

# The Australian Public Service Commission: capability review and strategy for the future

Australian Public Service Commission

2 August 2019

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# 1 About the Review

A capability review is a forward-looking, organisational review that assesses an agency's ability to meet future objectives and challenges. This review sought to answer two key questions for the Australian Public Service Commission (the Commission):

1. How well placed is the Commission to meet current and future challenges?
2. How should the Commission best position itself for the future?

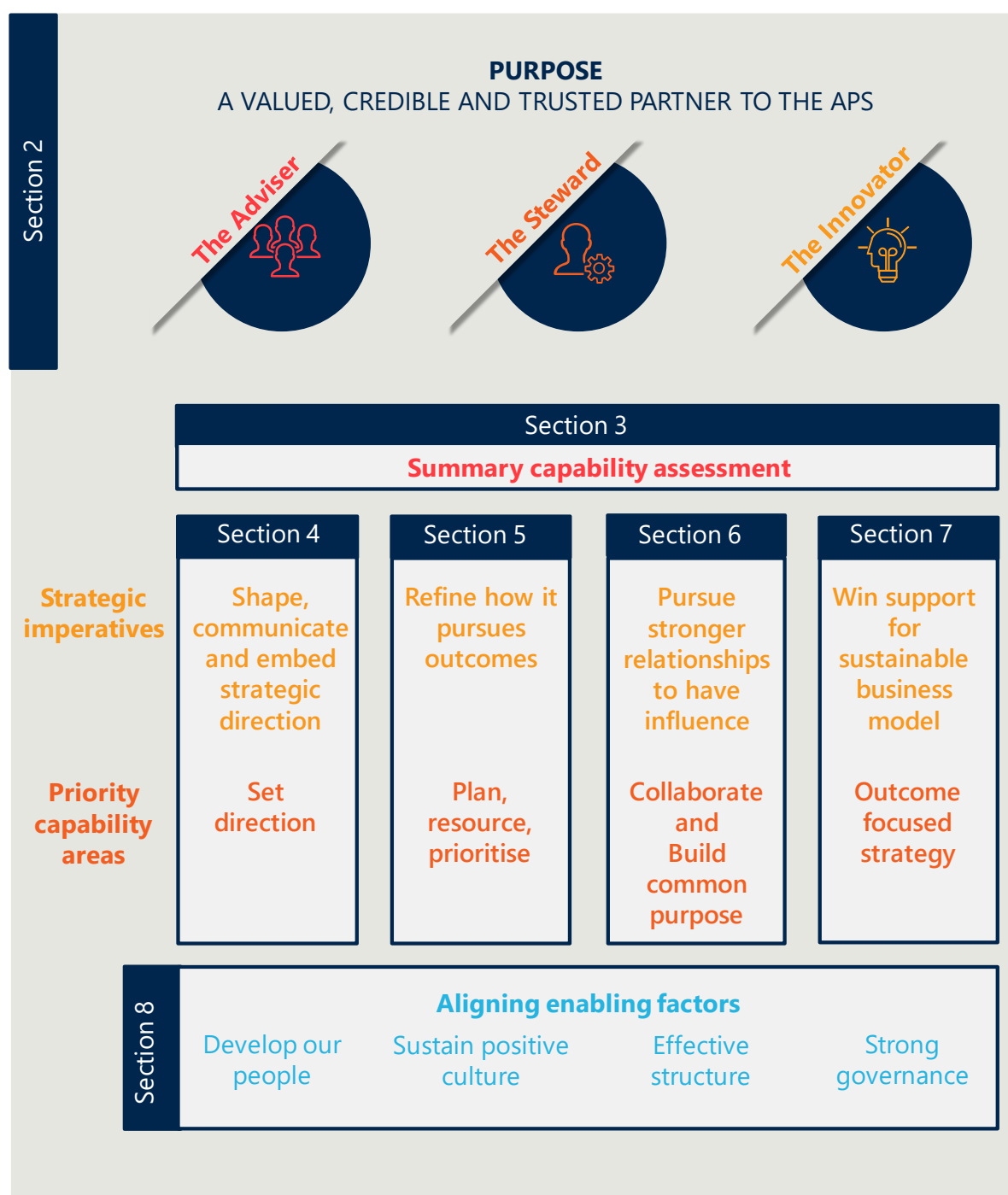
The review was performed leveraging elements of the established APSC Capability Model and features of the New Zealand public sector Performance Improvement Framework. The Performance Improvement Framework used by the New Zealand Government uses a four-year excellence horizon to consider the medium-term operating context and its implications for organisational capability.

The review was undertaken over an eight-week period by an independent review team led by David Tune AO PSM, supported by Nous Group including Principal Robert Griew and a small team within the Commission. The review team engaged with key external stakeholders including current and former Secretaries and Deputy Secretaries, David Thodey and members of the APS Review panel. Extensive engagement with internal stakeholders occurred through a series of workshops and interviews across the full leadership group, and a proportion of all staff. A full list of interviewees is provided at Appendix B.

This report has been specifically developed to highlight areas of focus and opportunities for improvement for the Commission in the context of its future operating environment.

The diagram in Figure 1 summarises the structure of this review report.

Figure 1 | Overview of the report



## 2 The Commission is evolving

The statutory role of the Commission is detailed in the *Public Service Act 1999 (Public Service Act)*, which sets out its wide-ranging functions and responsibilities as steward of the APS. While these legislated roles of the Commission remain constant, the expectations of it and the way in which the Commission delivers outcomes are evolving.

Since its inception, the Commission has evolved in line with changes to the Public Service - changes driven by citizens' and Ministers' expectations, new technologies and ways of working, and other advances in public administration. The delivery of the APS Review is further expected to refine priorities and accelerate change across the APS and in the Commission.

This need to refine priorities and accelerate change is understood well by the senior leadership. The new leadership group (i.e. the Commissioner, the Deputy Commissioner and the First Assistant Commissioner) is fully aware of the future challenges and opportunities facing the Commission and is taking action on these fronts in response to this changing environmental context. The Commission should continue to build on this work with a particular focus on the evolving expectations of Government including its response to the APS Review and the Commission's own vision as a smart facilitator, as expressed on its 'Plan on a Page' (Appendix A).

A key challenge for the future, within a constrained fiscal environment, is that the Commission will need to balance the delivery of its ongoing statutory functions and current on-demand services, while seeking to contribute to other outcomes that are emerging as additional areas of responsibility.

### 2.1 The Commission has a strong history and much to celebrate

The Commission is a non-corporate Commonwealth agency within the Prime Minister and Cabinet portfolio.

The first Public Service Commissioner was appointed in 1902, possessing wide-ranging powers to oversee the then Commonwealth Public Service operations. The Commission was established in its present form in 1987, when the previous Public Service Board was dissolved as part of a process of public sector streamlining. The operational aspects of APS personnel matters were devolved to departments, with policy aspects of people management and recruitment being retained by the Commission.

The Commission has been, and will remain, an important force in the development of a professional, efficient, merit-based and apolitical public service, with integrity and stewardship at its core. The Commission's authority and role, which extends from enforcement to the provision of best practice advice, remains focused on serving Australians by advising the APS and delivering the APS-related policies of the government of the day.

The Commission is responsible for the stewardship of the APS, for advancing change across the sector, and for fostering, strengthening and sustaining the professionalism and integrity of the APS and, by extension, community trust in the APS. The Commission's broad statutory functions, as detailed in Part 5 of the *Public Service Act* focus on:

- strengthening the professionalism of the APS and facilitating continuous improvement in workforce management in the APS
- upholding high standards of integrity and conduct in the APS
- monitoring, reviewing and reporting on APS capabilities within and between Commonwealth agencies
- promoting high standards of accountability, effectiveness and performance.

The Commission supports two statutory office holders – the Public Service Commissioner (the Commissioner) who is the agency head, and the Merit Protection Commissioner. The Commission provides staff to assist the Merit Protection Commissioner in performing their prescribed functions.

The Commission additionally provides policy and secretariat support to the Remuneration Tribunal and the Defence Force Remuneration Tribunal. The Commission serves the Minister for the Public Service and, where appointed, the Minister Assisting the Minister for the Public Service.

As foretold by the first Commonwealth Public Service Commissioner, Duncan McLachlan in 1910, the public service, and the legislation governing its operations, are always in a gradual process of evolution.

The Commission recognises the cyclical pattern of reform that occurs in the public sector, the strength it draws from its long history, and the strong corporate knowledge held within its ranks. The Commission's strong policy role advances and greatly influences Australia's public sector, in an ever-changing domestic environment.

Staff within the Commission are responsible for a wide range of functions and services. These include various tabled reports such as *State of the Service*; the coordination of employment and people management policy across the APS; advisory roles including interpretation and promotion of the Code of Conduct; the delivery of training and fostering of talent across the APS; and support to the Commissioner's inquiry and review powers. The Commission has many touchpoints across the APS, including the Commissioner's statutory role in the appointment of senior officials and his position as vice-chair of the Secretaries Board. The focus of the Commission also expands beyond the domestic public sector, with staff working to support public sector counterparts within the Pacific and South East Asia.

## 2.2 Expectations of the Commission are changing and may be further shaped by the APS Review

The Commission's role in enhancing the quality of the public service will become more demanding as the APS becomes more sophisticated and engages more broadly with external actors. This includes responding to the role of private sector partners in designing and delivering public services, as well as the growing salience of Ministerial advisers in the policymaking process.

The Commission's policy function will continue to respond to new priorities in public administration. These will likely include: continued *digital transformation* (including managing the challenges associated with data management, analysis and training); growing demand for rigorous *evaluation* of policies and programs; *security and privacy concerns*; a renewed focus on *person-centred service delivery*; and a strengthened imperative to drive efficiencies in *procurement and contracting*.

Finally, the Commission will need to continue to respond to changes in the composition and working practices of the APS. This includes progressing work to deliver the commitment from APS leaders to improve diversity and inclusion.

Alongside these wider trends in public administration, the APS Review is expected to call for significant changes to the operations of the APS, and have implications for the responsibilities, priorities and capabilities of the Commission.

Secretaries interviewed as part of this review were cognisant of the likely direction of the APS Review, and its implications for the Commission. The APS Review has not yet reported its findings, and it is also not clear at this stage which of its suggested recommendations the Government will wish to adopt. Regardless, Secretaries support a Commission with a strengthened role in workforce modelling and strategy, ongoing responsibility for mandating practices and standards across the APS, and expanded responsibilities for SES development.

There was explicit acknowledgement that the Commission has good technical expertise in many of these areas and should also draw on expertise and experience from across the APS to execute new and expanded functions.

## 2.3 To meet expectations the Commission needs to balance its operations between current and emerging responsibilities

The emerging expectations of Government and agency heads, together with the Government's response to the APS Review, are expected to bring new and evolved responsibilities to the Commission. At the same time, the Commission has statutory functions and an established program of work, much of which is highly valued by its stakeholders, including Secretaries, and is well aligned with staff expertise.

