, enabling existing and prospective employees to more strongly identify with the culture and ethos of the WA public sector overall.

\textsuperscript{21} Ibid.

\textsuperscript{22} Queensland Government. 2014. The Queensland Plan. Brisbane, Queensland.

Recent machinery of government changes go some way towards breaking down entrenched structures. If well led by respective directors general, they should encourage closer connections between public sector employees, and allow for alignment of the workforce and motivate achieving shared goals. Many of the directions in this report will also support a more unified culture. These include recommendations around whole of government targets, improved data sharing, and observations about the need for central leadership and an elevation of horizontal skill-sets into agency-led functional areas of high performance.

3.2 Move to a simpler employment framework

Stakeholders have raised multiple issues about the WA public sector human resource management and industrial relations systems. These include legacy provisions in awards and agreements; limitations regarding the use of fixed term contracts; classification systems that are no longer fit for purpose; inflexible wage setting arrangements; recruitment requirements; the management of substandard performance; and a vast array of operational workforce policies and practices that ultimately disempower both managers and employees.

The complexity and incoherence of current arrangements are clearly a major and expensive constraint on the public sector’s agility and capacity to adjust to changing government priorities. The framework inhibits workforce scalability, mobility and performance. Stakeholders have told the Panel this has a disproportionate effect in the regions, compromising the sustainability of the regional workforce. It negatively affects public finances and works against the best interests of public sector employees as a group and of the community.
It is apparent that there are both cultural and legal factors at play, which means solutions lie in both short and long-term action. The Panel’s view is that it is incumbent on the Public Sector Commission to take the lead in moving away from the existing rule-based framework and towards a strategic workforce management approach.

In the near term, it is clear that agency-level policies, practices and cultural beliefs about human resource management that inhibit progress can and should be changed. Agency heads must take responsibility to effect this change, with the guidance and support of the Public Sector Commission. Human resources practitioners, public sector managers and employees need to be informed and empowered to work to overcome these unnecessary barriers. Removal of these will, in the Panel’s view, prove to be ‘low hanging fruit’ that will derive immediate benefits and serve to illustrate the benefits of taking on long-term strategic cultural change.

More difficult and entrenched industrial relations issues may need to be tackled incrementally over the long term. The lack of progress in this area over the past decade suggests reforms will require gradual change within a well-developed strategic framework, and will also need strong political and policy focus over a sustained period. It is not clear to the Panel why industrial relations activities are managed separately from the Public Sector Commissioner’s workforce functions, given that both the industrial relations and human resources management activities are complementary components of workforce management. Consideration should be given to bringing these functions together in order for the State Government to effectively embark on the negotiated change process that is so urgently required.

Figures 7-10 appearing on the following pages provide a snapshot of the composition of the WA public sector workforce.
FIGURE 7: PUBLIC SECTOR WORKFORCE COMPOSITION

TOTAL WORKFORCE GENDER COMPOSITION

- 27.4% MEN
- 72.6% WOMEN

LEADERSHIP GENDER COMPOSITION

- 67.3% MEN
- 32.7% WOMEN

WORKFORCE REPRESENTATION SINCE 2012

- Aboriginal people: to 2.7%
- People with a disability: to 2.0%
- People from culturally and linguistically diverse backgrounds: to 12.6%

FIGURE 8: PUBLIC SECTOR WORKFORCE BY MEAN TENURE, AS AT JUNE 30 2016

AVERAGE TENURE 9.6 YEARS

Source: State of the Sectors Statistical Bulletin 2016, Public Sector Commission
FIGURE 9: PUBLIC SECTOR WORKFORCE BY AGE, AS AT 30 JUNE 2016

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDER 20</td>
<td>0.3%</td>
</tr>
<tr>
<td>20 — 24</td>
<td>3.7%</td>
</tr>
<tr>
<td>25 — 29</td>
<td>8.8%</td>
</tr>
<tr>
<td>30 — 34</td>
<td>10.8%</td>
</tr>
<tr>
<td>35 — 39</td>
<td>11.1%</td>
</tr>
<tr>
<td>40 — 44</td>
<td>12.3%</td>
</tr>
<tr>
<td>45 — 49</td>
<td>13.3%</td>
</tr>
<tr>
<td>50 — 54</td>
<td>13.4%</td>
</tr>
<tr>
<td>55 — 59</td>
<td>13.0%</td>
</tr>
<tr>
<td>60 — 64</td>
<td>9.0%</td>
</tr>
<tr>
<td>65 AND OVER</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

26.3% of the public sector workforce is aged 55 years or over.

