**Submission to the Independent Review of the Australian Public Service**

**Prepared by the Department of Agriculture and Water Resources**

### Overview

The Department of Agriculture and Water Resources (the department) is part of the agriculture and water resources portfolio, which comprises the department, as well as a number of statutory authorities and research and development corporations.

The portfolio supports:

* the sustainability, profitability and competitiveness of Australia’s agriculture, fisheries and forestry industries, which are multi-billion dollar industries
* the management of biosecurity risks to human, animal and plant health by ensuring the safe movement of millions of people, goods, vessels and aircraft into and out of Australia
* improved health of rivers and freshwater ecosystems and water use efficiency through water reforms, and ensuring the sustainable, efficient and productive management of water resources, to maximise benefits to users and the community.

The department’s functions are diverse and require diverse capabilities. The functions encompass:

* **regulation of imports** – working with the import cargo and shipping industries to protect Australia from harmful pests and disease
* **regulation of agricultural exports** – providing export controls and assistance on exporting goods from Australia. Around two-thirds of Australia’s agricultural products are exported
* **biosecurity** – preventing, responding to and recovering from pests and diseases that threaten the economy, the environment, and animal, plant and human health
* **trade and market access** – creating new, and maintaining existing, export opportunities that provide the greatest gains for agricultural industries
* **agriculture, fisheries and forestry** – developing policy, regulating and providing services to improve the productivity, competitiveness and sustainability of these industries
* **water policy and resources** – providing national leadership in water reform, administration of the Water Act and the water efficiency labelling and standards scheme
* **provision of grants** – to promote productivity and sustainability
* **collection of primary industry levies** – for marketing, research and development, and biosecurity
* **Australian Bureau of Agricultural and Resource Economics and Sciences** – responsible for collection and analysis of industry information, scientific and economic research to support evidence-based advice.

The department employs more than 5,000 staff across Australia and around the world to deliver its policy, program, service provider and regulatory roles. The department’s staff work in airports, mail centres, shipping ports, quarantine facilities, laboratories, abattoirs and offices in 172 locations across regional centres and capital cities throughout Australia, and overseas.

Over 50 per cent of the department’s resourcing is cost recovered from external sources and supports biosecurity and export regulatory activities. The department also receives an appropriation for its broader agricultural policy and market access outcomes, and administered funding for various programs.

The department’s operating environment is changing and it’s clear that adapting to and meeting the needs of this new environment is a challenge. The main changes are:

* transaction load (mainly imports, exports and passenger movements) is increasing rapidly
* in addition to the increased number of transactions, the risk profile has increased significantly as Australia exports to, and imports from, a wider range of countries. Shipping containers circuit the globe picking up ‘hitchhiker’ pests, and growth in incoming passengers and commodities is increasing from countries with limited experience in international travel and trade
* increasing effort needed to demonstrate that exported goods meet increasingly complex importing country requirements, including greater demonstration of the assurances provided with export certification.

Managing each of these requires a ‘systems’ response, which then requires investment and capability development.

This submission describes the department’s experience, outlines future risks and opportunities related to the delivery of these roles, and offers specific priorities for consideration by the Independent Review of the APS. The submission is structured into six chapters reflecting the department’s operating context, core functions, and resources:

1. Economic risks for Australian agriculture
2. The department’s role as a regulator
3. Provision of policy advice
4. Enabling services – funding and people
5. System capability in the APS and ICT investment
6. Engaging with the state and territory governments

One point we hope the Submission will assist the review team with is that the ‘Commonwealth’ and ‘APS’ are very diverse in their functions, operating practices and stakeholders/ clientele. Much of the public discussion about government and the APS focus on central policy advising which is certainly important but involves a small proportion of the APS’s staff and functions. The Review will need to comprehend this breadth of diversity to make the most of this opportunity to advance public administration.

Consideration might also be given to how to measure the performance of the APS as a whole against overarching objectives or broad targets. This may assist the APS to perform in a more integrated way, strengthen the identity of the APS with the community and lessen the need for machinery of government changes as the Australian public continues to expect a high performing and more integrated public services.

### Economic risks for Australian agriculture

**Context**

Agriculture, fisheries and forestry makes a significant contribution to Australia’s economic prosperity. The agriculture sector continues to grow, and currently represents around 3 per cent of Australia’s gross domestic product. In 2018-19 the value of farm production is forecast to increase by 1.5 per cent to $61 billion, and industry stakeholders, led by the National Farmers’ Federation, are actively promoting a target of a $100 billion in farm gate output by 2030.

Around 70 per cent of Australia’s agricultural production is exported, and agricultural exports contribute just under 17 per cent of Australia’s trade in goods. The sector is also an important source of employment – in 2017 there were 304,000 people employed in Australia’s agriculture, fishing and forestry industries. Another 201,000 people were involved in food processing. The majority of this employment is in regional areas.

Australia is a medium-sized country with an economy that is dependent on trade, foreign capital and the rules-based global order. For that reason, Australia is a strong advocate for increased global economic openness and integration (with minimal barriers to agricultural trade consistent with the WTO Agreement on Agriculture) in pursuit of growth and higher living standards. Economic openness makes sense for Australia and for global growth and prosperity, but challenges to the operating environment and our capacity to perform in that environment are growing.