The Commission's 'Plan on a Page' (Appendix A) envisages the Commission as a 'smart facilitator', responsible for coordinating and driving whole-of-APS performance in partnership with Secretaries and agency heads. The Commission's challenge will be getting the balance right amongst these responsibilities, in a tight budgetary context, so that it can maximise its contribution to its overarching goal of being a 'valued, credible and trusted partner to the APS'.

Figure 2 presents one way of conceptualising this challenge of competing roles and responsibilities. It illustrates the Commission's different roles and is derived from an interpretation of David Ulrich's model from his book *Human Resource Champion*. Examples of responsibilities the Commission currently holds, or may be asked to take on, are dot-pointed against each role.

Figure 2 | Model of the Commission's current and emerging roles



In more detail, Ulrich's four roles, and how they might manifest for the Commission, are:

1. **The Strategic Partner** is a single point of contact, with strong client relationships. The Commission, in its role as a Strategic Partner, will advise and support Secretaries and agency heads on matters of strategy and best practice. The Commission's emerging responsibilities in this role may include developing a whole-of-APS workforce strategy and partnering to set the agenda for APS reform informed by data collection and analysis.
2. **The Change Agent** is the second strategic role. The Commission's role here is to lead initiatives to drive change in the APS including to build the future workforce through capability development, leadership and talent management. The Commission's diversity and inclusion reform agenda is an existing responsibility in this quadrant.



3. **The Administrative Expert** is a technical role, and for the Commission is the locus of compliance, workforce capability and management advice for the APS. This role also includes the delivery of the current suite of learning and development programs.
4. **The Employee Champion** is a core role, with a focus on advancing the satisfaction and interests of APS employees and protecting the integrity of the service as a whole.

The Commission's roles as Strategic Partner, Change Agent, Administrative Expert and Employee Champion are complementary, and as responsibilities and approaches shift the Commission will need to adjust the emphasis on each. For the Commission, this realignment needs to support emerging government priorities and leaders' views on the direction of APS reform, without losing established and valued programs and partnerships and maintaining its compliance with legislative obligations.

In particular, the Commission will need to forge ahead with its efforts to ramp up activity in the 'Change Agent' and 'Strategic Partner' quadrants in Figure 2, while nurturing, re-focusing and looking for opportunities to scale back 'Employee Champion' and 'Administrative expert' activity to some extent.

Performing all four roles (Change Agent, Strategic Partner, Employee Champion and Administrative expert) in alignment does not mean that the Commission needs to deliver all services itself. Consistent with its strategic vision the Commission will need an ongoing focus on *how* it should perform those roles (or what levers it should use) – accommodated in part by progressing the shift from direct delivery to facilitating change. This is discussed further in Section 5.

### 3 The Commission's current strengths and operational reforms provide a platform for future capability

The review team evaluated the Commission against the ten capabilities of the Capability Review model. This section highlights the Commission's key strengths identified by the review and provides a summary assessment on current capability.

#### 3.1 The Commission's key strengths

Overseen by a new Commissioner who has occupied his role for less a year, the APSC is a well-established, central agency with some considerable strengths, which possesses the potential to expand its policy influence as its responsibilities evolve and it continues to deliver valued programs and services.

Key strengths include, but are not limited to:

- strong, visible and authentic leadership
- committed and highly engaged staff with deep technical subject knowledge
- willingness to experiment and innovate
- strong evidence base and rich data holdings
- track record of delivering successful activities that are highly valued and relied upon across the service such as leadership development, talent management, and the APS census.

Staff have a good understanding that their operating context is changing and senior leaders have initiated a range of strategic and operational improvements to prepare for this change including:





- development of a compelling strategic vision and a focus on aligning this within operational business plans
- refreshed leadership team at the SES Band 1 level
- implementation of the first organisational restructure in many years to consolidate business processes and better integrate functions
- transition to the Department of the Prime Minister and Cabinet ICT platform to improve digital maturity across the enterprise
- delivery of internal audits to examine the Commission's funding model and governance arrangements and implementation of recommendations where finalised
- exploration of new delivery models and ways of working with external agencies, including through pooled resources to address shared priorities, such as in the development of the Commonwealth Aboriginal and Torres Strait Islander Workforce Strategy.

The Commission will need to continue to build on these strengths and sustain its focus on business improvement activities to fully realise its vision and potential. The review team has identified a number of priority areas to be strengthened, each of which have the greatest capacity to positively impact future change efforts. The Commission will also need to sustain its current cultural shift – towards a greater external focus, improved internal and external cooperation and sound prioritisation and reprioritisation of strategies regularly, with an outcome focus.

## 3.2 Summary assessment

The review team provided an assessment of the Commission framed by the leadership-strategy-delivery structure of the capability review model. Assessments were made according to the rating descriptions set out in Figure 3.




Figure 3 | Capability assessment scale

	Strong	Outstanding capability for future delivery in line with the model of capability. Clear approach to monitoring and sustaining future capability with supporting evidence and metrics. Evidence of learning and benchmarking against peers and other comparators.
	Well placed	Capability gaps are identified and defined. Is already making improvements in capability for current and future delivery and is well placed to do so. Is expected to improve further in the short-term through practical actions that are planned or already underway.
	Development area	Has weaknesses in capability for current and future delivery and/or has not identified all weaknesses and has no clear mechanism for doing so. More action is required to close current capability gaps and deliver improvement over the medium-term.
	Serious concerns	Significant weaknesses in capability for current and future delivery that require urgent action. Not well placed to address weaknesses in the short or medium-term and needs additional action and support to secure effective delivery.




The review team's assessment of the capabilities Commission's is summarised in Figure 4. In the sections that follow, each capability is discussed in greater detail.

**Figure 4 | Summary assessment**

### Leadership

Set direction		Development area
Motivate People		Well placed
Develop People		Serious concerns




### Strategy

Outcome-focused strategy		Development area
Evidence-based choices		Well placed
Collaborate and build common purpose		Development area

### Delivery

Innovative delivery		Well placed
Plan, resource and prioritise		Serious concerns
Shared commitment and sound delivery models		Development area
Manage organisational performance		Well placed

## Leadership

Set direction	 Development area
Motivate People	 Well placed
Develop People	 Serious concerns

### Set direction

- In early 2019, the Commission developed a strategic vision and priorities that supports the agency's role as a 'valued, credible and trusted partner to the Australian Public Service'. This recognises the importance the Commission places on influence and facilitating action across the public sector to deliver outcomes.
- The vision was developed collectively with the SES Band 1 cohort and progressed through extensive internal consultation, all staff communications and collateral.
- The business planning process to embed the strategic vision within corporate and group plans was underway at the time of drafting the review. During consultations at this time, a number of employees, including at the SES Band 1 level, reported a concern that they felt their work was disconnected from the strategic priorities of the Commission.
- Previously, business planning was developed by groups independently without an enterprise focus and planning was tactical in nature, responding to current rather than strategic future focused priorities. This suggests that the Commission should continue to advance the internal conversation on why and how it is performing current roles, as well as emerging ones, and how the current operations and strategic vision will connect.
- Supportive, engaged and visible leadership is evident across the senior executive, with strong census results over multiple years. The Commission outperforms both the wider APS and comparable policy agencies across all senior leadership performance indicators, notably in areas of responsiveness, communication, contribution and visibility.
- While the SES and EL2 cohorts are committed and hard-working, there is a consensus at SES and EL level that although professional and collegiate, the leadership group is not yet working effectively as a team to drive the agency's overall strategic agenda or operationalising this through its culture.
- Leadership and internal communications could be further strengthened, with a renewed focus on collective ownership of the Commission's strategic direction, modelling personal responsibility for driving organisational change and continued communication of the direction and priorities across teams. The 2019 census results on the effectiveness of organisational communication remain on par, or above, APS-wide results but have fallen from previous results, probably reflecting the ongoing challenge during times of change to communicate constantly and through many channels.

### Motivate people

- The Commission has a workforce that is friendly and passionate about improving the public service. High engagement scores across multiple APS census years are reflective of what the review team heard from staff – that commitment to subject matter interests are a key motivator for working in the Commission.

- The Commission has a strong and demonstrable commitment internally to diversity and inclusion, and a high level of peer-to-peer support. The Commission outperforms, or is on par with, the wider APS on all demographic indicators of diversity.
- Despite strong engagement, evidence points to higher turnover rates within the Commission than other small APS agencies, particularly since 2017. This is also reflected in a clear split in workforce tenure with almost a quarter of staff being at the Commission for ten years or more, and 47 per cent arriving in the past 18 months.
- Census results point to a strong and ongoing intention to leave, particularly amongst the EL2 cohort. In the 2019 APS census, 10 per cent of EL2s indicated they want to leave the Commission as soon as possible and a further 33 per cent want to leave in the next 12 months. In comparison, 15 per cent of APS employees expressed an intention to leave their agencies within 12 months.
- Most staff indicated their intention to leave was due to a lack of future career opportunities or opportunities to expand their skillset. With around one third of the workforce identifying as human resources professionals, the work underway to develop a professions model for human resources and also digital capability within the Commission may identify future career pathways for staff. This data may also suggest some staff prefer a more operational human resource environment.




### **Develop people**

- The Commission has a strong reputation for its centres of technical excellence. Secretaries and Deputy Secretaries highlighted strong specialist expertise across the Commission's range of functions.
- Despite high staff engagement and deep expertise, the Commission faces challenges common across the APS in attracting and retaining staff. This is exacerbated by succession pressures with over a quarter of its workforce over 55 years of age. There is a need for the Commission to establish stronger arrangements to recruit and develop entry-level staff to reduce the current level of dependence upon external recruitment at more senior levels.
- Unlike other APS agencies graduates do not have rotations between teams or other portfolio agencies and graduate retention is low compared to other agencies. Based on all APS graduates employed between 2013 and 2017, evidence shows that 30 per cent of Commission graduates separate within a year of commencing the Graduate Program, compared to zero graduate separations at other small agencies. Where 25 per cent of graduates at other small agencies have separated within two years of commencing their Graduate Program, 50 per cent of Commission graduates have left within the same time period.
- At the time of writing this report, the Commission has started to explore these issues, through initiating a consultation process with staff, with a view to redesigning the Commission's Graduate Program for the 2020 intake.
- An Employee Value Proposition and rebranding project for the Commission is also underway; and steps are being taken to develop an internal workforce strategy, forecast to be completed by the end of 2019. Together with a business model that promotes strong external engagement in taskforces and targeted project delivery, this work will build the Commission's reputation as an employer of choice.
- The Commission plays a particular role in improving APS capability and in recent weeks the Commissioner has set new directions for performance management across the service. There are intentions to mirror these frameworks internally as there is currently limited guidance on performance management or staff development within the Commission. This has resulted in inconsistency across groups and has limited scope to build workforce capability or recognise and reward high performance at an enterprise level.
- As a small agency the Commission is relatively top-heavy with small spans of control compared with similar agencies. At June 2019, 13 staff at the SES level (6 per cent), 31 EL2 staff (14 per cent) and 62 EL1

staff (28 per cent). The average section size is 6.6 staff including delivery and corporate functions. Some sections are currently without any APS level staff at all.