FIGURE 10: PUBLIC SECTOR WORKFORCE BY APPOINTMENT TYPE, AS AT 30 JUNE 2016

<table>
<thead>
<tr>
<th>Appointment Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERMANENT</td>
<td>70.4%</td>
</tr>
<tr>
<td>FIXED TERM CONTRACT</td>
<td>17.9%</td>
</tr>
<tr>
<td>CASUAL</td>
<td>10.6%</td>
</tr>
<tr>
<td>OTHER</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: State of the Sectors Statistical Bulletin 2016, Public Sector Commission
3.3 Develop a high performance workforce

Workforce data related to age, diversity, and attrition does not demonstrate a sufficiently strategic sector-wide approach to workforce planning.

Factors contributing to lack of effective planning include the impact of previous financial corrective measures; poor availability and use of existing workforce data; a rules-based rather than strategic approach to workforce development; and workforce planning being a low priority for agency corporate executives.

Other jurisdictions appear to have had some success in reforming workforce planning. For example, the Queensland Government developed a 10-year human capital outlook\textsuperscript{24} and three-year strategic roadmap\textsuperscript{25}, providing a clear plan for the future workforce. The NSW Public Service Commission manages a workforce dashboard – an analytical tool enabling managers and workforce analysts to benchmark agency engagement, performance and productivity indicators.

Workforce planning is another area in which agency heads and human resources professionals need to partner with the Public Sector Commission to deliver reform. Some of the identified issues can be addressed immediately. For example, central agencies are already well positioned to address existing capability shortfalls through whole-of-sector collective recruitment processes (including graduate programs), tailored training and the development of meaningful capability frameworks. New talent must be attracted, supported and provided with good quality information to allow employees to take charge of their own careers.

\textsuperscript{24} Queensland Government. 2016. 10 Year Human Capital Outlook. Brisbane, Queensland.
\textsuperscript{25} Queensland Government. 2016. 3 Year Human Capital Strategic Roadmap. Brisbane, Queensland.
**4 Strengthening leadership across government**

Factors causing sub-optimal performance in the WA public sector:

- absence of whole-of-sector strategic perspective and outward focus
- modes of operating that maintain silos, with inconsistent approaches to – and no incentives for – cross-sector collaboration
- emphasis on short-term issues management rather than on enduring stewardship responsibilities
- lack of cohesive narrative or culture for the sector: no common vision of what the sector exists to do or wants to achieve for the State
- weakened skills in policy development, resulting in a reliance on private sector advice
- hollowing out of competitive procurement capabilities and commercial acumen, and a lack of sophistication in approaches to partnering with community-based organisations and the private sector
- no systematic learning from or dissemination of good practice across agencies for core functions
- no mechanism for leveraging capabilities across government
- lack of systematic engagement at high level with citizens in policy design
- perceived lack of trust and partnership between the government of the day and agencies.
4.1 Introduce stewardship in the public interest

Complex systems require effective leadership at all levels to ensure efficient operations and effective service delivery. Leadership shapes culture, sets the tone and encourages innovation and best practice service design. It fosters cohesion across disparate functions and looks to the long-term.