**Risks and opportunities**

*Increasing risks to agricultural trade*

Agricultural exports from all sources, especially to China and Southeast Asia, have grown rapidly increasing competition for Australian exporters into these markets. The focus of a number of Australia’s agricultural exports to a relatively small number of key markets concentrates the risks inherent to agricultural trade, such as sudden policy and administrative changes in response to domestic pressures, the imposition of non-tariff trade barriers, competition from producers in lower cost countries and rapidly evolving consumer preferences and demands. Equally, a significant biosecurity event within Australia could undermine our access to export markets by, for example, putting in doubt our valuable pest- and disease-free status.

Many of Australia’s trading partners view food trade – and in particular, imports – as undermining their nationalist objectives for food self-sufficiency (despite evidence that such policies generally reduce food security). Importing countries set the rules, in line with domestic consumer and public demands, and consumer awareness of issues such as social licence to operate, environmental sustainability, animal welfare and chemical use in agriculture is growing.

Agricultural trade can be subject to the broader political and strategic context, and heightened geo-economic competition could increasingly affect agriculture (among other sectors), frustrating trade and erecting new barriers. As noted in the 2017 *Foreign Policy White Paper*,trade and investment and infrastructure development are being used as instruments to build strategic influence, as well as to bring commercial advantage. Agriculture and water resources are also important for food security and rural prosperity across the Indo Pacific.

Importing countries are imposing stricter regulatory regimes for the import of food, with highly technical biosecurity or labelling requirements challenging industry and regulator capability to meet importing country requirements in real time. These non-tariff measures are increasingly important as tariffs have fallen over time.

*Increasing risks to agriculture production and water management*

There is growing pressure on Australia’s biosecurity and public health system from increased travel and trade as well as natural factors such as climate change expanding the range of pests and diseases. These include fruit flies and mosquitos. Climate projections for Australia predict large changes in future rainfall including lower rainfall in southern Australia and more severe droughts and floods. Our producers’ experience over the last 15 years indicates that significant ongoing adjustment will be required.

**Considerations for the APS Review Panel**

*Building on-the-ground advocacy and technical skills in the APS*

The government’s overseas agricultural network, including counsellors, will play an increasingly important role as importing countries ramp up their regulatory regimes. Having on-the-ground advocacy and technical skills and know-how is critical to resolving such disputes as quickly and comprehensively as possible, and needs to be an ongoing focus for skills sourcing and building. As the ‘rules based order’ is less reliable in delivering for trading countries like Australia we will rely more on personal relationships to advance our trade interest, which is a management problem for the government and APS.

External recruitment and internal capability development programs need a long-term focus to provide continual supply of the necessary advocacy, and technical skills and knowledge.

*Strengthening analytical capability across the APS*

Dealing with major, unanticipated incidents is a key deliverable for the department, and the ability to foresee and respond to incidents contributes to important public outcomes. In the current geopolitical environment this is likely to become more important. Improved strategic foresight capabilities would enable the APS to better anticipate major changes in, for example, consumer preferences, trading conditions or weather/ climate risks and to respond more effectively.

Building a greater strategic intelligence capability and embedding it into systems and culture would help to mitigate or avoid the impact of such incidents when they arise and strengthen the long-term custodian role of the APS. CSIRO’s ‘Global Megatrends’ report provides guidance as to what such foresight exercises could look like. A key challenge would be to do this in an operating environment where short-term imperatives can easily prevail.

*Economic, geopolitical and security advice to government*

The mechanisms for providing policy advice to government need to fully consider a range of factors, including trade and economic as well as geopolitical and security risks.

### The department’s role as a regulator

**Context**

The department has diverse regulatory responsibilities, relating to Australia’s economic, social and environmental objectives. With over 23 pieces of primary legislation and more than 300 instruments to administer, this role presents unique opportunities and challenges as a future regulator.

The department’s specific regulatory functions apply to imports and agricultural exports, combatting illegal logging, the collection of levies for marketing, research and development, biosecurity, imported food control, the national residue survey, administration of the Water Act and oversight of the National Registration Scheme for Agricultural and Veterinary Chemicals. In its role as a regulator, the department responds to the wide ranging and not always consistent expectations of government, multiple industries, the community generally, stakeholders and individuals, who inform the operation of these regulatory systems.

The department’s regulatory practice is dependent on many factors including: legal authority and the governance environment of the APS; staff and ICT capability and investment; departmental regulatory culture; and effective collaboration, communication, information sharing across government agencies and exporter customer requirements.

The industries regulated by the department are also subject to significant regulation by other Australian Government agencies, as well as state, territory and local governments. For example, other Australian Government agencies have responsibility for food standards and labelling, and application of national environmental law on farms. States and territories have primary responsibility for the regulation of native vegetation management, land tenure and use, transport, animal welfare, livestock identification, and the safety of domestically produced food. The department works with relevant Australian Government agencies and with the state and territory governments on related regulatory reform.

**Risks and opportunities**

*Keeping pace with change*

Regulators face challenges keeping pace with an increasingly complex, fast moving and interconnected world. Demands on the department for efficiency and transparency as a regulator are also growing. To deal with the combined effect on both of these challenges, transformation of the operating model is required. This transformation involves improved access to data, intelligence and analysis, supporting modern technology and workforce capability. Without such a step change, available resources are directed to responding to problems rather than being efficient and effective across the department’s entire regulatory responsibility and risks of non-compliance will increase.

