

# **Enhanced Commonwealth Performance Framework – Implementation**

Joint Committee of Public Accounts and Audit

**Submission by the Department of Finance**

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## ***Introduction***

1. The *Public Governance, Performance and Accountability Act 2013* (PGPA Act)<sup>1</sup> consolidates the governance, performance and accountability requirements of the Commonwealth into a single piece of legislation, and for the first time introduces a performance framework for all Commonwealth entities and companies.
2. Following an extensive consultation period (overview provided under ‘collaborative development of the performance framework’), the performance framework has been endorsed by the Joint Committee of Public Accounts and Audit (JCPAA) and will take effect on 1 July 2015.
3. Implementing the enhanced Commonwealth performance framework presents a real opportunity to lift the focus on public sector performance. It provides an impetus to improve the quality and usefulness of reporting about what the government does and what it has achieved, both at an entity and whole-of-government level.
4. Given the breadth in the nature and scale of what the Commonwealth does, the performance framework will utilise more diverse performance methodologies with a focus on improving the quality of planning, performance information and evaluation within government to improve accountability to ministers, the Parliament and the public.
5. Fundamentally, the performance framework:
  - Creates a clear line of sight between performance planning (‘expected results’ published in corporate plans and portfolio budget statements) and performance reporting (‘results achieved’ published in annual performance statements), effectively bookending the annual business cycle of Commonwealth entities and companies;
  - recognises that performance information necessarily operates at different levels (e.g. accountability, strategic, tactical and operational), and focuses on strategic performance information for external accountability purposes; and
  - introduces flexibility in terms of how performance is measured and reported – a mix of measurement and assessment tools can be used to measure the impact of government interventions.
6. The Department of Finance (Finance) is taking a gradual approach to implementation. Consultation has confirmed the need for a staged approach to develop the performance framework over time, including through the use of communities of practice, pilots, and demonstration projects.

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<sup>1</sup> The PGPA Act is principles based and is supported by rules and guidance. It is a cornerstone of the Commonwealth Government’s Public Management Reform Agenda, which in turn is underpinned by four guiding principles:

- Government should operate as a coherent whole.
- A common set of duties should apply to all public resources handled by Commonwealth entities.
- Performance of the public sector is more than financial.
- Engaging with risk is a necessary step in improving performance.

The resource management framework, including rules, policy and guidance, should support the legitimate requirements of the government and the Parliament in discharging their respective responsibilities.

7. A staged approach will allow the performance framework to mature over time. Initial reforms will focus on improving the overall quality of entity-level performance information. Subsequent reforms will seek to leverage improved cross-entity and whole-of-government performance information, across like areas of activity.
8. Gradual and staged implementation also aims to avoid the pitfalls of putting in place rigid or prescriptive requirements that encourage a compliance focus and therefore impede the development of better quality performance information.
9. An indicative implementation timetable is presented at [Appendix A](#).

### ***Collaborative development of the enhanced performance framework***

10. An extensive public consultation process informed the development of the enhanced performance framework. This included the public release of:
  - a concept paper (released June 2014);
  - a discussion paper (released in August 2014); and
  - the draft framework, rules and supporting guidance (released in November 2014, with comments due by 30 January 2015; revised drafts released in February 2015).
11. Finance also consulted the JCPAA extensively throughout the development stages. This included:
  - lodging a formal submission, including the draft framework, rules and supporting guidance (November 2014);
  - lodging a written update, with revised draft framework, rules and supporting guidance to reflect input from public consultation (February 2015);
  - attending a private briefing with the Committee (March 2015); and
  - lodging a further update, with the revised framework, rules and supporting guidance to reflect input from the JCPAA (March 2015).
12. On 26 March 2015, the JCPAA announced its support for implementation of the enhanced Commonwealth performance framework to take effect from 1 July 2015.
13. Finance notes that the JCPAA's support is on the basis that planned performance information be retained in Portfolio Budget Statements (PBSs), rather than presented only in corporate plans from 2016-17 as was originally proposed.
  - To meet this request Finance will issue a direction under Section 36 (3) of the PGPA Act, which will set out mandatory performance information reporting requirements for entities that are required to provide input to annual PBSs.
  - Broadly, the direction proposes that performance information in PBS will be a strategic subset of the performance information contained in corporate plans that relates to the budget estimates.
  - Consultation on the direction will occur as part of the implementation process.

## *Implementation of the performance framework*

14. Finance has now commenced a range of activities to support implementation and ongoing development of the performance framework. This has included:
- registering the PGPA Legislation Amendment (Corporate Plans and Annual Performance Statements) Rule 2015 (the Rule) on the Federal Register of Legislative Instruments on 27 April 2015 – the Rule is now law and the disallowance period has commenced;
  - releasing final supporting guidance to assist entities to develop their corporate plans and provide information about other features of the new performance framework – the final guidance was released on the Finance website on 28 April 2015; and
  - rolling out a range of engagement and training activities to support entities to implement the performance framework, including pilots, communities of practice, workshops and information sessions. In April 2015, this has included:
    - expanding membership of the PMRA Performance Community of Practice through targeted communications with Commonwealth entities (further detail at paragraph 19);
    - meeting with three entities participating in pilot projects to develop the performance framework; and
    - commencing a series of targeted workshops and information sessions to support entities to implement the performance framework and meet the new corporate planning requirements (further detail at paragraphs 24 – 25).

