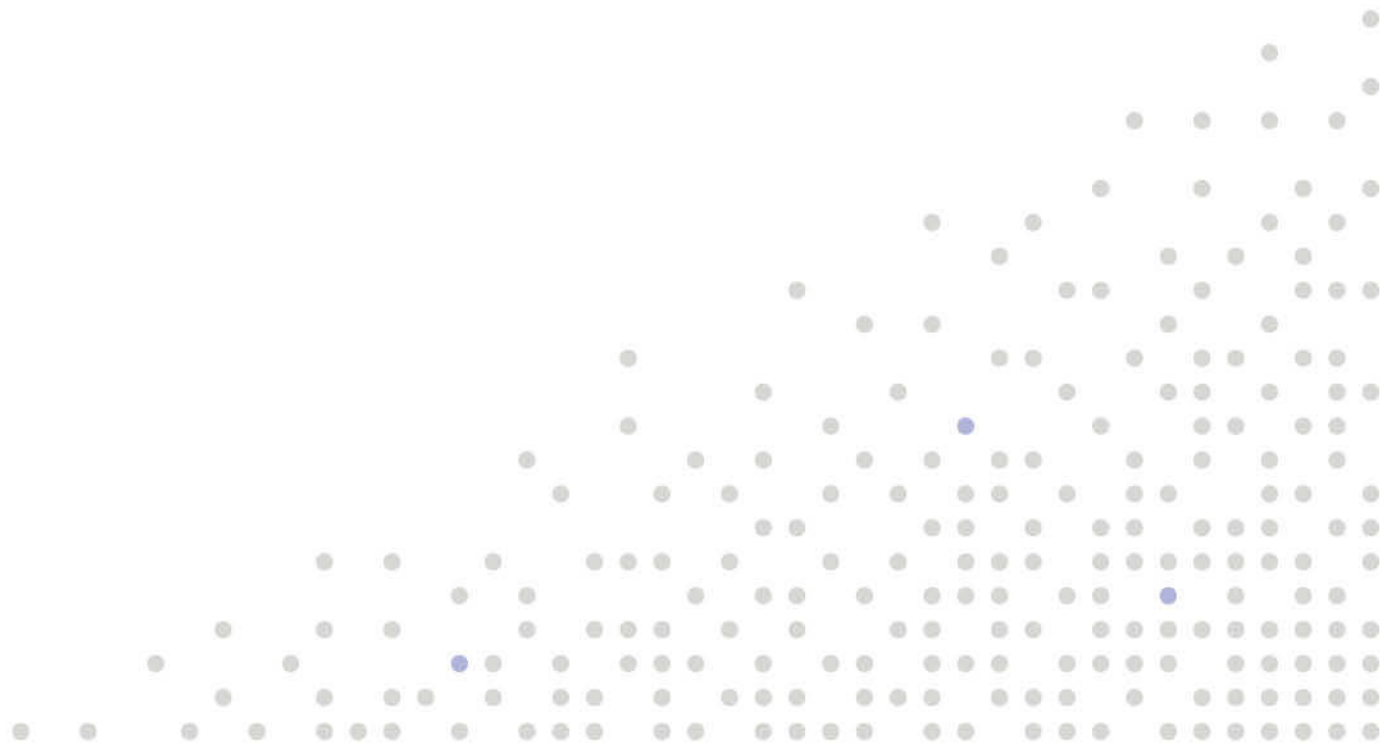




Australian Government
Department of Finance



Department of Finance

Submission to
the Senate Finance and Public Administration
References Committee

The current capability of the Australian Public Service (APS)