- Realignment of management structures over time, including consideration of a new organisational structure with consolidated functional responsibilities would help devolve decision-making and further empower the EL2 leadership cohort with greater autonomy, policy ownership and management responsibilities.

## STRATEGY

Outcome-focused strategy	 Development area
Evidence-based choices	 Well placed
Collaborate and build common purpose	 Development area

### Outcome focused strategy

- There is wide recognition and acceptance, both internally and externally, of the strategic difficulties that arise from the current funding model. Due to heavy reliance on a patchwork of Memorandums of Understanding (MoU) and Fee for Service (FFS) arrangements with agencies, the Commission's current funding model has resulted in an ongoing hunt for resourcing that is focused on non APS-wide outcomes.
- EL and APS staff shared their experience of the inefficiencies associated with the number of resources spent "convincing other agencies to use our services" rather than undertaking or advancing the functions the Commission is expected to perform by stakeholders. Staff reported that the funding model has led to inefficient expenditure, and a disempowerment of the Commission in the wider eco system.
- Two reports of the Commission's business model (Axiom Associates in May 2019 and Nous Group in 2016) have raised concerns with the funding model with the recent review estimating that 2.5 per cent of Commission expenditure is taken up administering MoUs.
- The Commission has endorsed the recommendations of the recent financial review and commenced a process to develop an enterprise wide costing model and streamline MoU arrangements. Further action is recommended to improve the efficiency and integrity of the Commission's funding model and realign the revenue base by negotiating a greater appropriation.

### Evidence based choices





- The Commission is well placed as a data rich organisation, gathering data on matters including workforce capability through the annual APS census and Agency Survey. Secretaries and Deputy Secretaries across the APS value this work highly and report that the Commission performs well at collecting and collating APS workforce metrics and developing human resources policy frameworks.
- The Commission should continue to improve the strategic use of its extensive data holdings to improve policy and internal decision making. Strengthening capability in these areas would further enhance policy development and delivery.
- Each group currently retains its own data holdings and utilises bespoke systems, with data not easily shared despite the small size of the organisation and commonality of work. The recent transition to the

Department of the Prime Minister and Cabinet ICT platform and work underway to develop a data strategy has prioritised action that will position the Commission well for the future.

### Collaborate and build common purpose

- As an organisation of 209 FTE, seeking to improve the capability of the APS and its 150,000+ employees, the Commission cannot act in isolation. The Commission's strategic vision recognises that its success in delivering outcomes relies on its capacity to partner and influence.
- EL and APS staff providing feedback to the review strongly identified their key stakeholders as wider APS staff, with a number reporting that the key stakeholders identified in the *Plan on a Page* were primarily those of the senior executive. While APS employees remain a primary focus of the Commission's work, this perception may indicate a misalignment with the aspiration to forge close partnerships with senior leaders in support of broader APS reform.
- Parts of the Commission rely on a close and collaborative relationship with line departments and having officers with the right experience, depth and understanding of issues. Data on work history of Commission employees indicates a workforce with significant line agency experience compared to other policy agencies and the wider APS. Data at December 2018 shows that 17 per cent of the Commission's workforce have experience working for four or more APS agencies, compared to Prime Minister and Cabinet (with 13.5 per cent) and Finance (with 11 per cent). In total, more than 70 per cent of Commission staff have worked for at least one other APS agency, which is markedly higher than the APS policy agency average of 50 per cent.
- The Commission provides secretariat support to a range of external governance bodies, committees and forums. There are a handful of governance bodies that have direct input in informing the priorities of the Commission's work, including the Secretaries Board, the Secretaries' Talent Council and the APS Reform Committee, with shared leadership arrangements. External stakeholders indicated support for formalising the role of such bodies, in settling and contributing to the Commission's work program. The role of other external groups may benefit from review to ensure that effort is focused on priority areas of influence.

## DELIVERY

Innovative delivery	 Well placed
Plan, resource and prioritise	 Serious concerns
Shared commitment and sound delivery models	 Development area
Manage organisational performance	 Well placed

### Innovative delivery

- The Commission embraces creativity and flexibility when taking on new priorities. For instance, the APS Mobility Program Branch Out and the Commonwealth Aboriginal and Torres Strait Islander Workforce Strategy are using new ways of working to innovate across the system, including through co-design sessions and collaboration with the Department of Human Services' Design Hub.



- The Commission's digital maturity is developing, with the recent transition to a new IT platform and work underway to establish a new ICT investment policy. Improvements to ICT governance will accelerate this progression.
- A challenge the Commission faces is in transitioning innovative pilot activity and research projects into policy and behavioural change across the APS. The current model of funding short-term pilot initiatives has positive co-design elements and strong evaluation features but lacks a mechanism to formalise support across the APS and embed change within agencies following trials. External feedback received by the review team suggested that the Commission risks losing credibility with agencies because it starts many new things and does not finish them.
- A strong appetite for improving project management capability and discipline across the Commission was commonly expressed in order to accelerate delivery timeframes and deepen stakeholder involvement in the design and delivery process.

### **Plan, resource, prioritise**

- The Commission has already started to consider how it might reshape current activity to accommodate emerging priorities, including through the business planning process. As part of this process, each group has developed a budget, ASL and priorities over the coming year and forecast through the forward estimates.
- With new business processes being implemented during the course of this review, consultations with a number of staff, including at the senior leadership level, reflected uncertainty over how priorities were determined within the Commission and reported difficulties in making decisions on trade-offs. Continuation of efforts to improve transparency and build a shared understanding of the annual budget and business planning process as it is embedded will be welcomed by staff.
- External stakeholders interviewed by the review team consistently reflected that the Commission has strength in designing strategy and frameworks, remarking, however, there has been a 'stop-start' approach in the Commission to engagement, which has led to effort being contributed to initiatives that don't eventuate. There is widespread support for a process that prioritises the projects and initiatives the Commission stands up informed by greater consultation across the APS.
- Inconsistent uptake of the Commission's learning and development offerings across agencies demonstrates the need for further work to better understand the Commission's customer base. Better determining their needs will inform prioritisation, maximise impact, and avoid duplication and inconsistent application of frameworks and policies across the service.

### **Shared commitment and sound delivery model**

- Secretaries and Deputy Secretaries were strongly supportive of the Commission's talent and SES leadership capability initiatives and encouraged the ongoing extension of these programs of work. A more deliberate approach to developing APS-wide capability was supported that strikes a balance between centralised and decentralised decision-making.
- There are different views within the Commission that aspects of program delivery can be more effectively delivered by the market and that direct delivery may divert resources from critical policy development and regulatory responsibilities. Others maintain that on-ground delivery is critical to inform policy, demonstrate credibility, raise organisational profile and thereby influence over the wider APS.
- A prioritisation process that considers all the levers the Commission can draw on to best influence and achieve outcomes will mature these issues and help operationalise the emerging role of the Commission as a 'smart facilitator'.

- There are many examples of the Commission working positively in partnership with other agencies to develop and deliver capability, inclusion and diversity programs. New approaches are currently being tested to deepen co-design and ownership of policies and programs. For example, a Senior Executive officer from the Australian Tax Office has been out posted to the Commission to help develop the APS professions model, building on that agencies experience and expertise.

### **Manage organisational performance**

- The Commission has a strong evaluation culture, and value is placed on data collection. There are extensive data holdings that provide invaluable baseline information that is highly valued by external stakeholders.
- Progressive development of common evaluation approaches across the Commission, and a commitment to publish evaluation reports by default across all areas of activity would increase the value of current evaluation efforts for both internal and external stakeholders. Consideration could also be given to review the annual APS Agency Survey as a source of data on human resources activities and capability uplift across the service.
- The Commission could take additional steps to ensure a greater focus on impact and outcome performance measures for its activities, with stronger linkages to personal performance plans. A continuing process to improve the rigour of organisational performance indicators, cascading along accountability lines will improve transparency and credibility, and shared ownership over organisational outcomes.

This assessment points towards four key areas of improvement:

- the need to continue to shape, communicate and embed the Commission's strategic vision
- the need to continue to refine how it pursues outcomes
- the need to build stronger external relationships so as to enhance its influence
- more emphasis on aligning enabling strategies to support sustained improvement

In addition, the Commission should seek to alter its financial situation so that it is less reliant on fee for service revenue.

Each of these areas for improvement are discussed below.

## 4 The Commission should continue to shape, communicate and embed its strategic direction

### Capability focus: Set Direction

The new strategic vision for the Commission reflects that its responsibilities and ways of operating are undergoing substantial change. Work is underway to embed the strategic direction into cascading corporate documents. This will be central to ensuring that staff can clearly relate their own work priorities to the strategic direction so that they can both understand and own why and how the Commission is changing. As might be expected with such substantial change, the Commission has challenges ahead of it to realign the orientation of staff.

A critically related challenge for the Commission is reframing its work program around its emerging responsibilities, which, as outlined earlier, require it to work toward a blend of new, current and refreshed outcomes.

### 4.1 The Commission needs to ensure staff own its new vision and understand its relationship to their work

Through extensive internal consultation in early 2019 the Commission developed a compelling strategic vision and priorities that support the agency's future role as a 'valued, credible and trusted partner to the Australian Public Service (APS)'. This vision stretches the agency beyond its previous vision of 'positioning the APS workforce for the future' by acknowledging that being an influencer in the wider public sector ecosystem (or a 'smart facilitator') will be central to ensuring the Commission's success.

This is the first time substantial changes have been made to the Commission's vision and priorities in at least four years, and the first time these key stakeholders have been articulated. Senior leaders in the Commission have also been working with staff and stakeholders to prepare the Commission for the changes that might flow from the Government's response to the APS Review.

To address this, the Commission should focus on continuing to engage and embed with staff its vision and priorities. For the Commission to succeed in its efforts to smoothly transition the operational focus, it is essential that the vision is adopted across all levels of the organisation. Staff need to understand both why and how their work will relate to the new vision.

It will be important to explain *why* the Commission is performing each of its roles and responsibilities, as well as explaining what they are. One of the Commission's current challenges is that many staff identify with current *activity* rather than role or objective. The Commission needs to drive engagement with its role and vision informally (by repeated, regular discussion of the new vision and associated objectives) and formally as is occurring through business planning.