The department’s regulatory functions depend on data and information, and a continuously improving ability to collect, store, analyse and share data would assist in better decision making and targeting regulatory effort to optimise regulatory outcomes (e.g. effective management of biosecurity risk). There may be opportunities to develop new approaches to regulation and data sharing drawing on new forms of commerce and trade, including key players in e‑commerce (e.g. Amazon, Alibaba). This issue is taken up further in Chapter 5 (System capability).

*Regulatory skills and workforce capability*

Most regulators share a set of core functions, however, specialist knowledge of the subject matter is often required to perform the task. Regulatory agencies face challenges in attracting people with specialist industry knowledge and technical skills to become regulatory professionals, with a core set of generic skills and competencies required of the role. Training is essential to build the department’s regulatory capability, as is experience and a long term relationship with our staff.

A risk-based approach is used to manage Australia’s biosecurity system at the border, which helps to concentrate efforts on the areas of greatest risk – both existing and emerging. It is underpinned by science and applied in a landscape that is changing rapidly and growing in complexity. This type of approach is also used in other areas including fisheries and water management.

As regulators are increasingly applying risk-based approaches to their regulatory practice, this also requires new skills and training in risk assessment and data analysis to monitor and respond to risks in almost real-time.

*Collaboration across governments and clear communication are essential for effective regulation*

All levels of government impose regulations that affect the agriculture sector, and their roles and responsibilities often intersect. At an Australian Government level, it is important for the department to understand how changes in regulation administered by other agencies will affect portfolio stakeholders, and to have input into reform processes.

At times, the department’s regulatory role and its powers do not cover an entire supply chain. An example, of this is the department’s collaboration with the Australian Maritime Safety Authority (AMSA) in the export of live animals. In these cases, there is a need to continue to ensure effective collaboration and communication.

Effective collaboration and coordination of action with state and territory governments is also important, particularly in areas of shared responsibility such as the national biosecurity system, and where there is regulatory overlap. Collaboration on national reform agendas can be difficult. This issue is discussed separately in Chapter 6 (Engaging with state and territory governments).

*A lack of understanding of roles - regulator and facilitator*

As a ‘regulator’, the department faces challenges in understanding and responding to community and industry expectations, while in the case of exported goods, also understanding and meeting country requirements. There is a desire for trade, and reduced costs to regulate import and export goods and an expectation that Australia’s environment and social amenity is protected.

There are also different levels of maturity between and within industries accepting responsibility for regulatory outcomes with some able to understand the risks of not complying with import or export requirements and regulations, and others not.

The department has a broad remit including roles as a ‘regulator’ (e.g. ensuring imports meet Australia’s legislation) and a facilitator of trade (e.g. negotiating trade and market access).

There is a lack of understanding amongst the regulated community, and sometimes its representatives, in distinguishing between participating in a regulated environment as a ‘regulated entity’ and expectations of service provision with the perception of being a client. Adhering to the government’s cost recovery framework can also raise misconceptions that the role of the ‘regulator’ is that of a service provider, particularly where there is a cost to industry to participate in the regulated activity. This presents challenges outwardly with the regulated community as well as internally for regulatory officers (e.g. reluctance to cause costs for ‘clients’ in undertaking their duties and judging an appropriate balance between regulating and facilitating trade).

**Considerations for the APS Review Panel**

*More flexible operating arrangements*

Regulation is one of the core functions of government and the APS. Done well it is a national asset; done poorly a significant liability. Efficient and effective regulation is a common characteristic of successful nations. It is important that regulators have robust tools and access to graduated sanctions to apply to the regulated entities, and the skills, capability and support to use them. It is essential that the applied regulatory practice is based on a deep understanding of the nature of the risk, the nature and behaviour of regulated entities, the dynamic and changing regulatory environment and of the resources that can be applied to deliver the desired outcomes.

Regulators are often constrained by the processes required to make legislative and resource changes, which often require several years of planning and preparation. This impacts on the regulator’s capacity to adapt in a timely manner to technological developments as well as to shifting operating environments of regulated communities. Also, the department is often constrained by workforce solutions that are inflexible.

*Increasing regulatory capabilities across government*

There is an opportunity to lead the development and recognition of a ‘regulatory skills’ stream across the APS, in a similar manner that policy and operational skills are recognised. This includes increasing the senior leadership pool across the APS with relevant regulatory skills and experience.

In responding to a New Zealand Productivity Commission review of regulatory institutions and practices, the New Zealand Government developed a Government Regulatory Capability Initiative which included the establishment of a series of qualifications to improve leadership, culture, and capability in regulatory practice[[1]](#footnote-2).

As regulators are increasingly applying risk-based approaches it is critical to establish mechanisms to support future APS staff with capabilities in science, technology, engineering and mathematics (STEM) disciplines. It is also important to ensure access to a broad range of flexible regulatory tools.

*Collaboration and communication will continue to underpin effective regulation*

Collaboration across Australian Government agencies and between the Australian, state and territory governments is essential to delivering regulatory functions effectively, and minimising burden on stakeholder industries. Equally important is clear communication with the regulated community about what is required of them. There is also an opportunity for the Australian Government to better engage the broader community, in order to educate, to ascertain expectations, and gain a clear understanding of community priorities.