March 2021

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Introduction

1. The Department of Finance (Finance) assists the Australian Government to achieve its fiscal and policy objectives by advising on expenditure, managing sustainable public sector resourcing, driving public sector transformation and delivering efficient, cost-effective services to, and for, government.
2. As a central agency, Finance plays a critical and influential role with responsibilities that span across government. Through its role in: the Budget process; setting public sector resource management frameworks; managing the Commonwealth's commercial interests; and delivering enabling services, Finance helps to shape and enhance the capability of the APS in order to support the Government and ultimately deliver outcomes for the Australian community.
3. In recent years the Department has been at the forefront of driving a transformation agenda within the organisation and across the APS. Since 2014, Finance has focused on lifting the capability of the APS through a range of initiatives, including:
 - a. supporting robust financial management and accountability in the APS through administering the Commonwealth Resource Management Framework;
 - b. developing whole-of-government capability by delivering programs that recruit and support APS talent;
 - c. establishing the Government's policy framework for grants administration and procurement;
 - d. delivering new operating models such as the whole-of-government Shared Services Program;
 - e. continuing to be a major provider of ICT platforms for use across the APS;
 - f. supporting the Government to provide sustainable approaches to government administration; and
 - g. supporting APS entities to deliver the Government's priorities and services at best value, through a whole-of-government approach to procurement of common goods and services (such as property).
4. In 2018 and 2019, the Secretary of Finance chaired the Secretaries APS Reform Committee. This Committee helped to drive initiatives to help the APS continue to support the Government by delivering high quality outcomes, building and maintaining trust through engagement, harnessing new ideas and applying innovative methods and technology in the public sector. As part of Finance's whole-of-government stewardship role, it collaborated across 19 APS entities to deliver projects to build the capability of the public sector.
5. The Secretaries Board is responsible for delivering the current APS reform program, supported by the APS Reform Office within the Department of the Prime Minister and Cabinet.

Resource management

6. Finance administers the Commonwealth Resource Management Framework, which governs how officials in the Commonwealth public sector use and manage public resources. The framework is an important feature of an accountable and transparent public sector and informs the Australian people of the daily work of Commonwealth entities and officials.
7. The Framework is underpinned by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), Public Governance, Performance and Accountability Rule 2014, and supporting policies, instruments and guidance.
8. The PGPA Act establishes general duties and obligations for all accountable authorities and officials in relation to the use and management of public resources and supports Commonwealth entities and companies to meet high standards of governance, performance and accountability through effective engagement and provision of guidance.
9. An independent statutory review of the PGPA Act and Rule was undertaken in 2017. The review found that the framework provides a foundation for a modern, streamlined and adaptable Commonwealth public sector that can meet Australia's changing needs.
10. In addition to the Commonwealth Resource Management Framework, Finance administers the Commonwealth Investment Framework. This supports the Government realising the benefit of investments that use the Commonwealth balance sheet for Australian citizens, businesses and communities.
11. The Commonwealth Investment Framework supports entities to develop and deliver non-grant investments in line with the Government's policy agenda. This Framework brings together policy and best practice guidance related to the development of proposals for major Commonwealth investments and the management of these investments over their lifecycle. It includes a Resource Management Guide and a Toolkit of practical guidance materials and supporting resources that entities use to enhance their knowledge and practices.
12. Examples of investments under this Framework include: the National Broadband Network, Inland Rail, the Northern Australia Infrastructure Facility, Regional Investment Corporation, National Housing Finance and Investment Corporation, Underwriting New Generation Investments program, the Future Fund, Clean Energy Finance Corporation, Snowy 2.0 and the Australian Infrastructure Financing Facility for the Pacific. Finance also provides commercial expertise and support to Commonwealth entities as required on strategically important transactions and processes.

APS capability

13. Finance contributes to whole-of-government capability by providing centralised recruitment processes for the Career Starter Program and the Australian Government Graduate Program. These centralised recruitment processes provide an efficient way through which the APS can source talent and support the broader talent pipeline across the APS for the future. Investment in entry-level programs improves APS outcomes by

tapping into diverse talent pools. This helps target the development of cohorts around new and emerging priorities for the APS, such as data and digital capability.