## Recommendations: Shape, communicate and embed its strategic direction

1. The Commission should continue efforts to embed its strategic direction to bring along all its people, through concerted communication and engagement. This will advance the shift underway from more operational to more strategic activities while valuing existing work in the new context. Specific recommendations to support this include:

- Embed the refreshed strategic direction of the Commission in key corporate documents including cascading through group and section business plans.
- Executives (First Assistant Commissioner, Deputy Commissioner and Commissioner) attend group meetings on a rotating basis.
- Develop an induction kit for new starters to the Commission with a focus on the strategic vision, priorities and key stakeholders.

## 5 The Commission should continue to refine how it pursues outcomes

### Capability focus: Plan, Resource, Prioritise

The Commission's work program needs to balance the Commission's responsibilities in a way that is responsive to changing expectations and broader public sector trends described above. The Commission has already started reshaping its priorities to this end and this is expected to be in focus for some time. As part of this activity, the Commission will need to continue to make challenging decisions about trade-offs, while empowering staff to own and implement those decisions.

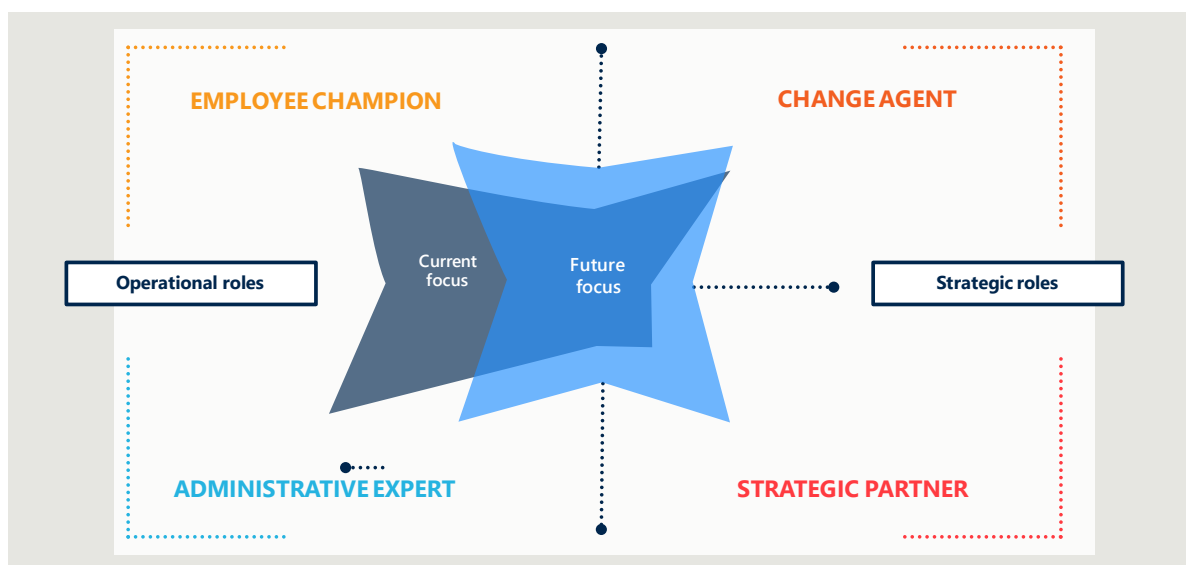
The Commission is striving for change of a scale the organisation has not undergone for some time. To embed this strategic focus within its culture the Commission will need to continue to invest in processes that drive prioritisation, considering both what its priority objectives are and how it strives to achieve these.

### 5.1 The Commission will need to balance its activity between different responsibilities

The Commission should continue to identify priorities and consider which activities it winds back, in a way that balances its responsibilities. The Commission will need to assess delivery of its wide statutory responsibilities as set out in the *Public Service Act*, and look for opportunities to ramp-up its performance of strategic roles (particularly the Strategic Partner role), while scaling back investment in operational outcomes (Figure 5). The Commission might decide that some existing outcomes are less important in the face of emerging higher priorities.

In shaping and communicating the Commission's strategic direction, it is important, as noted above, that the Commission recognises the need to balance all of its roles. Many existing functions can, for example, be aligned toward strategic directions, and staff performing such functions will often have insights into how this can be done and become supporters of change. Engaging staff in this way will need to be an ongoing priority for some time but will be pivotal for reorienting the Commission.

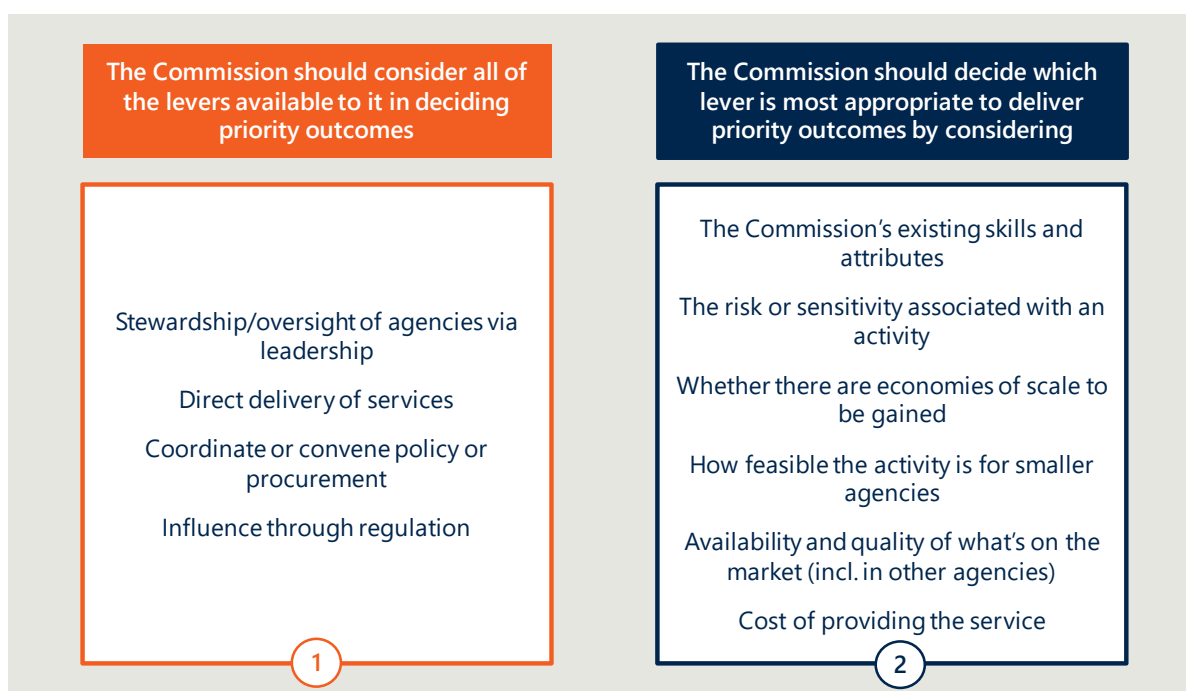
Figure 5 | The Commission will need to disrupt its operational focus to align with the new outward focus



## 5.2 The Commission needs to consider all of the levers available to it

The Commission has a number of levers it can draw on to achieve its outcomes. Figure 6 sets out these different levers and includes a set of principles the Commission could apply to decide which lever is the most appropriate.

Figure 6 | The Commission's levers and principles to guide their use



It will be beneficial, in the short-to-medium term, for the Commission to evaluate its priorities against the above described principles in the context of what agencies and departments currently value. There might be good reasons for the Commission to, for example, cease directly delivering a service and provide more of an oversight role. However, if the service is highly valued by Secretaries and agency heads, it may be prudent to maintain the service. There will be a particularly strong imperative to do so while the Commission is asking its customers (agencies and departments) to forfeit some of their appropriation to the Commission (Figure 9).

Drawing on a diversity of levers will be a necessity for the Commission in its resource-constrained environment. Direct delivery of services is highly resource intensive; most of the other levers should require less organisational effort. Relying on a mix of levers that are less resource intensive will allow the Commission to better perform its different roles in a complementary and aligned way.

Beyond resource constraints, there are other good reasons the Commission might not directly deliver services. For example, another agency might be best placed to deliver a service because they have specific expertise, but the Commission might be able to add value by organising that agency to deliver a service to others.

## 5.3 The Commission should start by considering the activity it charges for

As the Commission progresses prioritising and realigning current and projected activity, and takes on any expanded responsibilities, it should continue to focus effort on assessing activity it undertakes as part of Fee for Service (FFS) or Memorandum of Understanding (MoU) arrangements. In Section 7 the review argues that the Commission should realign its funding base to seek a greater proportion of its funding (and a modest increase in total funding) through appropriation. Any changes to its MoU and FFS offerings will need to be made as the funding base adjusts.

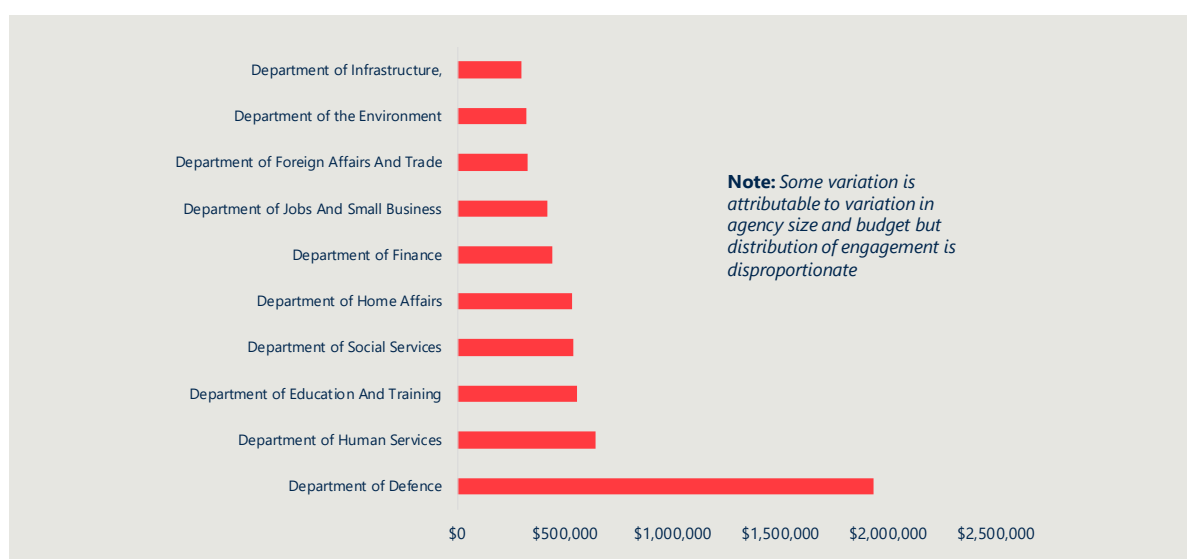
Feedback from Secretaries to the review team highlighted that some of the Commission's FFS and MoU work is extremely valuable. The Commission's Leadership courses, for example, were consistently cited as excellent and hard to secure a place in. The APS Reform Committee and the APS Capability Advisory Board also provide advice to the Commission on what work is valuable.