An enduring guiding principle underpinning public sector leadership is the notion of ‘public interest’. Public sector leaders are central to achieving government outcomes and upholding proper processes and procedures while serving the public interest. Geoff Gallop writes:

> We always need to be reminded that the public interest embraces minorities as well as majorities, that it is concerned with the environment as well as the economy, that it deals with the long-term as well as the immediate interests of the community and that it is interested in our environmental and built heritage as well as our future economic opportunities. A good government ought to be focused on this complex range of interests. The principle of sustainability demands that it does.²⁶

Such observations underscore the stewardship role played by agency heads who must deliver the agenda of the government of the day and also ensure the enduring, apolitical operation of the sector. There must be a strong trust relationship between agency heads and the government of the day. Purposeful, regular interaction between agency leadership and the political leadership can help foster this.

4.2 Reform the role and function of central agencies

The need to meet increasingly more complex challenges with increasingly scarce resources demands a collaborative approach between public sector agencies and the entities operating within the State sector more broadly. The system is, and needs to recognise itself as, a networked governance arrangement, able to leverage resources to achieve public value outcomes across the public sector and beyond.

The ideal of a truly collaborative public sector places new challenges on leaders to move beyond individual departmental or agency concerns to prioritise a more flexible approach, promoting agility and generating better responsiveness to customer needs.

Effective system stewardship emanates from the centre of government. A well-functioning centre is key to achieving the vision of ‘one sector’. In most public sector structures, central agencies coordinate and oversee the work of government, enabling it to achieve its strategic aims and ensuring there is a central view of the effective operation of government as a whole. The Panel acknowledges this is a vexed area and striking the balance between central support and centralised control is difficult.

In Western Australia, the centre of government rests with the Department of the Premier and Cabinet, Department of Treasury and Public Sector Commission. The Panel’s consultations suggest these agencies are not working together optimally. Current methods of operation tend to reinforce silos and offer few incentives for cross-sector collaboration.

The introduction of whole of government targets, a desire for a ‘one sector’ culture, 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 appropriate support and accountability mechanisms to promote success, and they will need to collaborate in shaping a public sector management and industrial relations system that meets the needs of a contemporary public sector. This will require rethinking how they work together and with agencies.

4.3 Focus agency leadership on cultural change

Machinery of government changes have an obvious effect in clustering together previously separate functions to achieve efficiencies and better alignment. More than this, a collaborative approach to service delivery and design will require a different approach to leadership at agency level. Cultural change will be driven by leadership behaviour within agencies. While the centre of government can lead and encourage, success ultimately rests with those charged with designing and delivering services. It is crucial that agencies have the right culture, strategy, people and leadership if improved services and outcomes are to be realised.

A cycle of agency capability reviews – conducted by a mix of internal and external reviewers – would help agencies to think about current and medium-term priorities, and identify gaps and opportunities to address them. Such approaches have been used in the United Kingdom, New Zealand and the Australian and Victorian public sectors and provide a powerful tool to help leaders determine where they need to focus their efforts in achieving desired outcomes. Their introduction in the WA public sector would provide a valuable diagnostic and reporting tool to measure agencies’ progress towards, and capacity to deliver, cultural change and, ultimately, better outcomes for the community.

The Panel believes these reviews have most impact when the agency has had a recent change of leadership or has been given a new set of priorities by government. Therefore, the creation of new departments through the recent machinery of government decisions presents an important opportunity to start these reviews to maximise the gains from reorganisation.
4.4 Implement functional leadership to drive best practice

Functional leadership of corporate functions can improve decision-making, cross-departmental working, organisational capability, efficiency, resilience and control28.

In WA, some whole-of-sector corporate functions rest with line agencies or units. For example, the Department of Finance has responsibility for procurement and accommodation. The Office of the GCIO (established as a sub-department of the Department of Finance) is responsible for ICT. Labour relations responsibility resides in the Department of Mines, Industry Regulation and Safety.

Each of those functions has cross-sectoral application and each agency has a responsibility for setting policy, standards and guidelines that influence public sector operations and outcomes. These functions are high value and often high-risk and it is important that they are overseen by people with appropriate professional skills to achieve maximum financial and other benefits.

There are opportunities to improve current practice across common business activities, including procurement, major projects, ICT and human resources. However, one of the factors that can lead to inconsistent approaches is a lack of mandate for agencies for particular functions, making it difficult for agencies to achieve leadership traction or ensure compliance with good practice.