14. The Career Starter Program provides career opportunities to recent secondary school graduates (within 12 months of graduation). Participants in the program have their development supported through formal training (Certificate IV in Government), forums, networking activities and on-the-job learning. In 2020, this program supported 62 participants across 10 entities.
15. In 2020, the Department and the Australian Public Service Commission (APSC) jointly piloted the generalist Australian Government Graduate Program to streamline the graduate recruitment process. This allowed applicants to complete a single application and assessment process and be considered by a number of different entities. In 2020, five entities recruited through the Program. It is anticipated that over 20 entities will recruit through this process in 2021.
16. In addition to providing centralised recruitment processes, Finance delivers training to support increased APS understanding in some of its core policy areas. The Department has established a customised learning and development program aimed at significantly improving staff capability to plan, prioritise and manage significant commercial transactions and provide oversight to Government Business Enterprises and other entities. Working with external providers, the Department offers a number of innovative courses in areas such as financial analysis, governance and negotiation. These courses help to increase commercial financial expertise across the Department and among shareholder entities.
17. The Department also produces a range of guidance on the Budget and undertakes a number of activities to support APS officers' understanding of the process. This includes training APS staff to accurately track financial estimates in the Central Budget Management System. It has also worked with the University of Canberra to develop and deliver a Graduate Certificate in Public Policy and with the APSC, other central agencies and the Department of Foreign Affairs to develop a training course assisting APS staff to draft policy proposals.

Grants and procurement

18. To help APS officials use and manage public resources and to maximise value for money, transparency and accountability, Finance administers the *Commonwealth Grants Rules and Guidelines 2017* (CGRGs) and *Commonwealth Procurement Rules* (CPRs) that establish the Government's policy framework for grants administration and procurement.
19. The CGRGs are a principles based policy framework approach to support non-corporate Commonwealth entities to undertake grant activity on behalf of the Government. They set out key legislative and policy requirements and explain better practice principles of grant administration.
20. Accountability under the CGRGs is supported through GrantConnect, the Government's whole-of-government, centralised, web-based grants information system. GrantConnect supports transparency and accountability through grants reporting. It provides the community with information on all Commonwealth grant opportunities. GrantConnect

centralises the publication and reporting of Commonwealth grants in accordance with the CGRGs and the PGPA Rule.

21. Finance administers the Streamlining Government Grants Administration (SGGA) Program. This Program aims to reduce duplication of effort and expense by delivering a simpler and more consistent approach to the administration of grants across the Government. The Program consolidates and standardises grant services through grants administration hubs to reduce the number of ICT platforms and increase the use of standardised business processes. This is to improve the user experience (making it easier for grant applicants and recipients to find and apply for grants), enable better policy development that meets the needs of Australians, and create efficiencies and improved service delivery.
22. The Business Grants Hub has reported that the standardisation of grant opportunity guidelines and application forms has reduced ineligible applications by 15 per cent; and the use of a common system has led to a saving of 43 business days when a contract is executed for a grant applicant.
23. Alongside the CGRGs, the Department administers the Commonwealth Procurement Rules (CPR), the basic rule set for all Commonwealth procurements. These rules govern the way in which entities undertake their own procurement processes. The 14 December 2020 CPRs reflect the Government's commitment to sustainable procurement practices, emphasise the importance of paying suppliers on time (particularly small businesses) and includes a new exemption that allows for the direct engagement of a small and medium enterprise for procurements up to \$200,000.
24. The CPRs are complemented by the Commonwealth Contracting Suite (CCS), which provides standardised contract and tender documents that can be used for contracts valued up to \$1 million and is mandatory for Commonwealth non-ICT procurements up to \$200,000. The CCS streamlines and simplifies procurement processes and creates uniformity across Commonwealth contracts to reduce the burden on businesses contracting with the Government.
25. The CCS reduces administrative, compliance and legal burdens in individual procurements. This allows APS officials to focus on the commercial aspects of procurements and seek to maximise efficient and effective use of public money. It also reduces the cost of tendering for suppliers by eliminating the requirement for legal review of individual entity contracting templates, improving opportunities for small to medium businesses.
26. Alongside managing the policy framework for grants administration and procurement, Finance has developed a number of initiatives that driver better outcomes and lift APS capability, including:
 - a. establishing the Centre of Procurement Excellence to help build public sector capability in procurement, strengthen partnerships with the business community and encourage innovation to deliver better value for money;
 - b. delivering coordinated procurement arrangements for the Commonwealth that offer increased transparency, standard terms and conditions and improved contract management that benefits both the Government and suppliers. This includes contract managing whole-of-government arrangements for travel (including accommodation),

major office machines, stationery and office supplies, motor vehicle leasing and fleet management, advertising, and property; and

- c. establishing a new whole-of-government Management Advisory Services consultancy panel to improve the quality, consistency and efficiency of engaging these types of services.