*Strengthening the role of the regulator*

The ability of the regulator to adequately resource its operations (both in the financial and workforce sense) is often impacted by the expectation that government will facilitate trade at a very low cost. The department undertakes its activities as required by law and defined policy, however there is an ongoing tension between the appropriate application of the law and the cost to traders in doing so. Regulated entities often see themselves as departmental clients rather than regulated participants because they directly pay the fees and charges levied upon them by the regulator. In reality it is the end consumer of those goods that bear the cost of those services. This is appropriate given they too are the beneficiaries of the department’s regulatory actions.

To address some of the pressures placed on regulatory officers by trading entities the department is exploring ways to separate regulatory functions from billing functions. Governments are also reluctant to price services to fully cover costs which contributes to declining capacity over time – imposing those costs in a less transparent and efficient way.

There is an opportunity for the APS Review to explore the impact that different APS funding models have on community and industry expectations in order to strengthen the role and independence of regulators and the APS generally.

### Policy

**Context**

The department provides policy advice to the Australian Government across a wide range of issues and delivers a range of programs and projects.

**Risks and opportunities**

*Department is being responsive, rather than developing long-term policy*

The environment in which policy advice is provided has undergone a seismic shift over the past couple of decades. Public expectations of government have changed, the government’s expectations of the APS have changed, policy advising has become increasingly contestable, the public can access information about government and share their views more easily, the role of ministerial advisers has expanded, public debate has become more polarised, and the capacity of many policy advising organisations has diminished.

As a result, the department tends to be responsive to issues rather than developing long-term economic policy that may recommend ambitious change. Ambitious efficiency enhancing change in our sector can also require an unattainable level of cooperation with state and territory governments and industry. The short term nature of the policy development cycle does stifle innovation and implementation by affected parties.

*Eroding capability in policy*

There has been an erosion of the APS’s ability to provide advice that is compelling, rigorous and evidence-based, contextualised and balanced. Policy relies on public engagement, scientific and technical knowledge and experimentation, validation of policy proposals and refinement and review over time.

There is a general consensus that the department’s policy capability is eroding, attributed to:

* less resources after many years of efficiency dividends, SES and ASL caps, and an unavoidable diversion of resources to border functions to respond to constantly growing trade, and an inability to fully recover real operating costs.
* a very large reduction in specialist expertise, evidenced for example by the reduction in size and capacity of ABARES, which has lost more than half of its staff over the last decade
* not keeping up with new and existing approaches to policy, information and data
* shortened timeframes for policy development
* a risk averse culture resulting from reduced acceptance of failure
* reduced focus on monitoring and evaluating the outcomes of policy interventions
* a reduction in ambition with a greater focus on short term measures and those with a reasonable chance of success and less willingness to pursue measures that are expensive (even if the prospective returns are high) and require cooperation with state and territory governments and industry

*Centralised delivery of services is impacting program design*

There is a strong case for centralised delivery of some services to realise economies of scale, ability to maintain contemporary IT platforms etc. Unfortunately, the department’s recent experience with transitioning to the Community Grants Hub has been negative. The overheads are high, and the systems are geared towards large and high volume grants (which is the service required of other parts of the APS) while the department tends to provide grants that are low in value but often high in complexity. Overall, staff savings for the department have not been realised while program overheads have increased substantially. The department has also experienced a lower capacity to respond to the needs of government and has been required to put ‘shadow systems’ in place to meet these needs.

Centralising services can lead to a disconnection between what can be learnt from the program and ensuring improvements in policy and future program design. This disconnect would also be applicable to centralising regulatory and service delivery functions, although there are undoubtedly some benefits of centralised provision in these areas as well.

**Considerations for the APS Review Panel**

*Support for longer term policy development and reform*

Policy advisers and development should be able to focus on important large scale reforms as well as the urgent and reactive. Development of long-term and ambitious policy reform should be a priority of the APS, as should building and maintaining the capabilities for this type of work. Mechanisms to facilitate better cross-agency collaboration and sharing of subject matter expertise and policy skills will be central to this.

The department has been trialling the use of policy project teams, virtual teams and ‘tiger’ teams to focus on strategic policy issues over short periods. The benefit of this approach is that it enables officers to be detached from reactive work for a period of time and develop rigorous, evidence-based policy options.

The department has had some success with this approach, with some lessons to build on, including with enabling support (e.g. IT, finance and human resources). The department intends to keep experimenting with and expanding this type of approach. One of the obvious success factors is making explicit decisions to allocate resources to the highest priority projects and accepting that this will increase pressure on business as usual functions.

*Improving the capability of policy officers*

In addition to their primary discipline (e.g. economics, law, science, public policy) policy officers need to engage with and be offered support in ongoing professional development and skills training. The APS should balance and value the breadth of experience people develop from moving around, and the expertise developed via other or more specialised career paths. This includes working closely with stakeholders who have a greater knowledge of what will work on ground.

Other opportunities include:

* better resourcing the ‘apprenticeship’ model
* building teams with a balance of subject matter expertise and policy skills
* having access to the right data and information
* using new quantitative and qualitative analytical approaches
* ensuring the role of government is communicated clearly
* having employment structures that facilitate staff exchanges with stakeholders
* developing the capacity to cultivate external think tanks to promote informed discussions.