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To address this, functional leadership, under which key agencies are given formal mandates to act as ‘professional leaders’, including requirements to drive efficiencies, develop expertise and capability, and improve services and service delivery, is being pursued in several jurisdictions, most notably in the United Kingdom and New Zealand. The New Zealand Government Chief Information Officer describes the approach as ‘centrally led, collaboratively delivered’. While agency chief executives retain considerable autonomy, functional leaders have the ability to implement initiatives across agencies that may override agency decision rights.

A functional leadership approach in WA could be used to develop capability and capacity in critical business areas while realising efficiencies through greater standardisation. There are good policies and guidelines in place but there remains an opportunity for better application of these in the areas that affect procurement, ICT strategy and management, and accommodation planning and management arrangements. This will require consideration of strengthened functional mandates and shifts in the enabling role played by functional leaders.

4.5 Improve the incentives and accountability for performance

The formal process for chief executive officer accountability in WA is through the performance management framework under the Public Sector Management Act 1994.

The Panel considers that the current framework for CEO appointment, performance management, remuneration and termination should be revised to support the reform agenda to be proposed in the Service Priority Review. Change needs to make sure that there is a strong focus on the CEO’s contribution towards whole of government objectives and the quality of their stewardship of both their agency and the public sector generally. CEOs should work within a clear set of priorities, receive practical support to be as successful as possible, including real time feedback, and be fairly held to account for the results they have delivered.
The Panel will be including specific recommendations for a proposed framework in its final report. The Panel will also consider what complementary changes may be required to the performance management framework of CEOs of public sector agencies that are not departments (CEOs of statutory entities) thus enabling the Premier to ensure that the objectives of the government of the day are clearly articulated and understood by public sector leaders and their staff.

As part of its election commitments, the State Government undertook to manage the performance of departmental CEOs by linking 20 per cent of their salaries to the achievement of whole of government key performance indicators. The Panel has investigated performance-based pay in other jurisdictions to consider how this may best be applied in the proposed scheme for whole of government targets in WA detailed below. There are issues that will need further consideration before implementation of such a regime. For example, salaries for CEOs are currently determined by the Salaries and Allowances Tribunal, and structural changes are likely to require legislative change.

Accountability is also a key component of whole of government target implementation, as described further below. It will take some time for whole of government targets and reporting to become established, so caution is advised in moving too quickly to link outcomes under the targets framework with CEO salaries. In the interim, a strong commitment by Cabinet and the Premier to the whole of government targets approach, including to regular reporting and feedback, will serve to drive more responsive and outcomes-focused performance by agencies.
WHOLE OF GOVERNMENT TARGETS

Despite significant effort and investment, data shows little progress on many contemporary and urgent challenges. The Panel is providing early advice and recommendations on one area for reform that will help accelerate progress: whole of government targets.\(^29\)

Ministers and government agencies can together identify cross-sector targets that tackle community priorities, with agencies working collaboratively to address them.

Global experience shows that whole of government targets provide clarity on key priorities, improve collaboration and enable the public sector to make more of a difference. The Panel has examined whole of government target models in other jurisdictions – in particular, New Zealand, Victoria and New South Wales – to determine the best model for Western Australia.

Whole of government targets would help to immediately address some of the challenging matters discussed in this report by facilitating multiple agencies to address complex community issues together.

A whole of government targets approach would be cost effective for the public sector, with gains made through collaborative effort and by sharing resources. Targets can help break down silos, reduce duplication and deliver better results for the community.

There are benefits for the public sector workforce. Working across agencies on issues that really matter to the community would improve workforce flexibility and capability and employee motivation, and foster a sense of purpose.

Targets would also help build more productive relationships between public sector agencies and the political leadership, and between central and line agencies.