The Commission's FFS and MoU activities are not uniformly valued at that level by agency heads as indicated by uneven agency MoU commitment and attendance in FFS learning and development activities. External stakeholders widely expressed support for a number of interrelated reforms already under active consideration by the Commission:

- Focus on highly valued learning and development offerings and those related to shared APS strategic priorities.
- Seek to have some activities, such as the Indigenous employment work, funded from appropriation, not dependent on MoU/FFS.
- Streamline MoU activity to reduce total transaction costs and consider the value proposition for all services delivered by the Commission as a package.
- Re-evaluate charges for some highly valued and currently low-cost services (i.e. APS census).

In applying the principles set out in Figure 6 it will be important for the Commission to understand how much its key stakeholders' value specific activities, and how aligned each activity is with the Commission's strategic responsibilities, before deciding whether a different lever would be more appropriate. The Commission should be mindful that agencies and departments do not all value the same offerings. For example, some agencies and departments purchase far more courses from the Commission than others, and the kinds of courses agencies and departments purchase vary significantly with some readily available in the market (Figure 7). In 2018-19, 23 per cent of all attendees who participated in core skills training on a FFS basis attended foundational writing courses.

Figure 7 | Leadership and Capability top 10 FFS customers FY18-19



When deciding how to fund courses and other MoU/FFS activity, the Commission should use its appropriation on high-impact services valued by many agencies and departments, that are not duplicative of those available in the market, and which are aligned with its strategic role. When considering any move towards whole-of-service induction and integrity training it will be important that the transition from FFS arrangements occurs gradually as the funding base adjusts. If an activity provides a discrete opportunity to meet the particular demand of only a few customers, the Commission should charge a fee.

In applying the principles set out in Figure 6, the Commission might consider adopting a stewardship/oversight role in connection with all courses for which it currently provides only administrative support. Administratively supporting an offering is resource intensive and not particularly influential, when the market is already set up to provide a quality service. Adopting a stewardship/oversight role might involve advising agencies and departments of the value of privately provided courses, as well as ensuring private providers are aware of the needs of the APS. Done well, this should have greater influence, with fewer resources.

## Recommendations: Consider how best to achieve outcomes

2. The Commission should reconsider both **what** its priority objectives are **and how** it strives to achieve these. Specific recommendations to support this include:

- Over a planned and transparent forward program, the Executive Board should review all activities against the Principles set out in Figure 6 and all areas of the Commission should report back within 12 months on progress in implementing reprioritisation decisions and changes in mode of delivery.
- In relation to external oriented learning and development activities, considerations should include relative client engagement, alignment to whole of APS learning and development priorities (including those articulated by the Secretaries Board and the APS Capability Advisory Board) and use of alternative providers in the tertiary education and private sector.
- The Commission should develop an internal measure of administrative and opportunity cost for MoU and FFS activity and receive an annual report of both distribution of these costs and reductions in the aggregate cost.



## 6 The Commission needs to focus on building stronger relationships so it can have more influence

### Capability focus: Collaborate and Build Common Purpose

The *Public Service Act* formalises the Commission's role of ensuring the professionalism, integrity and effectiveness of the APS now and into the future. While this role remains constant, the expectations of the Commission and the way it delivers outcomes are constantly evolving. The Commission has started to develop a more outwardly focused orientation, in order to be more responsive to shifting expectations and broader environmental changes. This is a shift that has been welcomed by Secretaries interviewed as part of the review, who noted the value of the Commission and its work and suggested its role is best performed when there is a strong understanding of the circumstances of other APS agencies.

In order to perform its role in a way that is responsive to the circumstances of agencies, strategic engagement with senior leaders across the APS is critical. The moves the Commission has already made toward becoming a 'smart facilitator' are positive and staff at all levels pointed to the strength of the senior leadership team in building strong partnerships across the service. In order to embed change, the Commission will need to translate what this means for staff throughout the Commission and leverage its existing relationships. In part, this means building up the Commission's capability across all levels to use its stewardship and coordination levers.

### 6.1 A combination of skills, attributes and structural characteristics are needed for the Commission to use all its levers to achieve outcomes

The Commission needs to have the right skills, attributes and structural enablers to ensure it can draw on different levers to maximise its impact. Some of the skills, attributes and structural enablers required to successfully use these levers are identified in Figure 8.

Figure 8 | Skills, attributes and structural enablers of each lever

Lever	Skills, attributes and structural enablers
Stewardship/ oversight of agencies via leadership	<ul style="list-style-type: none"><li>• Strong and influential relationships</li><li>• Data analytics and policy development skills</li></ul>
Direct delivery of services	<ul style="list-style-type: none"><li>• Understanding customers' needs and contexts</li><li>• Expertise in the delivered service</li><li>• Usually significant resources</li><li>• Procurement and contract management skills</li></ul>
Coordinate or convene policy or procurement	<ul style="list-style-type: none"><li>• Strong networks</li><li>• Procurement and contract management skills</li><li>• Policy development skills</li></ul>
Influence through regulation	<ul style="list-style-type: none"><li>• Legislative authority</li><li>• Compliance and enforcement powers</li><li>• Regulatory skills and capabilities</li></ul>

The Commission has started moving in a direction that will require it to rely more heavily on having influence through its stewardship and coordination levers. As discussed above, to drive toward broader outcomes the Commission will need to do less direct service delivery. A move towards stewardship and coordination is also clear from the way the Commission has identified its primary stakeholders (Government and Ministers, Secretaries and agency heads set out in 'Plan on a Page' at Appendix A). Distinguishing these stakeholders from wider APS staff as the 'end-user' clients highlights the importance the Commission places on using influence to deliver outcomes. (APS employees will be the beneficiaries of a Commission agenda informed by such strategic engagement.)

The Commission's current work program means that, at present, its strongest capabilities relate to direct service delivery. Strengthening capability to use its stewardship and coordination levers must be a priority for the Commission. In an agency as small as the Commission, it is all the more vital that every officer understand the importance of external partners as the fulcrum for all the Commission does. For this purpose, the Commission should actively encourage and reward its officers to develop non-contract-based relationships with partners and client agencies. The Commission should articulate, develop and acknowledge relationship skills as key skills for Commission staff, and skills required at a very high level for managers.

## 6.2 The Commission should build its influence and capacity to collaborate by relying on formal and informal structures

The Commission will be most effective in performing its role if it can persuade and marshal support from its primary stakeholders. One important forum that extends the authorising environment for the Commission's strategic direction and can further support realignment of the Commission's funding model, will be the Secretaries Board. The Secretaries Board (established by the *Public Service Act*) channels the evolving expectations of Government, business and the community for the APS and will be a central conduit for implementing much of the Government's response to the APS Review.

The Commission works effectively with the Secretaries Board to inform its work; this could be further formalised through a process to seek the support of many of its key partners for the principles underpinning its forward work program. In addition to increasing the Commission's influence, this will be important to negotiating a commitment from agencies to share resources for priority initiatives (see Section 7). In order to generate support, the Commission will need to ensure it understands stakeholder needs and provides opportunity for feedback. However, to maintain the Commission's independence, it should be made clear that the Commission is using the Board to seek input and understand agency need, and is not seeking approval of how it discharges statutory responsibilities in which it has expertise and autonomy.

The Commissioner could also be supported by a new Advisory Board of external experts, which could build on, or transition from, the APS Capability Advisory Board established this year by the Commissioner which brings together Secretaries, academic and private sector leaders to help shape and inform policy. An Advisory Board would have input to shape the strategic direction of the Commission along with the Secretaries Board and Government.

Other forums and relationships will remain important to engage the Commission's primary partners. The Commission might consider reviewing its existing relationships with external governance bodies (committees, forums and working groups) to ensure its effort is focused on priority areas of influence, consolidating or reprioritising engagement to reduce administrative burden.

## Recommendations: Pursue stronger relationships to have influence

3. The Commission must continue to strengthen its partnerships with key clients and external stakeholders to ensure strong alignment with the priorities of the Secretaries Board, without limiting the Commissioner's express statutory powers and responsibilities. Specific recommendations to support this include:

- Formalise a process, from dialogue with individual Secretaries through to iterative engagement with the Secretaries Board, to ensure the Commission's annual work plan is synchronised with the Secretaries Board's priorities.
- Review existing external governance bodies, committees, forums and working groups supported by the Commission, with a view to refocussing effort on priority areas.
- Actively encourage and reward non-contract-based relationship development and engagement with partners and client agencies, articulating, developing and acknowledging relationship skills as key skills for Commission staff, required at a high level by managers.

## 7 The Commission should seek a greater appropriation and restructure its business model to be outcomes focused

### Capability focus: Outcome Focused Strategy

The Commission's outcome focus is currently compromised by its funding model. The Commission operates without a guaranteed funding stream for much of its priority work and is constantly having to re-prosecute its value proposition. As a result, the Commission has focused too much of its organisational effort on creating and maintaining revenue streams, unconnected to a clear mandate.

This problem is exacerbated significantly as the Commission attempts to implement new priorities and strategic roles.