### Pilots

15. Finance has partnered with specific Commonwealth entities to address particular opportunities or challenges in the performance framework, and to test and validate new approaches to developing and publishing strategic performance information. The pilots will provide practical insights to assist in further improving the performance framework in subsequent stages of reform.
16. A key objective in undertaking pilots is to create opportunities for entities to learn and gain practical experience from other entities. In addition to collaborating with Finance to strengthen the quality of performance reporting in the lead entity, the pilots are designed to provide examples and guidance to others in the development of performance indicators and their subsequent reporting. This will be particularly beneficial for smaller entities with limited resources, who will be able to leverage lessons learned and adopt new approaches once they have been validated.
17. Mechanisms for sharing lessons learned from the pilots will include the PMRA Performance Community of Practice and its associated peer working groups (further detail below), and other senior management fora.
18. Pilots will focus on developing options to:
- strengthen performance reporting for different entity types;
  - implement the use of a broader range of performance measurement tools;
  - improve arrangements for measuring and reporting cross-entity activities; and
  - render strategic performance information at an appropriate level that is relevant to key stakeholders (e.g. the Parliament and the public).

19. A number of entities have indicated an interest in participating in pilots to test particular aspects of the performance framework, and discussions are underway with a number of other Commonwealth entities and companies. A summary of the pilots initiated to date is presented at [Appendix B](#).

#### PMRA Performance Community of Practice

20. Finance has established the Performance Community of Practice to support the staged implementation of the performance framework. This community will be the primary mechanism used to disseminate lessons learned from the pilots to a broad cross-section of Commonwealth entities. Currently the community comprises 228 members from 102 Commonwealth entities, and 5 members from 3 external organisations.
21. The primary purpose of the Performance Community of Practice is to:
- work collaboratively with Commonwealth entities and companies to implement the performance framework;
  - provide a forum to share expertise and examples of better practice;
    - share key findings from performance framework pilots;
    - test and validate new approaches;
    - pilot information and education sessions;
  - establish a strong feedback loop between performance framework design, implementation and results;
    - manage transition arrangements; and
    - identify and respond to implementation issues.
22. The scope of the community spans a range of performance related topics, including:
- whole-of-government performance frameworks;
  - performance planning and reporting mechanisms;
  - developing, measuring and evaluating performance information; and
  - guidance material to support the performance framework.
23. A preliminary community meeting was held in November 2014, which aimed to identify options for obtaining the best value from the community in 2015 and beyond; 22 members from 16 entities participated in the preliminary meeting.
24. Following a broad registration process in January 2015, four initial community workshops were held in February and March 2015 in Canberra, Sydney and Melbourne to discuss progress on the development of the performance framework; 136 members from 64 entities participated in these initial workshops.
25. In April and May 2015, a series of targeted workshops are being run that will focus on the new corporate planning requirements under the performance framework. To date, this has included:
- two performance community of practice workshops on the new corporate planning requirements held in Canberra, with presentations from eight entities including three entities participating in pilot projects to develop the framework (84 members from 44 entities attended these workshops); and

- two workshops held in Melbourne and Sydney, which were delivered in partnership with the Australian Government Leadership Network (130 participants from 51 entities attended these workshops).
26. Additional community workshops have been scheduled in May 2015, which will continue to focus on corporate planning requirements and other topics of interest identified by the community, such as opportunities to utilise more flexible performance measurement approaches.
27. The community will also be involved in piloting Finance-delivered information sessions on the new performance framework and corporate plans in late April, prior to making these sessions available to all Commonwealth entities from May. Information sessions will target a mix of corporate staff, programme/policy managers and performance specialists.

#### Peer Working Groups

28. An early benefit arising from the Performance Community of Practice has been the establishment of a peer working group involving representatives from entities operating in similar policy areas, namely, security and law enforcement, who are interested in working together to strengthen the quality of performance information under the new performance framework.
29. In addition to entity-specific pilots, Finance will continue to explore opportunities to support and establish more focussed peer working groups that allow options to strengthen the quality of performance information across like entities or program areas to be identified.