\(^29\) The terms of reference for the Service Priority Review include ‘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’. To avoid confusion with the current budget reporting framework, for the purposes of the Service Priority Review this report refers to whole of government targets.
Proposed model for Western Australia

The targets model adopted by WA needs to be customised to suit the enduring priorities for the State and the current accountability mechanisms, while recognising other reform processes under way. The Panel considers that a successful targets approach has these key characteristics:

- strong support from all levels of government
- responds to issues important to the community
- drives agency collaboration on complex issues
- there are levers within government to influence outcomes

A whole of government targets approach is not needed for all of the essential work done by the sector, and a focus on key priorities should complement rather than compromise other important work. While all the work that government does aims to benefit the community it serves, targets are about significant issues that need to be addressed by the sector as a whole. Targets make these very visible and show that the State Government is willing to be transparent and held to account on some of the most complex challenges confronting WA.

The Government would need to choose a manageable set of targets — about eight — that, due to their complexity, require commitment and collaboration across the sector to find solutions. While there are many potential topics that need to be addressed, the targets and indicators of progress need to be carefully selected. The risk of unintended outcomes needs to be anticipated and managed. A whole of government targets approach is not the single answer to all the issues facing the Government, but properly used can be an effective tool to drive a more collaborative, innovative and outward facing public sector.
Whole of government leadership

For a targets approach to be successful, the working relationship between agencies, ministers and the Premier will need to be clear.

Actions towards each target could be coordinated through a lead CEO, working to a lead minister, or several CEOs and ministers could work together. A mechanism for the lead CEOs to meet regularly with the Premier and ministers would be necessary. The NSW model includes the Premier receiving a report on one target each month from the lead minister and lead CEO.

In WA, there is potential for Cabinet sub-committees to become custodians of a set of targets most relevant to their mandate, and to facilitate effective implementation and problem solving as well as providing oversight.

The Panel advises that centralised support is essential to effectively establish and implement a targets approach. For example, NSW has a centrally placed implementation unit as a core element of supporting the delivery of and the reporting on targets. The unit facilitates collaboration between agencies and the lead CEOs who are accountable for the Premier’s priorities.

Central agency support is also needed to enable best use of available data to inform measures of progress against targets, and to develop a suitable dashboard and other communication tools.

There is a risk that governance around targets could become clouded by the existing reporting arrangements that focus on individual rather than whole of government outcomes. It is essential to clarify and evolve the relationship between whole of government targets and the current outcomes based management (OBM) framework.
At this stage, the Panel suggests that whole of government targets sit alongside the OBM framework, with care taken to avoid dual reporting or confusing crossover. However, as it currently operates, it seems that the OBM framework has become a compliance process focused on outputs, with poor visibility to outcomes. Accordingly, the Panel would support any move by the Department of Treasury to re-examine the OBM which should lead to a more consistent focus on outcomes by agencies and better align the two processes.

Similarly, it will be important to integrate accountability for working towards targets into CEO and other performance management frameworks. In Victoria, systematic and sustained support from central agencies to line agencies to develop practical, good quality approaches to outcomes management has been critical to that jurisdiction’s approach to an improved outcomes focus.

The Panel recommends that:

The State Government introduce a whole of government targets framework, and in doing so:

- Select a small number of targets to address some of the complex challenges that need combined efforts from multiple agencies to effectively deliver benefit to the community.

- Establish clear leadership, transparency and accountability for delivery against targets at Premier, Minister and agency level. This should include arrangements for regular engagement over the term of the target.

- Establish a dedicated implementation support unit in the Department of the Premier and Cabinet to ensure the success of the whole of government targets framework.

- Integrate and align a targets framework with other accountability mechanisms and support structures.
PRELIMINARY CONCLUSION

While the Service Priority Review Panel will continue its deliberations towards a final report in October 2017, the following observations are made about barriers to, and essential elements of, successful reform.

The Panel has noted that cycles of reflection and review are healthy in the pursuit of continuous improvement. But it is of serious concern that much good work done in previous reviews has not been implemented and thus failed to lead to lasting change. Even allowing that some improvements have taken hold, piecemeal change and the appearance of action is clearly not sufficient. The 2009 Economic Audit Committee review demonstrated that the need for comprehensive and substantive public sector reform has been apparent for some time.