*Different ways to engage with the public*

In addition to traditional consultation methods (e.g. green and white paper processes), policy officers could employ more innovative methods such as crowd-sourcing solutions, policy hackathons and sprints, policy trials and experiments. This may facilitate more transparency throughout the policy process, including before cabinet processes curtail engagement. However, experiments to date using methods like these have not delivered much value so they remain a novelty of uncertain merit.

Policy officers must also increase their capacity for face-to-face engagement with the public, while also engaging with and using social media more effectively. Social media could, for example, be better used to gather information on community views, provide information on government policies, and respond more quickly to requests for information.

This portfolio interacts with many stakeholder groups and industries. It would be fair to say most are struggling to maintain strong and financially viable representation, which creates serious difficulties for the department in consulting and decision making where we have joint arrangements in place for animal and plant disease and pest management (e.g. emergency response deeds).

*Improving access to and building the evidence base*

Improving access to evidence requires digitising and maintaining old records and information, developing more user-friendly platforms and making them publicly available where possible. There may be an opportunity to centralise the digitising of information across the APS given this is an almost universal need.

The evidence base could also be expanded by improving the monitoring and evaluation of policy interventions through a more consistent approach, as well as an increased use of pilots and improving the way they are used. The findings from evaluations should be publicly disseminated and outcomes accepted, including by government. Greater support (not necessarily resources) for monitoring and evaluation from the centre of government would assist in maintaining these as a core and ongoing responsibility, rather than applied on an ad hoc and opportunistic basis.

### Enabling services – funding and people

**Context**

People are the department’s greatest asset, and ensuring long term workforce capability and having in place appropriate supporting systems and funding arrangements is critical.

**Risks and opportunities**

*Funding arrangements*

Funding for the department is a mix of appropriation, administered and cost recovered funding. This mix of funding types has proved successful in reducing the capacity drain experienced by some other agencies. However, cost recovery is inherently backward looking and charges ‘sticky’ as it is very difficult to win support for higher prices let alone generate surplus cash to fund innovation and systems investment. The challenges include:

* A tension between delivering efficient costs and prices for current activities and funding even modest business improvements. Maintaining efficient, low cost regulatory activities is a key priority but prices reflecting this are ultimately self-defeating if improvements cannot be funded.
* The benefits of systems investments are generally realised over an extended period of time, which creates difficulty in gaining stakeholder support and required government approvals.
* Cost recovery models are primarily based upon the regulatory framework at a point in time. While these cost models aim to recover for some known new expenses, changes in regulatory policy can significantly alter that expense base. This creates a challenge for major investments as there is limited flexibility to change their direction or scope (regardless of the case for such changes).
* A general reluctance by governments to allow prices to increase to recover actual (inevitably increasing nominal) costs.

Long-term investment projects require a sustainable and consistent level of funding to ensure liabilities are met as they fall due. Cost recovery charges and revenue within the department are heavily reliant on volume forecasts which are exposed to seasonal and market conditions. Financial and production volatility greatly impacts revenue collection year-on-year.

Cost recovery models are subject to an extensive process of development, stakeholder engagement and government approvals. This process creates an extended lead time to secure funding adjustments adding to the risk of detaching real costs and revenue.

There is also a lack of flexibility for portfolio ministers in moving funds between outcomes and across funding types (e.g. operating to capital). Under the Budget Process Operational Rules, the reclassification of departmental funds between operating and capital, and reallocation of administered funds between outcomes are subject to approval by the Minister for Finance. The introduction of greater discretion, by allowing portfolio ministers to approve such reclassifications and reallocations up to a certain threshold amount (e.g. $5 million in a financial year) would provide ministers with greater flexibility in responding to changes in priorities or fluctuations in demand for particular activities. Such movements could simply be reported to the Department of Finance and reflected in the next available Budget update.

*Increasing employee mobility and capability*

The capabilities required by the department are vast, can be highly specialised and may require long lead times to achieve proficiency. This creates difficulties in responding quickly to changing priorities and fluxes in work. This is a long term workforce planning challenge for the department and the broader APS. It is particularly acute for those agencies requiring skills and qualifications not largely available in the Commonwealth and the labour market generally. Those agencies must be responsible for their own workforce planning and development.

However, there is currently no APS wide approach to long-term workforce planning for more generalist skills and capabilities across the service (e.g. finance, IT, human resources and legal services) and agencies are already competing for the same small pool of talent in some specialisations, such as ICT. There are also a number of restrictions in sourcing capability from across the APS, state and territory governments, and the private sector including the sharing of data, employment frameworks, and differences in pay, entitlements and employment policies.

Capability needs to be built in policy, regulation, and program design and management. The current talent management practices generally only focus on identifying and supporting leadership qualities, rather than growing capability in these other areas. In addition, more structured experiential learning is required for lower level classifications.

Strong capability development should be supported by a robust performance system. The 2015 APS Workforce Management Contestability Review reported that agency Capability Reviews had identified individual performance management as a specific concern for 71 per cent of agencies[[2]](#footnote-3). The department has made a number of changes to its own performance management system, but further changes at a whole of APS level would enable greater performance outcomes.

