Focusing on Organisational Capability as well as Performance: Developments in Australia and the US
Performance budgeting history

• Long history in the US
  – From PPBS in the 1960s

• More recent in Australia (and other Anglophone countries)
  – NPM reforms in the 1980s and 1990s, starting with program budgeting

• Renewed interest in the US in 1990s
  – Al Gore’s ‘Reinventing Government’
  – Osborn and Gaebler ‘steering not rowing’

• Adopted widely, internationally since 1990s
  – Across Europe
  – In modified forms across Asia, including China
Australian NPM approach

- Pragmatic, not ideological
  - Steady incremental reforms, no major u-turns
- Focus on ‘management for results’
  - With devolution of financial and personnel controls
- ‘Neo-liberal’ elements added progressively
  - Full cost charging of agencies for rent, superannuation etc.
  - Agencies given choice of provider of services, ability to contract out
  - Service delivery subject to purchaser/provider, then competition
  - Commercialisation of government service providers
  - Privatisation
  - Accrual accounting and other business management approaches
Australian performance budgeting from late 1980s

A. Portfolio budget statements (pre-budget year)
   - ‘Outcomes’ for each agency in portfolio (introduced in late 1990s)
   - ‘Programs’ contributing to each outcome
   - Program objectives
   - Program funding (budget year and forward estimates)
   - Program outputs and output targets
   - Program effectiveness measures and outcome targets

B. Agency annual reports (post-budget year)
   - Audited accounts
   - Program spending against budget allocations
   - Program outputs against budget targets
   - Program effectiveness measures against outcome targets
RECOMMENDED PERFORMANCE MANAGEMENT FRAMEWORK (1999)

1. **Portfolio Budget Statement**
   - Set by Ministers

2. **Outcomes and Outputs**
   - Outcomes, program objectives
   - Outputs
   - Performance indicators, targets

3. **Business Planning**
   - Priorities, Resource Allocations, Risks
   - Budget cycle links
   - Organisational capabilities
   - Corporate strategies, IT people, financial
   - Individual action plans/performance agreements

4. **Performance Review & Feedback**
   - Organisational Performance Reviews
   - Individual & Team Performance Reviews
   - Performance Linked Remuneration Policy
   - Managing Under-performance

**Agency Corporate Planning & Governance**
- Vision, Mission, Aims
- Values, Behaviours
- Major Directions/priorities
- Management Structures
Legislation settled in late 1990s

- Financial legislation
  - Financial Management and Accountability Act 1997
  - Commonwealth Authorities and Corporations Act 1997
  - Auditor-General’s Act 1997
- Personnel legislation
  - Public Service Act 1999
Australian developments from 2000s

• ‘New Public Governance’ related measures
  – ‘Connected Government’ report in 2004, promoting whole-of-government collaboration, focus on individual agencies reduced
  – Networking and partnerships, modifying emphasis on strict competitive tendering
  – ‘Co-production’ and ‘co-design’ discussions, increased focus on clients’ preferences, choices

• NPM still firmly embedded
  – Efficiency of public sector continued as bi-partisan policy
  – Brief flirtation with more government provision after GFC not maintained
  – Though government spending increase extended, mostly through new and expanded social services (e.g. disability services) via NGOs
Major government reviews

- 2010 Moran Review of Australian Government Administration
  - System ‘not broken’ but improvements needed
  - Capability problems identified – strategic policy advising, HRM
  - Some re-centralisation proposed to support whole-of-government approaches and address capability gaps
  - Some limits to political controls, building on Labor Government measures (e.g. code for political advisers, senior appointments process)

- 2011-13 Commonwealth Financial Accountability Review
  - Proposing more consistent, principles-based approach across the public sector, and collaboration across government
  - Strengthening performance management and reporting
  - Much stronger emphasis on risk management
  - More emphasis on capability and planning for performance
New legislation

- Public Service Act amended in 2013
  - Strengthened role of APS Commission
  - Promoted more collaboration
  - Added ‘stewardship’ to responsibilities of departmental secretaries

- Public Governance, Performance and Accountability Act 2014
  - Replaced previous separate legislation for different agency types
  - Common principles across all agencies, and promotion of collaboration
  - Companies continue to be treated like private corporations
    - All other entities treated the same
  - Performance reporting requirements strengthened and subject to audit
  - Corporate plans mandated, linking capability and performance
  - Risk management requirements strengthened
Revised budget cycle

• Pre-budget year
  – Portfolio Budget Statements, including objectives, performance measures and targets

• Budget Year
  – Corporate plans, including strategies to ensure capability to meet performance requirements, address risks

• Post-budget year
  – Annual reports, including performance reports against PBS targets and against corporate plan strategies
Capability reviews 2011-2014

- Coordinated by APS Commission
- Mix of external and internal support
  - And data including from annual APSC employee census
- Degree of independence, but ‘learning’ focus, not audit
- UK-based methodology
- Public reports, frank assessments of every capability examined
  - ‘strong’
  - ‘well-placed’
  - ‘development area’, or
  - ‘strong concern’
- Performance Improvement Plans prepared subsequently
## Department of Human Services example

### Leadership

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<th>Capability</th>
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<th>Rating image</th>
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<td>Set direction</td>
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<td>Motivate people</td>
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<tr>
<td>Develop people</td>
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### Strategy

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<td>Evidence-based choices</td>
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<tr>
<td>Collaborate and build common purpose</td>
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### Delivery

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<td>Plan, resource and prioritise</td>
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<td>Shared commitment and sound delivery models</td>
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<td>Manage performance</td>
<td>Well placed</td>
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Comments

• Capability reviews had some common findings
  – Weaknesses in strategic policy advising (‘Strategy’) and HRM (‘Leadership’)
  – Strengths in service delivery (surprising given previous and subsequent failures)

• They suggest both:
  – Some backsliding since the 1990s in corporate planning and evaluation
  – Some downsides from NPM not so far acknowledged e.g. ‘hollowing out’ of expertise, excessive political control and focus on short-term

• Methodology useful but has some weaknesses
  – Little emphasis on financial management or systems
Recent US developments

- 2010 GPMR Act has some similarities to Australian developments
- *Foundations for Evidence-Based Policy Making Act* passed by HoR in late 2017 could greatly enhance evaluation capacity through:
  - Better data access and linkages
  - Strengthened privacy protection to facilitate this
  - Increased evaluation capability within all agencies
- NAPA 2018 White Paper, *Strengthening Organisational Health and Performance*, recommends moves on capability that have similarity with Australian developments
  - But with a stronger ‘bottom-up’ focus encouraging wider efforts to address health and capability, including at the grass-roots service delivery end
1. Strengthen unit-level health and performance
   - Use the employee engagement index as a diagnostic to identify health problems at the unit level
   - Conduct more detailed analysis from other data, such as operational and mission-support data, to refine analysis of capabilities and performance

2. Create a learning-based approach to improving results
   - Engage the units to develop their own plans for improvement
   - Specific elements would be linked to each mission area

3. Employ the power of data analytics to manage
   - To sustain the learning approach, help managers to make effective use of the new data emerging across their operations, using new tools etc
   - Encourage communities of practice
Some conclusions

• Australia and US developments reveal shared interest in capability as well as performance
  – Capability to perform both now and into the future (‘stewardship’)  
• A mix of across-government systematic performance management (cf Australian developments) and bottom-up strategies (cf US/NAPA proposals) is needed  
• Political support is needed  
  – Recognition of the importance of capability in the public sector  
  – Willingness at times to invest  
  – Acknowledgement that past measures have contributed to capability loss  
  – Appreciation of the importance of evaluation and longer-term evidence-based policies