## Appendix A

### Indicative timetable for implementation of the performance framework

| Timeframe  | Development of deliverables and associated activities   |
|--|---|
| <b><i>Implementation of the enhanced performance framework</i></b> |   |
| <i>April - June 2015</i>   | <ul style="list-style-type: none"> <li>• Launch of the enhanced performance framework, rules and guidance materials</li> <li>• Launch Finance-delivered training to Commonwealth entities on the implementation and operation of the enhanced performance framework</li> <li>• Engage with Commonwealth entities through the PMRA performance community of practice and pilots to support implementation and the ongoing development of the performance framework</li> <li>• Consultation on PBS policy direction (from June 2015)</li> </ul> |
| <i>July – September 2015</i>                                       | <ul style="list-style-type: none"> <li>• Enhanced performance framework will take effect from 1 July 2015</li> <li>• Corporate plans due for publication by 31 August 2015 (1<sup>st</sup> reporting cycle) incorporating new flexible performance measurement and reporting arrangements</li> <li>• Consultation on 2015-16 annual report requirements (from July 2015)</li> </ul>   |
| <b><i>Analysis, engagement and consultation activities</i></b>     |   |
| <i>September - December 2015</i>                                   | <ul style="list-style-type: none"> <li>• Analysis of corporate plans (1<sup>st</sup> reporting cycle) with a view to identifying: <ul style="list-style-type: none"> <li>○ Examples of better practice</li> <li>○ Lessons learned</li> </ul> </li> <li>• Engage with Commonwealth entities through the PMRA performance community of practice and pilots to support implementation and the ongoing development of the performance framework</li> </ul>  |
| <i>December 2015 – March 2016</i>                                  | <ul style="list-style-type: none"> <li>• Release draft and final guidance on preparing the 2016-17 PBS</li> </ul>   |
| <i>May - August 2016</i>   | <ul style="list-style-type: none"> <li>• 2016-17 PBS published in May 2016 (2<sup>nd</sup> reporting cycle)</li> <li>• Corporate plans due for publication 31 August 2016 (2<sup>nd</sup> reporting cycle) incorporating new flexible performance measurement and reporting arrangements</li> <li>• Release guidance on preparing 2015-16 annual reports, which will include guidance on the annual performance statement</li> </ul>  |
| <i>September - December 2016</i>                                   | <ul style="list-style-type: none"> <li>• Analysis of corporate plans and PBSs (2<sup>nd</sup> reporting cycle) with a view to identifying: <ul style="list-style-type: none"> <li>○ Examples of better practice</li> <li>○ Lessons learned</li> </ul> </li> <li>• Annual performance statements due for publication 31 October 2016 in the 2015-16 annual reports (1<sup>st</sup> reporting cycle)</li> </ul>   |

## Appendix B

**Table 1. Summary of pilots that will be used to develop the performance framework**

| Entity  | Aim of pilot  | Engagement to date  |
|---|---|---|
| Department of Social Services (DSS)               | DSS is working to develop a more strategic performance management approach at the entity level. This includes developing a policy and performance assessment system that seeks to provide a clear line of sight between performance indicators and DSS's mission of improving lifetime wellbeing for people and families in Australia. This is aided by the inclusion of high level policy domains and associated policy indicators relevant to lifetime wellbeing with a dual purpose of guiding the selection of performance indicators and policy planning. The framework also reflects joined-up activities that contribute to achieving government objectives. Finance will work with DSS to explore opportunities to strengthen cross-entity performance reporting under the performance framework. | Finance and DSS have participated in several bilateral meetings to date, and have exchanged draft materials related to the new performance framework.<br><br>DSS also presented to the PMRA Performance Community of Practice in April as part of an entity panel focussing on new corporate planning requirements under the performance framework. |
| Department of Environment (Environment)           | Environment is working to develop a new performance framework at the entity level. Finance will work with Environment to explore opportunities to align this work with the requirements under the performance framework, and identify any lessons learned that could be shared with other Commonwealth entities.  | Finance and Environment have participated in one bilateral meeting to date.<br><br>Environment also presented on its entity level framework to the PMRA Performance Community of Practice in April as part of an entity panel in a workshop focussed on the new corporate planning responsibilities.  |
| Australian Taxation Office (ATO)                  | ATO is currently developing a new performance measurement framework at an entity level as part of a broader review of their performance measures. Finance will work with the ATO to test how this framework can be presented within the corporate plan and annual performance statement to provide high quality performance information.  | Finance and ATO have participated in one bilateral meeting to date.   |
| Department of Defence (Defence)                   | Defence has identified a more focussed set of key priority areas and would like to work towards structuring their performance information around these priorities. Finance will work with Defence to identify ways for the performance framework to support and align with this approach.   | Finance and Defence have participated in one bilateral meeting to date.<br><br>Defence also presented to the PMRA Performance Community of Practice in April as part of an entity panel in a workshop focussed on the new corporate planning responsibilities.  |
| Australian Accounting Standards Board (AASB)      | AASB has an established corporate planning process and is working to integrate this with the new requirements under the enhanced performance framework from a small entity perspective. Finance will work with AASB to ensure its corporate plan meets the minimum requirements under the performance framework.  | Finance and AASB have commenced initial discussions.  |
| Australian Consumer Competition Commission (ACCC) | The ACCC has an established corporate planning process and is working to adapt this to meet new performance reporting requirements. Finance will work with the ACCC to explore opportunities to strengthen performance reporting in relation to its regulatory functions that reflect the requirements and objectives of both the enhanced performance framework and the Department of Prime Minister and the Cabinet's (PM&C) Regulator Performance Framework.   | Finance and ACCC have had one bilateral meeting to date.  |