The Panel is concerned that two legacy issues continue to have a negative influence on public sector culture, leading to risk aversion and prejudice against potentially positive reform opportunities. First, the period of improper interactions between government and commercial interests more than three decades ago still appears to the Panel to colour the public sector’s approach to dealings with the private sector.

Naturally, the highest standards of probity and ethical behaviour are essential. Similarly, government decision making needs to be transparent and follow clear process. But it does seem that opportunities for positive engagement between the public and private sectors are not being fully realised. A culture of risk aversion appears to have taken root in the Western Australian public sector with adverse implications for outcomes. Accountability is not to be found in ever more complex process, but in striking a better balance of responsiveness and transparency in government’s dealing with the public.

Second, decommissioning of the Office of Shared Services\textsuperscript{30} following a failure to meet its aims, seems to the Panel to lead the public sector to regard opportunities for common systems and processes with undue suspicion. This constrains choices in so many domains; opportunities are missed for building better systems, solutions to complex problems remain elusive and economies of scale are passed by.

\textsuperscript{30} The Office of Shared Services (OSS) was established in 2005 to create efficiencies in providing corporate services, including finance, payroll, human resources and procurement services, to the public sector. The program was decommissioned in 2012-2013 following a review of its operations by the Economic Regulation Authority pointing to issues with the original business case, ongoing and likely future costs and implementation problems.
Other barriers to reform are that previous recommendations for change may have been too wide ranging, too many in number or impractical to implement. It also seems that a genuine commitment to supporting reform activities over time is missing. This is a common challenge where urgent issues of the day distract government and its institutions from holding the course.

For outcomes to be different this time, reform must be geared towards a vision and a narrative adopted by the State Government. Whole of government targets provide a mechanism to help achieve this.

Implementation capability is scarce but critical. This means ‘buy in’ from the leadership is critical for successful change to occur and be sustained. There must be cultural shift towards a more outward-focused sector with a clear sense of purpose and priority across government. Formalised and sustained support from the centre is essential to implementation and continuous improvement. A cyclical capability review framework for agencies would support this.

Accountability will also be critical. Much of what appears in this report presupposes a recalibration of the relationship between the Premier, ministers and agency leaders. Noting the whole of government perspective taken by the Premier, the framework for appointment and performance management of agency heads needs to be clarified, and the support provided to agency heads strengthened.

Urgency will be needed. So too will be priority setting, and effective sequencing of reform actions. The potential fiscal dividend from successful public sector reform is huge, but will take time to emerge. While there is much good work happening now, the review Panel considers that WA is lagging behind other jurisdictions in several critical areas. As noted previously, the State has the advantage of being able to learn from others and should capitalise on this while developing localised solutions.

Reforms to be recommended in the Panel’s final report to the State Government must work in concert with each other and work in the context of broader public sector renewal being pursued by the Government. The Panel is confident that if work on the reforms to be identified begins immediately, then significant and ongoing savings can be realised over the medium-term, and more importantly, improved service delivery by the public sector will deliver benefits to the whole WA community.
REFERENCES


Department of Aboriginal Affairs. 2015. Progress against closing the gap. Government of Western Australia, Perth.

Department of the Premier and Cabinet. 2014. Location Based Expenditure Review. Government of Western Australia, Perth.


Economic Audit Committee. 2009. Putting the Public First, Partnership with the Community and Business to Deliver Outcomes. Government of Western Australia, Perth.


In May 2017 the Western Australian 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 a range of other initiatives which contribute to the Government’s public sector renewal. Other initiatives are:

- Machinery of government changes
- Directors-general working groups covering local service delivery, workforce management and public sector efficiency
- Special Inquiry into Government Programs and Projects
- Sustainable Health Review

The Service Priority Review Panel will take account of these in developing its recommendations.

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\(^1\) 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.

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\(^1\) 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 is being led by an independent three-member Panel.

Iain Rennie CNZM (chair)

Iain Rennie was the New Zealand State Services Commissioner from 2008 to 2016 and Deputy State Services Commissioner from 2007 to 2008.