*Integrity*

The APS must adapt its approach to security and integrity in light of the increased shift to employees working flexibly, and in some cases, for multiple employers. There also appears to be an increasing risk of APS employees being exposed to organisational criminal activity (although no evidence of a resulting systemic infection in this department, at least so far). This heightened potential for employees to have conflicts of interest reaffirms the importance of security and integrity, particularly given the role departmental employees play in the maintenance of Australia’s biosecurity and trade.

The department’s workforce and that of the APS more broadly must uphold and maintain the highest levels of integrity and actively work to minimise risk of fraud and corruption. Over the past 12 months the department has strengthened its integrity system, but more can be done across the APS. There are currently no central ways to background check previous performance of APS staff.

*Merit – revisit language in the Act*

The *Public Service Act 1999* and the *APS Commissioner’s Directions 2016* require that for an engagement or promotion decision to be based on merit, all eligible members of the community should be given a reasonable opportunity to apply. Given the time taken to complete selection, there may be benefit in revisiting how merit is applied. This would be particularly useful in those disciplines where the department has strong technical expertise and in the event an individual has proven their capacity to perform the role over a period of time whilst acting in the position.

**Considerations for the APS Review Panel**

The key point made on this topic is that at a time when the community is understandably seeking higher quality services, and government is seeking a more dynamic and innovative public administration, agencies are in some important ways losing the ability to adapt and invest to meet the demands. Greater flexibility for agencies and new mechanisms to find efficiency enhancing investments would deliver strong returns. In the case of the Department of Agriculture and Water Resources most investment costs can be recovered from clients over time if the initial funding problem can be addressed.

The Panel may wish to consider:

* How current funding arrangements, including cost-recovery arrangements, affect the Australian Government’s ability to provide for innovation and improvement through longer term investments. Consideration could also be given to flexible models that enable movement between capital and departmental funding, allowing agencies to respond rapidly to change.
* How the APS can have access to capital investment and renewal (similar to the ability of the private sector to access capital)
* An APS wide approach to long term workforce planning for generalist skills and capabilities
* Removal of restrictions to workforce mobility across the APS, and between the APS and other governments and the private sector
* How APS talent management practices could be refocused towards growing capabilities in policy, regulatory and program work
* Changes at a whole of APS level to enable improved performance outcomes, including further investing in the professionalisation of human resources
* More effective integrity checking to be introduced across the APS and the services and tools for doing this should be centralised and provided to agencies
* Investigation into a legislative change (such as that outlined in the 2015 McPhee Report2), which would allow flexibility in promotion approaches.

### System capability in the APS and ICT investment

**Context**

Australia’s trade is dependent on the department’s ICT systems, technical capabilities and relevant data. There are over 130 different ICT systems that facilitate functions such as the certification of produce and traceability. The systems also store data that is shared across the department, with other government agencies and stakeholders for decision-making. The department’s ICT system is also used by industry clients to meet regulatory requirements for trade. It is safe to say that pretty much all imports, and exports of food, rely on the operation of these systems.

The Digital Transformation Agency’s recent assessment of the department’s current digital maturity gave a low score. The department’s systems are also not taking advantage of the ‘public data’ and ‘data integration’ agenda. One of the department’s key import systems, the Agriculture Import Management System (AIMS) has been in operation for 27 years. It is probably based on business practices that long preceded its inception and is grossly inefficient. The department is in the process of replacing it, following a Budget windfall. The opportunity to update one of the department’s primary regulatory systems is extremely welcome, but it is concerning that it was essentially facilitated through a fortuitous external funding injection.

**Risks and opportunities**

*Currently implementing some activities to improve ICT systems*

The department is undertaking a number of activities to improve its ICT systems including:

* implementing a ‘cloud adoption strategy’ that will improve the quality, sustainability and reliability of the department’s ICT capabilities in a way that keeps pace with 24x7 global trade
* adopting industry best practice in areas of core ICT capabilities (such as enterprise architectures, modern standards for investment in ICT infrastructure and agile delivery methods)
* reducing the time taken to introduce innovative technologies that can automate and augment services.

In addition, where appropriate, the department is actively leveraging whole-of-government offerings and pursuing partnerships with other agencies, state and territory governments, industry and service providers to optimise outcomes for the department, industry and broader stakeholders.

Despite this, there are significant risks to the department, industry and the economy with the department’s current systems.

*Challenges to support trade with volumes expected to increase*

The department currently faces the serious challenge of having to support a national trade agenda with technical capabilities that are increasingly not fit for purpose, difficult and costly to maintain and enhance, and are limiting the department’s ability to deliver the services necessary to protect Australia’s primary industries and keep them globally competitive. If the current system isn’t improved at a rate commensurate with the demands on it, its performance is going to get worse and potential failures will lead to real time trade disruptions.

This system platform will need to cope with the volumes of international passengers, mail and cargo traffic expected to double over the next ten to fifteen years. Access to smart digital solutions will become critical to handle this volume, and streamlining processes and risk assessments to minimise the burden of compliance on the department’s clients.

*Lack of integrated data with clients and related stakeholders*

The department lags in digital transformation and the technical capabilities needed to keep pace with developments in agricultural industries. Industry and trading partners are investing in the automation of the supply chain to remain competitive internationally and they reasonably demand that their interactions with the Australian regulator are conducted on a similar basis.

