

Submission to the Independent Review of the Public Governance, Performance and Accountability Act 2013

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Introduction

I have concentrated on those aspects with which I am most familiar, drawing on a forthcoming comparative book that analyses public management and governance in four Anglophone countries, including a chapter on performance management frameworks; and three books (e.g. *Performance Management: The International Experience*, 2008; *Performance Management in the Public Sector* 2nd ed. 2015), and several articles and chapters on performance management. I also participated in parts of the Commonwealth Financial Administrative Review process.

Several years ago, I undertook a desk top review of evaluation in several national and international jurisdictions for two central agencies in the New South Wales government. This matter is relevant to the review.

My recent research has not entailed detailed analysis of the implementation of the Act, but a number of recent documents have been consulted as a basis for this response. However, several of the questions that might be asked may not be readily answered because of apparent insufficient data and analysis. The comments address:

1. Achieving the operations of the PGPA Act?
2. Identifying changes to enhance productivity, governance, performance and accountability.
3. International experience

Overview

The PGPA Act is the third performance management framework in thirty years. The Australian agenda has been pursued since the mid-1980s with several variations and refinements to a comprehensive approach. There have been three phases with performance management, each initiated by a new framework, the first dating from the inauguration of a new system (1986); the second from a reformulation (1997-99); and the third implemented 2014-16. In many respects the third is a considered attempt at building on and improving the second framework.

Culture

A significant issue under the second framework was that departments ran corporate/strategic planning for their own internal purposes independently of the process of complying with the reporting requirements. The Outcomes/Output framework was often ignored in favour of 'local practices', apart of course from formal reporting.

The incorporation of such plans was therefore a sensible component of the PGPA Act. Early indications are that there has been progress in this respect.

How internalised are changes, even where departments have fulfilled a specific level of maturity? Is there sufficient evidence available to be assured that cultural change reflects the tenets of the Act? One expert used to argue that there was nothing wrong with framework two, the problem lay with the indifferent responses of many departments.

Flexibility

An issue that was thought to be unresolved during the development of the legislation, was the degree of flexibility in allowing, facilitating and encouraging, departments to engage in cross-boundary arrangements. This matter has been a continuing issue in other countries (see below). It would be useful to learn to what extent the legislation has enabled more joint activity.

International experience

The Anglophone systems (Australian, Canada, New Zealand and the United Kingdom) have been highly committed to performance management for around three decades during which they have refined their measurement and performance framework and increased their capacity to monitor performance. The countries followed somewhat different pathways with their performance management frameworks and implementation styles. More importantly, practice fell short of aspirations with significant questions about the quality and use of performance information in the budget process, internal decision-making and external reporting, and the variable engagement of departments and agencies (Bouckaert and Halligan 2008). There continued to be challenges about how well frameworks were working, and the compliance focus. The four Anglophone systems have similar performance management emphases but different approaches.

New Zealand

A key feature of the original model was the distinction between outputs and outcomes, and their assignment respectively to chief executives and ministers. Under the Public Finance Act, departments acquired responsibility for financial management from the Treasury. CEOs managed inputs to produce outputs that ministers purchased. The focus was on chief executives and their extensive responsibilities for managing departments under contract, the specification of their responsibilities through performance and

purchase agreements, and the annual assessment of their performance by the employer, the State Services Commission. The weakness has been the inability to move from an entrenched focus on accountability, which served the system well in certain respects, but left the framework otherwise unserviceable apart from efficiency.

New Zealand has maintained its core performance management framework, but worked around and beyond its limitation to more effectively address performance at several levels. Two types of selective performance have been developed, the performance improvement framework (PIF) focused on the organisational level, and the better public service approach (BPS) on cross-departmental priorities. The chief executive assessments have evolved and become a central performance instrument. There is also the annual BASS exercise for systematising information about corporate services. Unlike the other countries an implementation/delivery unit has not been used.

The Better Public Services report led to extensive activity which had a nucleus of ten government result areas (BPSAG 2011). BPS has yielded results, although confined to a limited number of government priorities, and has recently been renewed.