### 7.1 The Commission should try to negotiate a greater appropriation, but will still probably need to raise some of its own revenue

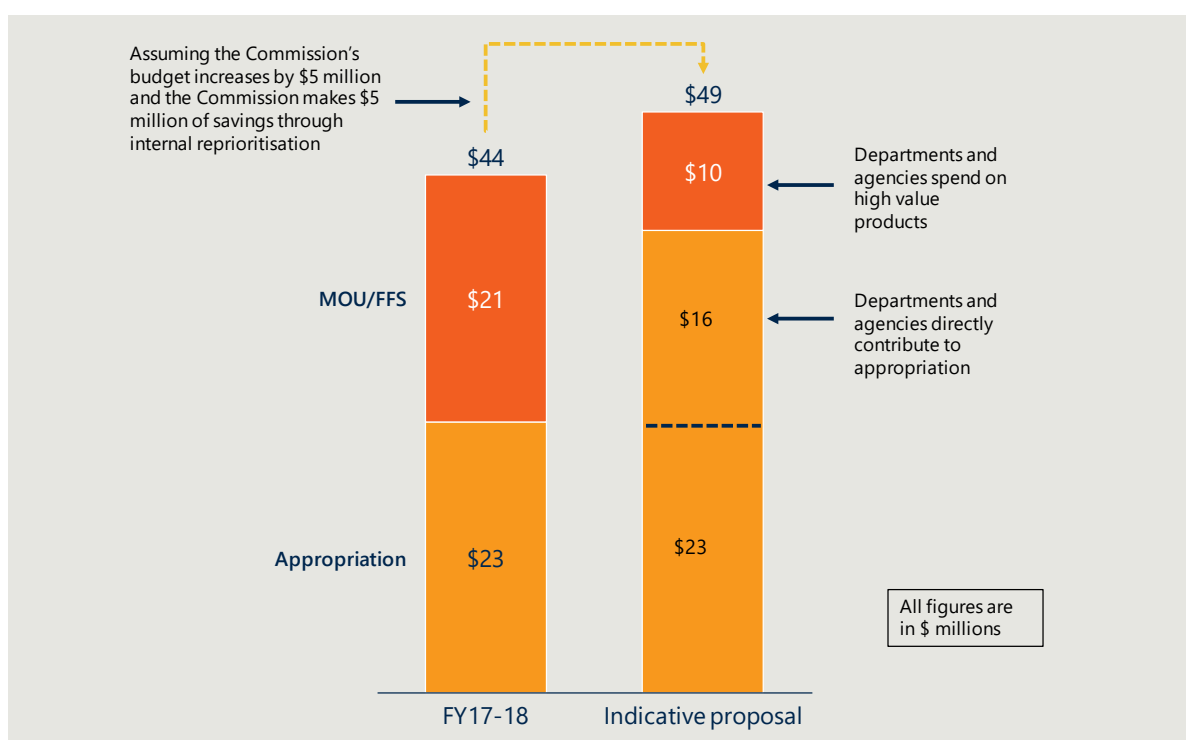
#### The Commission should try to negotiate a greater appropriation

In near equal proportions, the Commission derives revenue from its annual appropriation and from charging for services (in FY17-18, of the Commission's total revenue of \$43.729 million, \$20.877 million was raised through charging arrangements). The Commission's revenue raising activities are facilitated by Memorandums of Understanding (MoUs) and Fee for Service (FFS) arrangements. The Commission has MOUs with a range of Commonwealth entities, government agencies from other jurisdictions and some private entities – often many with the same entity. Axiom Associates has estimated that 2.5 per cent of Commission expenditure is taken up administering MoUs.

If the Commission had a greater appropriation, it would be in a better position to deliver greater value to agencies and Departments. In the current environment, a greater appropriation for the Commission is most likely to come from contributions from other agencies and departments. Specifically, other agencies and departments (as a group) would need to agree to their departmental appropriation being levied by some equitable formula to enhance the Commission's appropriation. Critical to the Commission's ability to negotiate such a levy will be convincing agency heads and Secretaries that there will be a strong return on their investment. The advantages to agencies and departments, of the Commission having a greater appropriation, are discussed in detail below.

If the Commission is to rely on an appropriation to cover up to 80 per cent of its revenue, it would need to ask agencies and departments to collectively contribute a relatively small amount of their collective budget. Figure 9 includes indicative figures, suggesting agencies and departments might collectively contribute \$16 million, a net increase of \$5 million pa when the decrease in MoU and FFS revenue that will be sought is taken into account. To put the figures below into perspective, according to AusTender in FY18-19, agencies and departments collectively awarded approximately \$310 million in learning and development contracts (i.e. the \$16m sought represents 5 per cent this).

Figure 9 | Indicative revenue figures



**The case for the Commission to seek a greater appropriation through redirecting a small proportion of department/agency departmental funding must be based on the Commission delivering better value to agencies and departments (i.e. there must be a value proposition). This has three pillars.**

First, a greater appropriation will allow Secretaries and agency heads to have direct visibility over, influence and provide the Commission with feedback in relation to the principles underpinning its program of work. As it stands, employees many levels below senior leaders decide what services the agency will purchase from the Commission. If the Commission were to negotiate a greater appropriation, Secretaries and agency heads could have much more influence over, and greater visibility of, the activities the Commission supplies. While the Commission currently engages with the Secretaries Board proactively, this commitment to engage should be further formalised. For example, the Commission should commit to presenting any proposed significant changes to its program of work to the Secretaries Board for discussion. The Secretaries Board could also be a forum for Secretaries to provide the Commission with feedback on the delivery of programs and outcomes.

Second, a larger appropriation would give the Commission greater freedom to focus its efforts across all its roles and responsibilities, including building up important and newer directions desired by Secretaries or government. If the Commission is to move toward a better balance of activities across all its roles and responsibilities, it will need a greater appropriation to resource the activities not amenable to imposing a charge. The value to Secretaries and agency heads of a Commission with a greater appropriation, will be a Commission which can confidently resource activities with a longer-term focus or a more strategic bent (as opposed to day-to-day delivery).

Third, reducing the number of MoUs and FFS arrangements would reduce many of the Commission's current administrative inefficiencies. In other words, there would be a much smaller opportunity cost associated with charging for services, if the Commission were charging for fewer of them. The Commission could, with a greater appropriation, repurpose many of the resources it currently has committed to developing, marketing and administering products for the dominant purpose of generating revenue. This would enable the Commission to argue that it is also contributing directly to financing the reform agenda.

The Commission will need to rigorously measure and evaluate activity against outcomes so the Commissioner can demonstrate to the Secretaries Board that it is delivering the value promised. The Commissioner should be able to commit to reporting on outcomes to Secretaries and agency heads when asking to levy their appropriation and the Commission should remain accountable for delivering quality outcomes; this requires performance to be measured and evaluated. The Commission's ability to measure and evaluate services against outcomes will need to improve to this end.

### **The Commission will probably still need to raise some of its own revenue**

Notwithstanding this, there is some advantage in the Commission raising its own revenue to do new things, to be responsive to client needs. It should not be as high a proportion of operating revenue as at present, but there is virtue in some market discipline to ensure the Commission continues to produce quality outputs in service provision to agencies and departments. The Commission should not be distracted from its core objectives in order to chase new revenue streams.

## **7.2 The Commission will need to improve the efficiency and integrity of its current approach to revenue raising**

Assuming the Commission still needs to raise its own revenue through charging for services, it will need to progress work underway to address several issues with its current model.

### **7.2.1 Two reviews have identified issues with the Commission's revenue raising model**

There is a number of present and future concerns with the Commission's current revenue raising model. Two reports (by Axiom Associates in March 2019 and Nous Group before that, in 2016) question how well-suited the Commission's current approach to raising revenue is to its business and identify issues with the Commission's financial oversight arrangements. The Commission has commenced a process to develop an enterprise wide costing model and streamline MoU arrangements to action these issues and recent report recommendations.

The Axiom and Nous reports identified a number of issues associated with the Commission's financial oversight arrangements and current approach to raising revenue:

- **The Commission's heavy reliance on raising its own revenue is not well matched to the profile of the Commission's costs.** The Commission's labour base of mostly permanent staff is a high proportion of the Commission's costs. Axiom identifies this as a risk to the Commission, which would have difficulty responding to a downturn in business.
- **The Commission's revenue raising model creates a perception that the Commission may have a conflict of interest.** The Commission has the function of reviewing and reporting on Commonwealth agencies, which requires the Commission to be independent. The Commission's significant reliance on raising revenue from the same agencies it reviews and reports on could be perceived as a conflict of interest.
- **There is a high opportunity cost associated with the revenue raising arrangements.** The Commission spends an estimated 2.5 per cent of its revenue (\$1m a year) on administering the MoUs and FFS arrangements. Beyond this, Commission staff report devoting significant time to developing these lines of business and convincing agencies and others to enter into such arrangements. Altogether, this represents a high opportunity cost – in terms of the Commission's talent pool and organisational energy.

## 7.2.2 The Commission will need to review its activity once it has a clearer picture of its finances at an activity level

Axiom reported that the Commission is currently unable to finance its full program of work from its appropriation alone. As the Commission's enterprise-wide costing model is still in development (due for completion April 2020) the review was unable to obtain a granular picture of activity costs for which revenue streams produce a net surplus and which produce a net loss. Consistent with some of the limitations discussed above, the Commission has not kept many of these data points at a granular level.

Some of the issues identified with the Commission's current approach to revenue raising can be addressed only once relevant and accurate data is established. For example, data on which activities produce a net surplus and which a net loss should inform prioritisation of activity. Where an activity is producing a net loss, the Commission might sensibly ask why and whether a different lever might be more appropriate to deliver an outcome.

## 7.2.3 The Commission needs clearer policies and procedures to support its revenue raising activity

The two reviews of the Commission's business model (Axiom in 2019 and Nous in 2016) have made a number of recommendations to address current issues. These recommendations, and others flowing from this review, are summarised below.

### **The Commission should progress development of a develop a better pricing model and reduce its MoUs to one per agency**

- **The Commission should do a bottom up costing exercise which takes into account both marginal and direct costs of all activities.** The Commission is currently developing an enterprise wide costing model, to understand the true cost base of each of its activities. This addresses findings of the Axiom report that charging arrangements are often negotiated by non-financial staff and a variety of methods are used. Many of these pricing methods would appear ineffective. In particular, the Axiom report suggests that the Commission has very little to no understanding of the true cost base for each of its activities. In 2016, Nous found that the Commission was often recovering the marginal cost (instead of the full cost) of its activities when it used cost as a basis for pricing, as well as potentially being in the position of cross subsidising commercial activity from appropriated revenue. The Commission should ensure this costing model is embedded in the organisation and maintained, particularly as the Commission shifts its program of work.
- **The Commission should develop a pricing model which is connected to its understanding of cost.** The Commission's pricing model should be supported by tools that allow it to be implemented when new services are developed, or existing agreements are up for renewal. The pricing model should incorporate an understanding of the cost of the Commission's activities.
- **In delivering its pricing model the Commission should be aware of the potential to engage in cross-subsidisation of its activities, when it prices an activity below its cost.** This raises a number of potential risks, including issues associated with the government's policy of competitive neutrality.
- **The Commission should reduce the number of MoUs it has to one per agency.** The Commission currently has multiple MoUs for some agencies. MoUs should be rolled into one agreement per agency, which may also provide agencies with greater visibility of the whole value proposition (i.e. in relation to services delivered at a very low cost, such as the APS census).

### **The Commission should develop and embed approval and accountability structures to support activity pricing and financial administration**

The Commission should develop procedures which ensure effective financial administration is embedded. Specifically, the Commission should develop an enterprise-wide review and approval framework. Axiom recommended the Commission take this measure to ensure its activities are consistent with the Commissioner's statutory functions. Axiom was particularly concerned with the arrangements the Commission has to deliver services to organisations which do not engage public servants. The Commission should establish procedures that go beyond ensuring its business is compliant with statutory functions. The approvals and review framework should ensure that the pricing model as a whole complies with agreed internal policy. Clear accountabilities will need to be established and staff with relevant financial capabilities should be given key responsibilities.