In industry, digital transactions, process automation and e-commerce have long become commonplace. A lack of integrated ICT systems between the department, industry and clients adds to the regulatory burden of trading and compliance, when for example, clients have to enter data into multiple systems or rely on a manual paper based process which is time consuming. From the regulator’s point of view lack of integration creates the risk that knowledge about a client (e.g. integrity concerns) is not available to decision-makers across the full range of interactions with that client).

Technology innovation such as blockchain, Internet of Things, artificial intelligence, and new methods for managing data collection and integration provides an opportunity to transform systems and their performance.

*Restrictions on data collection and analysis*

The department’s ability to collect and analyse data – supported by the right ICT systems – is imperative to enable trade and undertake biosecurity activities and to meet other departmental objectives.

Currently there are restrictions on the legal authority to collect and share information within the department, across governments, with stakeholders and international partners. This becomes particularly problematic in relation to detecting and responding to serious and suspected non-compliant activities and entities. Regulators often only have a partial view of the activities of regulated parties interacting across the government, or across Australian and state and territory governments. Advancements in automated risk-based decision making using predictive analytics will also require access to a broader range of data to paint a more wholesome picture and improve the confidence in decision processes.

*Threats to ICT systems and national trade*

ICT systems need to be available and resilient, for example, ready to withstand increasing cyber-attacks and able to recover quickly from major disruptions. The department is facing the challenge of increasingly sophisticated deliberate non-compliance as well as new threats posed by domestic and international groups’ intent on harming our nation or specific industries.

The need to anticipate, detect and respond to such changes in a fast-paced, continuously evolving environment requires the department to be able to adapt quickly and effectively, and to exchange information with industry and with our agencies, both in Australia and internationally. This will become more important with an increase in the number and sophistication of attacks, and more acute as our systems become integrated with other government agencies, and in some cases with our clients.

As traditional methods of business continuity invoke process work-arounds until the systems are restored, the ever increasing reliance on ICT systems for both real time decision making and process automation will require significant upgrades in the department’s disaster recovery capabilities, noting that major systems outages affect both the department’s and industry’s operations.

*Supporting a changing workforce*

The department will continue to evolve with investments in process automation, data analytics, GIS capability and workforce management. This will necessitate investment in the underlying skills and capabilities. Currently there is not enough suitably qualified staff and the current APS framework inhibits building IT capability. For example, market wages for a skilled IT employee may require promotion to a management role which may not be a right fit for an IT specialist.

**Considerations for the APS Review Panel**

It is not seen to be possible to fund the necessary level of investment within the current budget rules and processes, and the current arrangements require that we keep old systems operating or apply band-aid solutions beyond their natural lives.

A key change in the investment approach that will enable transformative change will be upfront funding from government (which could be loans or equity) and regulatory clients to a level sufficient to enable the change. While the current funding model enables continued investment in systems over time, it does not generate the step change in investment the department requires to overcome historical investment deficits and the absence of a financial model to support sufficient system investment. Given the role the department plays in supporting Australia’s trade infrastructure, we need to re-think the long-term sustainable investment in these capabilities.

Clients we support who contribute to the asset build through direct charging mechanisms do not understand that point in time solutions will not meet their own longer term objectives. Only once this longer term approach to sustainable asset development is accepted will the focus shift from cost minimisation through short to medium term priorities to long term sustainability and return on investment.

The challenge will be to ask clients to fund a significant investment often across a variety of sectors where payers wish to narrow the scope of activities or direct investment to activities that only impact their particular industry. Therefore, it may be that the most appropriate funding model is for government to fund up front large IT projects, which are then cost recovered through a charge over the life of the asset.

To help the department and other agencies to work more effectively in a contemporary and future environment the APS at some stage will need to:

* Develop a funding model that enables the investment required for digital transformation of services and development of technical capability within departments.
* Develop systems and standards that can be interoperable between the department, clients and other relevant agencies.
* Create an environment that strengthens the use and sharing of data and information, including obtaining the data, storage, security, analysis, interpretation and reporting.
* Improve contract management skills in the APS and the way technology provision is contracted, including the management of obligations and accountability to effectively integrate delivery of new and innovative solutions offered by technology providers.
* Build technical ICT skills within the APS for those systems core to government’s operations and future directions and consider a ‘technical’ stream which rewards permanent staff based on market value. Our experience indicates a move to increased internal employment and professional development, rather than outsourced contract based service delivery, is essential to making the improvements we require.
* Develop the capability, both people and systems, which is able to leverage technology innovation both internally and where used by clients and stakeholders.

The pace and scope of the changes that can be implemented to transform services will be strongly influenced by the funding that can be made available to such activities. As transformation of the APS will take some time, albeit in the face of rapid market and technology innovation and data generation, the short-term nature of funding priorities will need to be tempered in order for the department and the government to realise the full economic benefits from initiatives such as the ‘single window for trade’ and/ or developing an APS that is mobile and capable of delivering the ICT services being demanded.

### Engaging with state and territory governments

**Context**

Agriculture and food industries are generally a shared responsibility between the Australian and state and territory governments. The state and territory governments own the nation’s water resources, and regulate land use and domestic food production and distribution. The successful delivery of national agendas therefore requires that state and territory governments manage their responsibilities domestically, and post border for imports.

The department engages with the state and territory governments across a wide range of policies and services including land management, biosecurity, research and development, agricultural chemicals and veterinary medicines, and animal welfare. It does this in the context of the federal system and the Constitution under which governments operate.