Iain joined the New Zealand Treasury in 1986 and worked from 1990 to 1993 and 2004 in the New Zealand Department of the Prime Minister and Cabinet. He provided strategic leadership at New Zealand Treasury, advising the Minister of Finance on micro-economic and macro-economic policy issues.

In his role as State Services Commissioner, Iain was involved in a number of initiatives to improve the performance of the public service, including the Better Public Services and Performance Improvement Framework projects.

The State Sector Amendment Act 2013 (NZ) gave him greater responsibility for developing senior leadership and management capability, including appointments to key positions within the public service. He was also responsible for driving State sector reform in line with the New Zealand Government’s objectives. Iain has a BA (Hons) in Economics from Victoria University of Wellington.
Margaret Seares AO

Margaret Seares has served as Senior Deputy Vice Chancellor of The University of Western Australia, Chief Executive of the former Western Australian Department for the Arts and chairperson of the Australia Council.

Margaret was chairperson of the Perth International Arts Festival in 2012 and has been a non-executive Director of the Education Investment Fund, Chamber of Arts and Culture and Bond University Council.

She served as deputy chair at West Australian Symphony Orchestra Holdings and was a member of the Electricity Generation and Retail Corporation from 2010 to 2013 and then the merged entity 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.
APPENDIX C

Consultation

The Service Priority Review Panel, supported by a secretariat comprised of public sector officers, has undertaken an intensive program of consultation. This included engagement with Cabinet, ministers, senior ministerial staff, Government leaders, public sector employees, community and business leaders, peak bodies, unions and academics.

The Panel has engaged with community and public sector representatives in regional Western Australia and has met with key thinkers and influencers from other jurisdictions.

Methods of consultation:

- meetings, workshops and forums
- participation in and input from directors general working groups
- visits to frontline service delivery providers
- targeted discussions with officers new to the public sector and with emerging leaders
- written submissions

At the State Government’s direction, this interim report was provided to the Premier in August 2017. This process allows for further targeted consultation and canvassing of ideas with stakeholders to shape and develop the Panel’s thinking in a final report to be provided to the Government in October 2017.

The Panel has been heartened by the enthusiastic response to the Service Priority Review and remarked on the convergence of thought offered by those concerned with issues confronting the sector and potential solutions. Summaries of consultation to date have borne this out, as Figure C1 over the page illustrates.
Other recurring issues, raised by 13-15 per cent of stakeholders, included: efficiency, workforce mobility, approach to engagement, risk appetite, use of data, duplication and fragmentation.

Ten to 12 per cent of stakeholders raised issues around decision making, governance, role clarity, accountability, budget process, relationship with the community, use of technology, privatisation and outsourcing.

Submissions and comments received during the Service Priority Review will inform final assessments and recommendations and, subject to submitter agreement, be summarised, collated and published on the Department of the Premier and Cabinet website: www.dpc.wa.gov.au/servicepriorityreview
List of meetings and submissions received, as at 4 August 2017

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

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

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

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

Aboriginal Lands Trust

Broome Senior High School (as member of West Kimberley District Leadership Group)

Bunbury Water Corporation (Aqwest)

Busselton Water Corporation

City of Karratha

Department of Biodiversity, Conservation and Attractions

Department of Communities

Department of Communities - Child Protection and Family Support
(as member of West Kimberley District Leadership Group)

Department of Communities - Housing

Department of Education

Department of Finance

Department of Health

Department of Jobs, Tourism, Science and Innovation

Department of Jobs, Tourism, Science and Innovation - Office of Science

Department of Justice

Department of Justice – Corrective Services (as member of West Kimberley District Leadership Group)