Shared services

27. The Government spends more than \$2 billion each year on back office functions like internal financial management and human resource services. In recognition of the scale of this investment and the opportunities around common operating approaches to corporate services, the Government established the whole-of-government Shared Services Program in the 2015-16 Budget to support digital uplift and business process transformation that provides common corporate service delivery.
28. The shared corporate services solution across Commonwealth entities is a transformative centrepiece of reform as it reduces the size and cost of the APS's corporate footprint, while standardising and modernising corporate services and improving quality and accessibility for users.
29. The Program is consolidating and standardising the delivery of corporate services through designated shared services provider hubs. It is also building digital workforce capability and the adoption of process automation technologies. The Program currently has six hubs: the Australian Taxation Office; the Department of Foreign Affairs and Trade; the Department of Home Affairs; the Department of Industry, Science, Energy and Resources; Services Australia and the Service Delivery Office within Finance. The Service Delivery Office is also leading the Productivity and Automation Centre of Excellence, which is a whole-of-government initiative to improve productivity and the quality of services using process automation.
30. The consolidation of corporate services enables APS entities to focus on their core policy priorities through sustainable and efficient shared services arrangements. The Program aligns with the Government's response to the Independent Review of the APS to adopt common enabling tools and services to support efficiency, mobility and collaboration.
31. The Public Sector Modernisation Fund included \$89.5 million over three years (from 2017-18) to start the transition of entities' core transactional corporate services and associated IT systems into a hub and develop the capability of the hubs.
32. In addition, Finance received \$35 million in the 2020-21 Budget to further develop a common Enterprise Resourcing Planning (ERP) system for the provision of corporate services. This system is known as GovERP. This initiative involves the design and build of a cloud-based ERP solution that delivers a standard configuration for corporate service functions, including payroll and financial transactions that can be reused across multiple entities.
33. GovERP will consolidate ERP platforms across the APS to reduce the total cost of ownership of corporate systems (including maintenance and upgrades) and enhance the security posture for government. It will also reduce the cost of restructure activities that support Machinery of Government changes.

Platform provision

34. Finance plays a key role in whole-of-government ICT services and supports APS capability by providing modern ICT platforms and shared ICT and digital service delivery.
35. By using the ICT platforms provided by the Department, APS entities benefit from accessing secure and reliable systems. Adopting a 'develop once use many times' approach delivers cost savings, while staff only have to learn one system regardless of where they work.
36. The value of shared platforms was demonstrated during the COVID-19 response. For example the health.gov.au site experienced a 760 per cent increase in traffic with up to six million visitors a day, and servicesaustralia.gov.au experienced a 650 per cent increase in traffic. Both of these are hosted on Finance's GovCMS platform.
37. The whole-of-government services provided by Finance include:
 - a. the Central Budget Management System is used by 230 entities and supports the flow of financial information between Finance and Commonwealth entities, moving \$2-3 billion around the economy every day;
 - b. GovCMS provides content management and web hosting and is used by 62 entities, averaging 30 million page views per month;
 - c. GovTEAMS is a collaboration platform that connects all tiers of government, industry and partners and is used by 189 entities with 52,152 active and 88,946 registered APS users;
 - d. Intra-government Communications Network provides dark fibre links to 67 entities with a total of 3,000 fibre links;
 - e. Parliamentary Document Management Systems supports 28 lead entities and 15 subsidiary entities to manage the workflow of some 65,000 Parliamentary documents per month;
 - f. GovLINK provides secure communication between 81 Commonwealth entities; and
 - g. National Telepresence System supports audio and video connections for 29 entities across the Australian Government and states and territories up to a security classification of SECRET.