### **The Commission might also consider the types of activities it charges for**

After developing a complete picture of the costs of its intended work program, and the likely demand for its services and their value to customers, the Commission might think about which services it should charge for and which should be funded by appropriation. This consideration will need to extend to expanded responsibilities for the Commission – for example leadership, induction and integrity training.

Some of the concerns identified by Axiom – about perceived independence and vulnerability to fluctuation of demand – are not unique to the Commission. The Australian Government Solicitor (AGS), Australian Government Security Vetting Agency (AGSVA) and the Therapeutic Goods Administration (TGA) are relevant examples. AGS and AGSVA recover costs from other Commonwealth agencies. The Therapeutic Goods Administration (TGA) is required to cover most of its costs from those that it regulates.

The Commission might consider whether it is appropriate to charge for:

- Services that are highly valued by agencies and departments (or perhaps compulsory). This is the model that guarantees AGSVA and AGS relatively stable revenue streams.
- Services that are subject to fluctuation in demand. In order to resource fluctuations in demand, the Commission might charge for relevant services.



## Recommendations: Win support for sustainable business model

4. The Commission urgently needs to win support for a greater share of revenue to come through appropriation, with a target of increasing this from 50 per cent currently to 80 per cent, with at least some net increase in revenue overall. In addition, it needs to substantially improve the business model for MoU and FFS income it earns in addition to appropriated revenue. Specific recommendations to support this include:

- The Commissioner should discuss with the Secretaries of the Departments of Prime Minister and Cabinet and Finance a proposal to replace around 60 per cent of current MoU and FFS revenue, plus a small net increase in total revenue, (at least in the order of \$5m pa) with an increase in the Commission's appropriation, financed by a small pro-rata levy on departments/agencies. If agreed by the Secretaries Board, this could be implemented by either a Cabinet Submission or via an administrative adjustment on behalf of Secretaries Board by the Department of Finance.
- At the same time the Commission should:
  - Improve transparency to Secretaries of the higher value strategic work it will pursue on their behalf.
  - Reprioritise \$5m of existing activity within the Commission so that, for a net increase of \$5m spread across all Departments, the Commission can guarantee the Secretaries Board at least \$10m annual additional value in Secretary Board high strategic value priorities.
  - Make clear its intent to refrain from seeking MOU or FFS revenue for anything other than very high value and priority activity.
  - Reduce 218 MOUs to one per client agency.
- The Commission should, as a priority, develop a sophisticated pricing model, considering full costs including transaction and opportunity costs to the Commission.
- To support this business model restructure, the Commission should immediately review its finances at a granular level, taking account of those activities that produce a net surplus net loss and with clear metrics on differential APS agency engagement in each activity, reporting to the Executive Board.
- The Commission should review enterprise wide metrics and implement a common evaluation framework including regular reporting to the Executive Board and default publishing of evaluation reports.
- The Commission should look to increase the sophistication and ambition of its data strategy and ICT investment plan to support robustness of the business model supporting the Commission's activity.
- The Commission could make more strategic use of its extensive data holdings to improve policy decisions, program development and evaluation. To add value to the delivery of its strategic priorities, the Commission should look to expand its data analytic capacity.

## 8 Align enabling strategies to support sustained improvement

### Capability focus: Develop People

The Commission will need to align internal enablers to deliver and sustain the changes described in the preceding sections. There are four critical enablers for the Commission:

1. **Governance.** The Commission needs to continue work to formalise governance structures, to provide clarity to staff around decision-making and reflect clear lines of accountability for delivery. Such structures are essential, particularly during a time of change.
2. **The development of people.** The Commission needs to consider how to best support its people as it changes. A renewed focus on the professional development of the Commission's employees alongside concerted efforts to empower people to contribute to the new vision, will be critical.
3. **Structural and functional alignment.** The Commission will need to consider how it can organise its work based on the functions it will be performing. The Commission's internal organisational structure should facilitate linkages and ensure groups work together in complementary ways.
4. **Culture.** The Commission will need to celebrate organisational strengths, while calling out unaligned behaviours. All organisations undergoing change face the risk of forgetting to promote strengths, while focusing on areas of improvement. Change will be much more effective if strengths are celebrated and built upon, not minimised while challenges are brought into focus.

### 8.1 Governance should be well understood across the Commission

As the Commission seeks to embed change it will be important to provide clarity to staff on the Commission's governance frameworks that build on clear lines of accountability. Strong governance supports the Commission's role and the changes it is undergoing. An internal audit of the Commission's governance arrangements is underway, supported by the recent establishment of a Governance section, this reflects the value placed on this key enabling framework.

Clear, formalised governance arrangements support and maintain change in the following ways:

- **Shape, share and communicate strategic direction.** Internal governance bodies (the Executive Board, SES Band 1 and EL2 leadership groups) are where strategic direction is discussed and initially embedded. Accountabilities are maintained through business plans and budgets, which are discussed in these forums.
- **Consider how best to achieve outcomes.** Clear lines of oversight, built into processes for starting, stopping and changing how the Commission operates, will ensure activity aligns with objectives and is pursued in an optimal way. Performance reporting will remain the feedback loop, which provides an evidence base for future decisions.
- **Pursue stronger relationships to have influence.** Clearly identifying the role that external stakeholders play in informing the Commission's program of work, and the mechanisms to provide them direct visibility and influence, is central to the success of the Commission's operations.
- **Win support for a sustainable business model.** The Commission should continue its work to develop clearer processes and procedures around its finances, to facilitate oversight and accountability of its business.

To build understanding across the organisation, and clarify lines of oversight over its work program, the Commission should identify the role and mandate of its internal governance bodies and communicate this through terms of reference available on the intranet.

Current Executive Board arrangements should be formalised first with terms of reference, forward agendas and a continued commitment to cascade decisions. The Executive Board, currently comprising the three Commissioners, would also benefit from co-opting SES Band 1 officers on a rotating basis. This would build shared ownership and accountability for the Commission's strategic outcomes, while improving visibility of the decision making and priority setting process across the Commission.

## **8.2 The Commission needs to develop its people and support them to grow**

It is imperative, particularly in the context of change, that the Commission continuously invest in its people. This is important to bring people along, to empower them to deliver and demonstrate a commitment to them. To ensure the Commission has the capability needed for the future, particularly at managerial levels, it will need to retain and develop quality staff through deliberate workforce planning, learning and development.

Investment in people needs to be expressly considered, planned for and funded. The Commission needs to set a high standard for its people and support them to achieve that standard. Equally, the Commission needs a plan to recruit the right skills in the medium-to-long term. The Commission should harness the strong human resources capability across the organisation to progress work underway to develop the Commission's workforce plan and learning and development strategy.

The Commission plays a particular role in improving APS capability, and in recent weeks the Commissioner has published updated Commissioner's Directions relating to performance management across the service. These Directions look to proactively promote high performance and recognising talent, while preventing and managing underperformance issues. Action needs to be taken to fully reflect and embed the intent of the Directions internally, and to formalise common guidance on performance management and staff development within the Commission. This will reinforce accountability for strategic priorities and support work to identify capability gaps and learning and development requirements at an enterprise level.

An enhanced performance framework that supports meaningful career conversations would also be enriched by the early adoption of the human resources professions model for the APS currently in development within the Commission.

## **8.3 The Commission should consider how it can organise its work based on the functions it will be performing**

To support its evolving responsibilities the Commission may benefit from greater functional alignment, bringing together like activities that reflect a depth of skills in a particular function, reduce duplication of effort and build reputation in promoting centres of excellence.

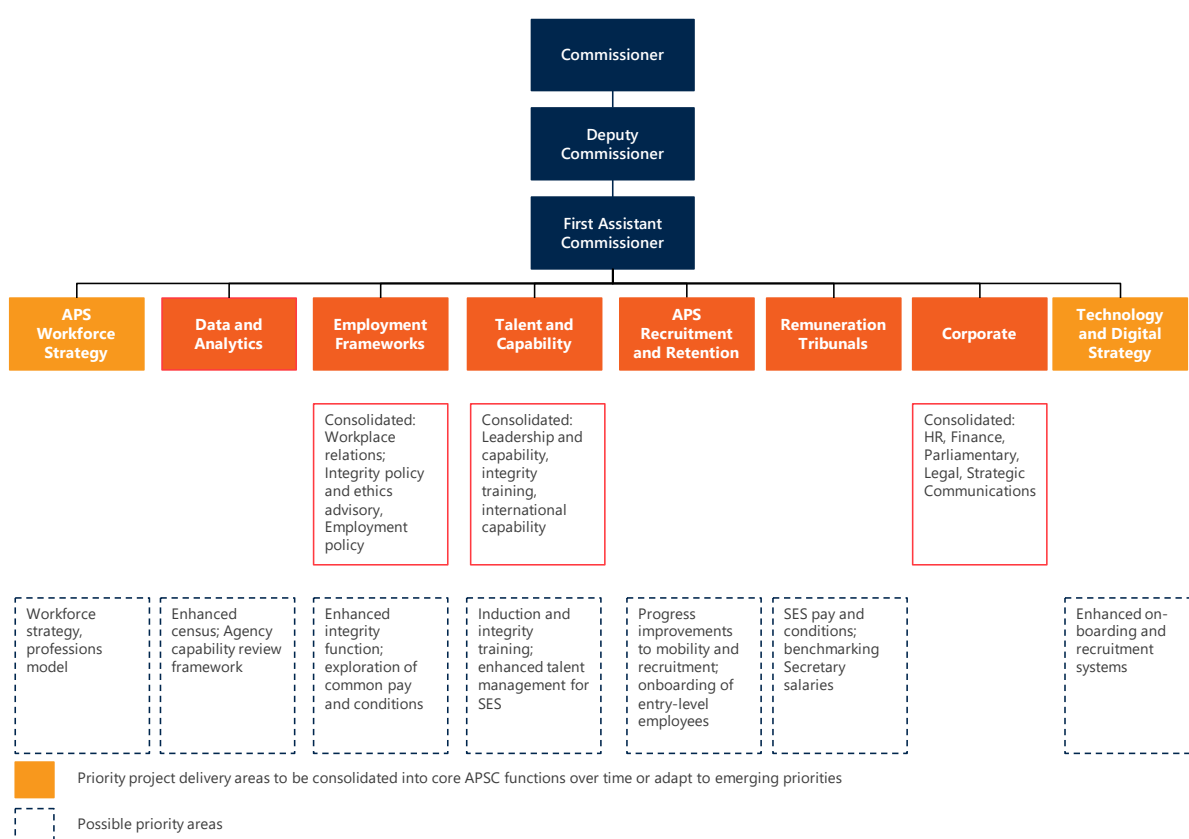
Building on the recent organisational restructure, further consolidation is supported over time to align functional responsibilities and expand the spans of control. Realignment of management structures would help devolve decision-making and further empower the EL2 leadership cohort with greater autonomy, policy ownership and management responsibilities. If adopted it will be important to support this shift with a focus on collaborative leadership behaviours across the Commission to avoid elevation of cross-functional decision-making.