The department’s engagement can be broadly categorised as follows:

* *Shared responsibility* – a formal commitment to deliver a national system, for example the national biosecurity system and food safety systems
* *Legislative / regulatory role arisen largely from a referral of powers from state and territory governments* – for example, the regulation of agricultural chemicals and veterinary medicines
* *Shared resources and regulatory overlap* – managing resources that overlap jurisdictional boundaries, for example fisheries and water
* *Funding* – to deliver on Australian Government and / or joint priorities, and achieve influence
* *National interest* – a partnership approach to policy, research and development, and financial support in areas which are largely the responsibility of state and territory governments. For example, natural resource management and drought assistance.

**Risks and opportunities**

*National reforms are slow and collaboration strained*

Progress on important national reforms in agriculture is slow and in some areas non-existent. Interest in reform, and its implementation, is patchy and diminishing. This results in increased regulatory burden for businesses operating in multiple jurisdictions and presents a challenge to gain sufficient support and engagement by industry representative bodies.

Coordination mechanisms have changed over time with the reduction in the number of ministerial councils and supporting structures and a resulting loss of networks and co-operation. Faced with declining budgets there is a general and understandable unwillingness to commit resources to achieve national reform.

The formal Intergovernmental Agreement on Biosecurity (IGAB, 2012) is one mechanism that has facilitated national decision-making and implementation of reform. However, there is some tension in collaborative intergovernmental work, particularly in biosecurity. In some cases, issues such as domestic market protection, fundamentally different underlying policy settings or a reluctance to change (or fund) can often lead to state and territory governments not being able to work together. This makes securing and agreeing on consistent, high quality national outcomes challenging.

*Withdrawal of resources and cost-shifting*

State and territory governments have been withdrawing resources implicitly or explicitly, often because the Australian Government can and will intervene. In some cases, the Australian Government is necessarily acquiescent in this outcome, caused through a willingness to assist especially where it will safeguard national outcomes (for example, maintaining export markets or responding to a significant pest or disease incursion). There are regular assertions by officials in a number of jurisdictions that they won’t be able to meet their ‘normal commitments’ under the IGAB and the various emergency response deeds, which then requires additional Australian Government funding.

In addition, for some time-limited programs where the Australian Government has provided cover for reduced state expenditure, the level of expenditure remains lower from the jurisdiction following the conclusion of the program. It is not clear if they are under resourced or want to fund other priorities to manage risks they are facing. This has occurred in water compliance which has attracted public attention.

*Funding not leading to optimal outcomes*

Following the Williams case, there has been increasing scrutiny of both Constitutional and legislative authority for spending decisions. The main approach for those proposals without clear authority is to use the Federal Financial Relations framework.

At times, there is a lack of appetite to work through the state and territory governments, with scepticism that milestones and outcomes will be delivered for the benefit of the Australian Government or the public. This can be compounded by a reluctance to hold recipients to account for failing to meet milestones (and how to determine this), partly due to the risk of fallout as well as concern around the impacts on business continuity and contract management.

There are instances where the state and territory governments have noted failure of their treasuries to provide the money or roll it over where there are justifiable delays to progressing agreed projects and /or programs. Effective evaluation of outcomes and clear performance indicators are difficult to determine and to hold jurisdictions accountable against.

*Duplication and additional red tape*

State and territory governments often take different approaches to managing a resource or regulatory outcome, with real and perceived increases in red tape for businesses operating across borders. For example agricultural chemicals and veterinary medicines, livestock identification and water.

In some cases, there is a lack of understanding of the differences in legislative authority. This builds ambiguity in roles, responsibilities and outcomes for stakeholders. It further creates an environment where legislative authorities step into or out of policy or regulatory areas, risking unintended gaps in action, or inefficient duplication of effort.

Trading partners are increasingly looking for a full supply chain approach to the production of goods for export, which requires integration of regulatory approaches by state and territory governments and the Australian Government. Effective traceability systems, including the ability to provide assurances of such matters as sourcing and processing are becoming increasingly important.

**Considerations for the APS Review Panel**

The question for those agencies working in the shared space with state and territory governments is how the APS can build ‘stronger, smarter partnerships’. Some areas we will need to consider for an improved national performance include:

* The primary mechanisms for coordinating and delivering reform across governments
* Changes to the COAG council structure to encourage co-operation pursuing national outcomes
* The approach to Commonwealth-State Financial Relations across jurisdictions
* The capacity to build a stronger ‘communities of practice’ to construct knowledge and skills about how best to secure good outcomes under national partnership agreements
* The controls on movement of funds between financial years as they may prevent agencies from achieving good management of contracts and agreements, and outcomes
* Options to build greater stability and joint-problem solving into operating relationships.
1. New Zealand Productivity Commission 2014 report on *Regulatory institutions and practices* available at: <https://www.productivity.govt.nz/inquiry-content/1788?stage=4>, Introduction to New Zealand Government’s Regulatory Practice Initiative available at <https://skills.org.nz/careers-and-courses/government/state-sector-and-local-government/regulatory-compliance/>. [↑](#footnote-ref-2)
2. Australian Public Service Workforce Management Contestability Review 2015, *Unlocking potential: If not us, who? If not now, when?* (the McPhee Report), Australian Public Service Commission, Canberra. [↑](#footnote-ref-3)