Public Sector Modernisation Fund

38. The Modernisation Fund was a measure in the 2017-18 Budget and provided \$500 million across two streams that sought to deliver quality government services at lower cost and use leading technology and collaborative approaches to address complex problems facing society. Individual entities managed their projects under the Modernisation Fund.
39. The Department delivered a number of initiatives under the Modernisation Fund, along with undertaking a whole-of-government coordination role. The two streams of the Modernisation Fund covered:

- a. the Transformation and Innovation Stream (\$350 million) that comprised better use of data within government, streamlining and improving user access to government services, strengthening APS workforce capability and more efficient corporate services; and
 - b. the Agency Sustainability Stream (\$150 million) that aimed to support a number of entities in their transition to more modern and sustainable operating models.
40. Finance took a lead role on several projects under the Modernisation Fund, including funding for Shared Services and SGGA to support hub capability and to support entities to transition onto one of the six corporate services hubs or one of the two grant hubs. It also developed the Shared Budget Workflow System, which provides an integrated system to support Budget related briefing, tracking and decision making.
41. The Department has also modernised records management by taking a user-led approach to procuring automated records management tools for government. The new products that are being installed in a number of entities will automatically capture and manage information through its full lifecycle, across a range of productivity tools. The Digital Transformation Agency has worked with Finance to provide leadership on the use of automated records tools and other entities are able to piggyback on these arrangements.

Sustainable approach to government administration

42. Finance administers the Government's commitment to maintain an Average Staffing Level (ASL) below the 2006-07 level (167,596). It is supported through the Budget process and by portfolio ASL caps and the offset rule. This includes a requirement that when new policies are proposed opportunities to reprioritise resources from other activities are explored, before requesting additional ASL.
43. Where new activities cannot be undertaken within existing staffing resources, an assessment is made as to whether ASL or other resourcing options are the most appropriate way in which to deliver policy outcomes. As reported in the 2020-21 Budget, ASL levels are expected to increase in 2020-21 as the Government implements the COVID-19 Economic Recovery Plan and delivers essential services to all Australians. While ASL levels are expected to then decline, reflecting the temporary nature of the Government's economic support measures, future ASL levels will be informed by a case-by-case analysis of the need for additional resourcing.
44. The use of contractors and consultants provides the Government with flexible solutions to situations where the required expertise and skills are more efficiently obtained and maintained in the private sector. In addition, the engagement of contractors and consultants contributes to maintaining the overall cost of government administration in the context of government expenditure.
45. Entities can access relevant skills, expertise or additional support required to meet discrete, specific and highly specialised tasks. Government entities are responsible for undertaking procurement processes in order to meet their business needs, including

engaging consultants where it is appropriate to meet an entity's requirements and represents value for money.

Property

46. Finance is responsible for the Commonwealth Property Management Framework, administers the *Lands Acquisition Act 1989* and the *Public Works Committee Act 1969*, and manages part of the Government's domestic non-Defence property portfolio and major capital works projects as requested by government.
47. Property is an important enabler that supports entities to deliver the Government's priorities and services. Since 2014, Finance has led work to deliver efficiencies through a more strategic whole-of-government approach to managing the Government's property portfolio. This has included:
 - a. establishing the whole-of-government Property Services Coordinated Procurement Arrangements to provide leasing and facilities management services for office and shopfront accommodation for non-corporate Commonwealth entities;
 - b. appointing commercial Property Service Providers and a Strategic Property Adviser; and
 - c. developing and implementing the Commonwealth Leasing Strategy to improve the efficiency of property services and better utilise leased space across the Commonwealth.

Conclusion

48. Finance will continue to support government to transform and modernise the APS to meet the challenges of the present and future. Through a commitment to deliver outcomes and efficiencies from a whole-of-government perspective, Finance will continue to strengthen APS capability in areas such as corporate functions, financial management, structural operating models, data and process automation, and help increase accountability and transparency in the public sector. This will be underpinned by driving a collaborative approach across the APS to ensure government services are delivered seamlessly and efficiently with a focus on value for money.