In Figure 10, a model is offered, which has a number of features that might support moving toward the new role for the Commission, including the following:

- An external partnership development role for the Deputy Commissioner, in support of the Commissioner, and a role for the First Assistant Commissioner to modernise the business model and offer to clients the overall suite of Commission services.
- In the proposed model, strategic policy and research functions are split while development of APS workforce strategy is in development. Consideration could be given to extracting development of APS recruitment and retention policy work (i.e. Aboriginal and Torres Strait Islander Workforce Strategy, Gender Equality Strategy) and integrating these policy functions with the APS Workforce Strategy group. Following completion of the workforce strategy work this group could be refocused.
- The Technology and Digital Strategy role could be collapsed into the Corporate function as strategy work is delivered (18 months).

The implementation of this model is proposed for consideration over time, as the Commission steps into new responsibilities and partnerships.

**Figure 10 | Possible future organisational structure for the Commission**



## 8.4 Cultural change is critical to support and reinforce change

The Commission's capacity to adapt to accelerated change in its operating environment is highly dependent on ensuring staff understand and feel empowered to shape strategic direction and drive change.

Staff at all levels show an understanding of the scale of change required to effectively deliver current priorities and any future emerging priorities and have confidence in the organisation's capacity to manage transition. Overall, 47 per cent of Commission staff in the 2018 APS census thought change was managed well, with minor increase to 49 per cent in 2019. Comparatively, in 2019 APS-wide census results found 39 per cent of staff responded positively to this question.

The positive results on this issue across the Commission contrast with a decrease for the EL2 cohort in perception of how change is managed between the 2018 and 2019 APS census. In 2018 40 per cent indicated change was managed well in the agency, compared to 20 per cent in 2019.

As EL2 staff are critical to successful communication and implementation of change it will be essential to energise and empower this leadership cohort. The Commission recently held a leadership forum with both the SES and EL2 groups to discuss the nature of the change affecting the Commission, the Commission's role in the APS transformation agenda, and the roles of this leadership group in leading this change. It will be important to sustain this positive engagement and to build shared ownership across this group to manage change effectively.

As the Commission undergoes significant change it may benefit from endorsing leadership behaviours that clearly articulate those which should be modelled throughout the organisation. A consultative approach to the development of leadership behaviours that are later reflected in performance agreements and called out when misaligned behavior is demonstrated, would assist embed the change required and reinforce culture.

The Commission should also consider investing in a People and Change Committee to drive the changes recommended in this report. This Committee, reporting to the Executive Board, would sustain the change effort and would oversight implementation of agreed recommendations, including to improve enabling strategies. The Committee could be chaired by the Deputy or First Assistant Commissioner and comprise SES Band 1 and EL2 representatives.

The Commission has initiated extensive consultation relating to its forward direction and it will be important to build on this with a robust and sustained approach to change management.

## Recommendations: Align enabling strategies to support sustained improvement in Commission performance

5. For the above strategies to be successful the Commission must also implement changes to strengthen four key enabling pillars so that people, culture, structure and governance of the Commission are aligned and support sustained success. Specific recommendations to support this include:

### 5 (a) Formalise and communicate governance

Enhance, implement and clearly communicate a governance framework for the Commission which includes:

- Formalise the role of the Executive Board through terms of reference with expanded membership to include co-opted SES Band 1 officers.
- Follow up communications should cascade outcomes of Executive Board meetings into progress and next steps, for which staff are held to account.
- Review all internal committees to ensure each has clear purpose, mandate, terms of reference, and visible follow up action.

### 5 (b) Develop our people

- Progress work underway to develop a Commission workforce plan including talent management.
- Progress work underway to develop a graduate program that builds on recruitment of other agencies and focusses on graduate development and retention, including through rotations.
- Develop a learning and development strategy for the Commission including:
  - creation of centralised learning and development budget; and
  - delivery of targeted capability building sessions over 12 months on priority areas for change (i.e. giving and receiving feedback, project management).
- Enhance the performance management framework to reflect recent Commissioner's directions. The framework should embed 'manager once removed' and 360° feedback for senior leaders, and link personal accountabilities to strategic priorities and to agreed behaviours, including demonstration of collaboration at every level.
- Early adoption in the Commission of the human resources professions model currently in development.

### 5 (c) Effective structure

- Over time transition to an organisational structure that strengthens alignment across functions and the delivery of strategic priorities.
- Review management structures in order to widen spans of control as positions are vacated, with a particular focus on investing in, trusting and delegating to EL2 staff.

### 5 (d) Sustain a positive culture

- Reinvigorate the reward and recognition system to motivate and encourage staff so that it rewards behaviours as well as delivery.
- Develop measures to track cultural change progress and recalibrate the strategy as appropriate.

- Work with staff to develop and embed a set of values and behaviours. Formalise this through a refreshed performance management framework that allows staff and managers to agree on performance expectations, evaluate performance and trigger performance activity.
- Establish a People and Change Committee chaired by a member of the Executive with SES Band 1 and EL2 representatives that report to the Executive Board and is responsible for overseeing delivery of improved internal enabling frameworks and implementation of endorsed capability review recommendations.

# Appendix A The Commission's Plan on a Page

## APSC 2019–2022 PLAN ON A PAGE



Australian Government  
Australian Public Service Commission

## OUR PURPOSE IS TO BE A VALUED, CREDIBLE AND TRUSTED PARTNER TO THE APS.

### OUR ROLE:

- To make a practical difference to the current and future effectiveness of the APS, in order to best serve the people of Australia.
- To use our unique position in the APS to bring together the many diverse players in our system, be they from the public sector, private sector, industry, business development, or academic institutions.
- To be exemplars of public service, demonstrating impeccable stewardship and integrity, and skillfully leading reform.
- To be a voice for the service, within the APS, across Australia and internationally.

### OUR CONTEXT:

- Digital transformation will enable more analysis, speed, flexibility and transparency which will change the way we work. This will bring opportunities and challenges for data management, security, privacy and training.
- The APS will be working in a more expanded space, with increased collaboration with other levels of governance, citizens and other stakeholders. The complex global social-political environment will mean that preserving and enhancing the integrity of the public service is more important than ever.
- To be an employer of choice in a competitive marketplace for talent and to strengthen critical skills in the APS to ensure finite resources are used effectively.

### HOW WE ADD VALUE:



### OUR STRATEGIC PRIORITIES

ENSURING GOOD GOVERNANCE	BUILDING LEADERSHIP FOR THE FUTURE	LIFTING THE CAPABILITY OF THE APS	PROVIDING A VOICE FOR THE APS	UPHOLDING THE INTEGRITY OF THE APS
Through strategic policy development, we will build the APS as an exemplar of public service and provide an operating model for managing public sector initiatives.	We will manage SES succession planning, career pathways, diversity, mobility, talent identification and recruitment.	We will implement a future-fit workforce strategy and build scalable development, identification and recruitment strategies for our workforce.	We will provide stewardship for the service, highlighting APS successes and leadership domestically and internationally.	We will communicate 'what it means to be a public servant' and, as a trusted partner, be vigilant in identifying and addressing integrity issues.

### PRIMARY STAKEHOLDERS:

	THEIR NEEDS:	THE VALUE WE PROVIDE:
SECRETARIES	An APS that is fit for the future—agile, citizen-centric, digitally enabled, with good talent management.	Being the authoritative, independent voice of the APS, being the forerunners of emerging practice, piloting new approaches and providing feedback and support.
THE GOVERNMENT AND THE MINISTER	An efficient and effective public service providing responsive, accurate and informed advice as well as delivering best practice in regulatory and delivery areas.	Considered advice with a strong evidence base to support Ministerial decisions and communications, and an independent, expert view.
AGENCY HEADS	Information that can assist with workforce management and for smaller agencies, direct delivery of services.	Guidance and advice, including endorsement of best way to act in difficult circumstances, hands-on delivery (for smaller agencies) and ready-to-use products and solutions.

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## **Appendix B   The Review gathered feedback from a range of internal and external stakeholders**

The Commission's Capability Review involved targeted engagement with the following key internal and external stakeholders:

- Martin Parkinson, Secretary Department of the Prime Minister and Cabinet
- David Thodey, Chair, Independent Review of the Australian Public Service
- Gordon de Brouwer, Panel member, Independent Review of the Australian Public Service
- Finn Pratt, Secretary Department of the Environment and Energy
- Rosemary Huxtable, Secretary Department of Finance
- Mike Mrdak, Secretary Department of Communication and the Arts
- Heather Smith, Secretary Industry, Innovation and Science
- Stephanie Foster, Deputy Secretary Department of the Prime Minister and Cabinet (former Deputy Australian Public Service Commissioner)
- Jenet Connell, Deputy Chief Statistician, Australian Bureau of Statistics (former Deputy Australian Public Service Commissioner)
- Jill Charker, Deputy Secretary Employment, Skills, Small and Family Business
- Jacqui Curtis, Deputy Secretary Australian Taxation Office
- Matthew Cahill, Deputy Secretary Department of the Environment and Energy
- Janean Richards, Deputy Secretary Department of Industry, Innovation and Science
- Matt Yannopolous, Deputy Secretary Department of Health
- Charles McHardie, Deputy Secretary Department of Veterans' Affairs
- Rachel Bacon, Deputy Secretary, Department of Infrastructure, Transport, Cities and Regional Development
- Justine Greig, Deputy Secretary Department of Defence
- Andrew Podger, former Australian Public Service Commissioner
- Peter Woolcott, Australian Public Service Commissioner
- Mary Wiley-Smith, Deputy Public Service Commissioner
- Richard Bartlett, First Assistant Commissioner
- Marco Spaccavento, Group Manager Workplace Relations
- Susannah Luck-Cameron, acting Group Manager of Integrity, Performance and Employment Policy
- Patrick Palmer, Group Manager of Executive Remuneration & Statutory Appointments, and Secretary to the Remuneration Tribunal
- Michelle Black, Group Manager Technology and Digital Strategy
- Terri Dreyer, Group Manager Inclusion and Implementation
- Caroline Walsh, Group Manager Inclusion and Implementation

- Catherine Seaberg, Group Manager Engagement and International
- Liz Quinn, Group Manager Leadership and Capability
- Jacquie Walton, Group Manager People and Business Management
- Helen Bull, Group Manager Strategic Policy and Research
- Linda Waugh, Merit Protection Commissioner
- EL2/SES Leadership Forum (offsite)
- EL2 Monthly Forum
- EL1/APS Staff Workshop
- 'Pop up' collaboration space for anonymous feedback from all staff
- Individual interviews with staff (as requested by staff)