Department of Local Government, Sport and Cultural Industries

Department of Mines, Industry Regulation and Safety

Department of Planning, Lands and Heritage

Department of Planning, Lands and Heritage (as member of West Kimberley District Leadership Group)
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
Electricity Generation and Retail Corporation (Synergy)
Electricity Networks Corporation (Western Power)
Fremantle Port Authority
Gold Corporation
Karratha Quarter Interagency Working Group
Kimberley Development Commission
Kimberley Ports Authority
Kimberley Strategic Regional Advisory Council — Aboriginal advisers
Mental Health Commission
Mid West Ports Authority
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
Regional Power Corporation (Horizon Power)
Shire of Broome
Shire of Derby
South West Development Commission
Southern Ports Authority
WA Country Health Service
Water Corporation
Western Australia Police
Western Australian Aboriginal Advisory Council
Western Australian Land Information Authority (Landgate)

**Western Australian public sector renewal initiatives**
CEO Working Group on Local Service Delivery
CEO Working Group on Public Sector Efficiency
CEO Working Group on Workforce Management
Special Inquiry into Government Programs and Projects
Sustainable Health Review
Government entities of other jurisdictions

Department of the Prime Minister and Cabinet (as member of West Kimberley District Leadership Group)

New South Wales Department of Finance, Services and Innovation

New South Wales Department of Premier and Cabinet - Premier Implementation Unit

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

Bunbury Geographe Chamber of Commerce and Industry

Carers WA

Centacare Kimberley (as member of West Kimberley District Leadership Group)

Chamber of Commerce and Industry of Western Australia

Chamber of Minerals and Energy of Western Australia

Community & 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

Morrugul

Nirrumbuk 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 Services

Western Australian Prison Officers’ Union
Consultants

PricewaterhouseCoopers

McKinsey & Company

more than ideas

Individuals

Michael Barnes, Under Treasurer, Department of Treasury

Iain Cameron, Interim Road Safety Commissioner

Vaughan Davies, Director General (former) Department of Aboriginal Affairs

Chris Field, Western Australian Ombudsman

Darren Foster, Director General Department of the Premier and Cabinet

Kelly Francis, Aarnja’s Kimberley Aboriginal Young Leaders Program

Gary Gray AO, General Manager External Affairs, Minerals Resources

Evan Hall, CEO Tourism Council WA

Warren Harding, Senior Advisor McKinsey & Company

Stuart Hicks, former Chair South West Development Commission

Alarna Maher, Aarnja’s Kimberley Aboriginal Young Leaders Program

Timothy Marney, WA Mental Health Commissioner

The Rt Hon Lord Maude of Horsham

Gail McGowan, Director General (former) Department of Planning (currently interim 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
Anne Nolan, Director General Department of Finance
Giles Nunis, Government Chief Information Officer
Martin O’Malley, 61st Governor of Maryland from 2007 to 2015
Duncan Ord, Director General (former) Department of Culture and the Arts; interim Director General Department of Local Government, Sport and Cultural Industries
Professor John Phillimore, Executive Director John Curtin Institute of Public Policy, Curtin University
Grahame Searle, State Reform Leader, Regional Services Reform Unit (currently interim Director General Department of Communities)
Richard Sellers, Director General Department of Transport
Tonii Skeen, Aarnja’s Kimberley Aboriginal Young Leaders Program
Sam Walsh AO
Mal Wauchope AO, Public Sector Commissioner
Jeff Whalan AO, 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
9. Health Services Union Western Australia
10. Chamber of Minerals and Energy of Western Australia
11. Western Australian Council of Social Services
12. ShelterWA
13. Duncan Ord OAM, Acting Director General Department of Local Government, Sport and Cultural Industries
14. Department of Treasury
15. Ron Couacaud
16. Collin Pettit, Commissioner for Children and Young People WA
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; Association for Services to Torture and Trauma Survivors (ASeTTS); Refugee Rights Action Network

20. Department of Finance

21. Confidential

22. Kat Lothian

23. Stephen Brown, Deputy Commissioner (Operations), Western Australia Police

24. Lauchlan McIntosh AM, President Australasian College of Road Safety

25. WA Forest Alliance

26. Yaandina Community Services

27. Regional Power Corporation (Horizon Power)

28. Royal Society for the Prevention of Cruelty to Animals Western Australia