United Kingdom

Departmental business plans (DBP) replaced the public service agreements system under a new government in 2010. A central responsibility was holding departments accountable to the centre for the implementation of the government's reform program. The plan was a composite document that presented material on the departmental vision, financial information and information strategy, input indicators and impact indicators. Each department's plan was largely comprised of a structural reform plan, which addressed the government's reforms for the department in accordance with its priorities and program. The focus was on areas that the government could control in contrast to 'aspirational outcomes'. There were however issues about usability and accountability potential, including the lack of a link with outcomes, ambiguity with the data, inconsistencies in format, and difficulties with accuracy, analysis and comparability (Institute for Government 2011). The business plans were also not serviceable for measuring departmental performance for almost half the departments. Variations in quality and accessibility of data continued to detract from measuring performance through the plans.

The DBPs were replaced by a new business planning and performance management system Single Departmental Plans (SDP) in 2015 that were designed for reporting on key priorities, crosscutting goals spanning more the one department and departmental day-to-day business. According to the House of Commons Public Accounts Committee (2016), the SDPs are an important step forward, but their effectiveness remains untested, and the government has acknowledged the need for further development.

Canada

Canada has relied on a plans and priorities report and departmental performance report with similarities to Australia. In three respects, it is different. First is the centrality of the

Management Accountability Framework, which creates a broader framework to anchor the performance focus by providing deputy ministers (i.e. departmental secretaries) with tools to assess and improve management practices. However, these are subject to annual reporting to the Treasury Board Secretariat (TBS; similar to the Australian Department of Finance). Secondly, the government has sought to introduce a results-focused delivery dimension in 2016, which is still being worked through. Finally, it should also be noted that there have been stronger regulatory features in the Canadian system than are normal in the other countries (although note that both Australia and Canada have had recent reviews of internal red tape). The central regulation is apparent through TBS annual reviews of accountability (through MAF) and regular evaluation.

Performance management pathways

There are several potential purposes of a performance framework, but it is difficult to combine them in practice. What is the purpose of the performance management framework? A public service or government framework? There is not much evidence to indicate that either ministers or parliamentarians routinely make use of performance information.

Given the limitations of the core framework, Anglophone countries have been developing other performance instruments to complement the generic performance management framework. These whole of government instruments for pursuing performance may be either ongoing or ad hoc.

The frameworks of the other three countries have undergone recent transformation. New Zealand has placed great emphasis on its Better Public Service Program, which although not fully whole of government, does address government priorities systematically and with considerable success. The Canadian case is unusual in relying on the Management Accountability Framework (MAF) as more of an omnibus approach for annual review of aspects of performance (without precluding other more specialised instruments).

Two countries, have appropriated the performance management framework as either a process for implementation or as an instrument for directly addressing government priorities. The new two-level results focus in Canada appears to combine the performance management framework of the TBS with a results overlay for driven through the Privy Council Office. The UK has been working through a sometimes poorly articulated approach driven by government priorities for seven years, but without realising a workable framework.

Risk management and maturity

In Australia, it has long been known that risk management was unevenly developed. In organisational capability assessments, risk management ranked poorly; two-thirds of Australian agencies ranked below the required level (APSC 2013). According to the

State of the Service report, 'both external and self-assessments of APS practice suggest that too often risk management is a compliance exercise rather than a way of working' (APSC 2014, 11-12).

There are good indications that entities have recently been pursuing risk management more seriously. Although if we generalise from the ANAO details, this would still mean that progress for the majority is uneven. Given the rather torturous engagement with risk management (in a highly risk adverse environment) in recent history, this could either be interpreted in the short term as a continuing problem *or* alternatively progress from a low base. How far have departments moved beyond compliance?

Evaluation

Under the first performance management framework, evaluation was required. Once the limitations of the second framework had become apparent, the question of evaluating programs has been intermittently raised. There was interest in developing some form of evaluation capacity at the centre, because the level and quality of evaluation in the Commonwealth public service was regarded as poor (with several notable exceptions). However, lack of departmental consensus (and presumably no ministerial champion) meant that nothing emerged.

There has been renewed international interest in a central evaluation role. The best comparable country in this respect has been the central government of Canada, which has had mandatory evaluation handled through the Treasury Board Secretariat.

There has long been a strong case for looking more seriously at the need for a central capacity for stimulating evaluation. An investigation needs to be undertaken to determine what form this might take.

Conclusion

Australia has been following a legitimate and consistent pathway, which has avoided issues apparent elsewhere. It deserves to be endorsed, but also enhanced.