



Australian Government



Australian  
**Small Business and  
Family Enterprise**  
Ombudsman

9 August 2018

Mr David Thodey AO  
Chair  
Independent Review of the Australian Public Service  
Department of Prime Minister and Cabinet  
PO Box 6500  
Canberra ACT 2600

Dear Mr Thodey

### **Independent Review of the Australian Public Service**

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) advocates for policy, legislation and practices that create conditions for small businesses and family enterprises to grow. It also provides dispute resolution services and advice should small businesses or family enterprises find themselves involved in a business dispute.

As an independent statutory office, ASBFEO has a separate budget allocation. Services such as corporate and system support are provided by the department responsible for small business. A larger department's corporate policies and procedures and its IT system are often more complex than is necessary for a smaller agency.

We have found that our staff spend a disproportionate amount of their time conforming to the larger department's corporate processes. For example, to purchase a box of pens requires six separate digital entries. Each entry by our administrative staff requires approval in the system by a senior staff member before the next step can be actioned. We have a single administrator and four 'approvers'. The authority to offer a more flexible, tailored approach in support systems to small agile agencies is required.

These challenges are amplified when a small agency is required by a machinery of government change (MOG) to move to a different department. While it is the right of the government of the day to change the way Commonwealth responsibilities are managed, there are complex issues to be considered for a small agency which include:

- Continuity of data for critical systems. Sharing information and combining resources is hampered when systems are incompatible or outdated. For example, we moved to our current department in February 2018 but remain on the previous departments IT system. ASBFEO's client relationship management system (CRM), the sole tool used by our assistance team, is incompatible with our new department's IT platform. Yet our CRM is a Microsoft product.

To ensure the APS is fit-for-purpose it must be adequately funded to continually upgrade information technology hardware and software to keep, at least, in-line with the market and minimise disruption, maximise information sharing, across departments. The APS should standardise its IT systems to allow for information and staff transfer between departments. This should deliver economy of scale.

- Enterprise Bargaining Agreements (EBA). Different benefits and pay scales between departments and agencies can restrict pay increments for performance. For example, many of our staff, through the recent MOG are at the highest band of remuneration under our new departments EBA due to the fact that The Treasury's pay rates are substantially higher than the Department of Jobs and Small Business for the same job classification. For those staff there will be no rise in pay for up to two years, irrespective of performance. This produces a significant challenge for management.

The ASBFEO office has a staffing cap of 16 ASL but our delivery requirements need approximately 22-28 staff, depending on work-load. This means ASBFEO has between 33% and 75% of staff as 'labour-hire' contractors at any one time, simply because of our artificially low staffing cap. The higher staffing level is more than covered by the budget allocation, however, it is an expensive and inefficient method. Exempting non-ongoing contracts from the staffing cap would help solve this problem while not increasing permanent public service numbers.

The Australian Public Service must have in-house skills and competencies to deliver the government of the day's agenda. Employing 'labour-hire' contractors to achieve deliverables can be counterproductive as contractors lack security of tenure and may not invest in a career in the public service. The investment in competency and corporate knowledge are lost when contractors depart for more secure positions. This can undermine the delivery of high quality outcomes. Alternatives to this type of contracting are restricted by government procurement and panel processes. There must be a more flexible approach to staffing levels to deliver security of corporate knowledge and skills balanced with engaging contractors to deliver specific deliverables.

In addition, both major political parties have expressed support for ensuring that small to medium enterprises (SMEs) get a reasonable share of government procurement. We believe this should be 30% of the total value in line with the requirement in the United Kingdom. To achieve this there needs to be better public reporting and an acceptance within the public sector that contracting with SMEs is not inherently more risky and that it is important for economic growth and jobs. At the moment, the SME share of government procurement is falling.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Jill Lawrence on 02 6263 1558 or at [jill.lawrence@asbfeo.gov.au](mailto:jill.lawrence@asbfeo.gov.au).

Yours sincerely



**Kate Carnell AO**

Australian Small Business and Family Enterprise Ombudsman