



Functional and Efficiency Reviews

December 2014

Functional and Efficiency Reviews fit within the Contestability Programme and form part of the Australian Government's ongoing review of entity activities. Functional and Efficiency Reviews will consider whether current functions performed within an entity align with the Government's forward priorities and policy commitments.

The Functional and Efficiency Review Process

Functional and Efficiency Reviews will be led by an Independent Review Leader who will comprehensively assess the efficiency and effectiveness of all aspects of an entity's operations, programmes and administration. In doing so, these Reviews will look at an entity's:

- role and purpose;
- departmental expenditure; and
- structure and ability to achieve results, including examining optimal management structures, contract management and value for money in consultancies.

In doing so, Functional and Efficiency Reviews will consider:

- any barriers affecting the entity from achieving its current intended outcomes and, where relevant, propose solutions to address these concerns;
- the feasibility and efficiency of alternative approaches to address the Government's priorities including identifying the benefits, costs, risks and any other relevant considerations (including legal, regulatory and cultural considerations); and
- the proposed transition path to implement preferred alternatives, including how performance could be managed; staffing and capability considerations; and governance.

Functional and Efficiency Reviews support Government to align public resources to determined objectives, achieve planned reforms, identify operational improvements and efficiencies and address contemporary pressures while ensuring a responsible and streamlined public sector.

The Efficiency through Contestability Programme

In the 2014-15 Federal Budget, the Australian Government introduced a Commonwealth-wide Contestability Framework to be applied through the Contestability Programme led by the Department of Finance.

The Contestability Programme will assess all current government functions to determine whether particular functions should be open to competition and how competition should occur. The purpose of the Contestability Programme is to encourage Commonwealth entities to adopt a more commercial mindset and to continually seek ways of improving the performance of existing or proposed government functions.

Efforts to optimise the efficiency, effectiveness and equity of government functions require careful consideration of:

- the outcomes being sought (*"What are we trying to achieve?"*)
- how functions are undertaken (*"Are we achieving this efficiently or effectively?"*)
- how services are provided (*"Is there potential for an alternative arrangement to deliver the function? In whole or in part? And at lesser cost or with greater benefit to the community?"*), and
- the competitive advantages different organisations can offer.

The notion of contestability challenges the long-held view that it is the role of government to deliver a specific programme or service to citizens. Instead, contestability shifts the emphasis from the *function* to be carried out to the desired *outcome* government seeks to achieve.

The Government recognises that the efficiency and performance of the public sector must continue to improve if it is to meet longer term challenges such as tighter budgets and demand for better-quality services for the Australian community. The Contestability Programme will support the public sector to adopt more commercial and entrepreneurial approaches to the delivery of government activities.

For more information

For more information please email the Department of Finance at contestability@finance.gov.au or call the Contestability Team on 02 6215 2991.