The Hon. Lindsay Tanner  
Minister for Finance and Deregulation  
Parliament House  
Canberra ACT 2600

Dear Minister

In the terms of reference for an independent review of progress in implementation of the Gershon report on the Australian Government’s use of Information and Communications Technology (ICT) you asked for advice on the effectiveness of its recommendations in seven key areas. You also requested advice on any corrective action that was necessary and for recommendations on the future role of the Australian Government Information Management Office (AGIMO).

My report was informed by an examination of the relevant documentation generated during the first two years of the implementation of the Gershon recommendations and by extensive interviews with Ministers, senior Government officials and ICT industry leaders; in all more than 40 interviews were conducted involving more than 100 stakeholders in government and industry.

As the review demonstrates, the recommendations of the Gershon report have now largely been implemented although the full effect of the program of ICT reform it constituted will take some time to work its way through Government. What is clear is that the very substantial implementation effort has positioned the Government for the next phase in the evolution of ICT policy and practice.

For the full promise of technology to be realised some changes are necessary, principally in ensuring simple and effective governance arrangements are in place and that Government marshals its human and financial resources effectively for the challenges ahead. This review makes a set of recommendations that are directed at facilitating the transition to what is being described as the post-Gershon era. They should not detract from the necessity for continuing attention to the task of implementing the Gershon recommendations to make them permanent features of how Government manages its information and communications technology.

There has been very substantial effort invested across Government in putting the recommendations of the Gershon Report into practice. The result is a much better information base and greater guidance for agencies through the development and adoption of whole-of-Government ICT policies. The shift of focus from tactical to strategic investment in ICT enables Government to consider the opportunities for creative and innovative use of technology in everything it does. That outcome alone justifies the intensive level of activity sparked by the Gershon Report. The challenge now is to leverage that effort to enable Government to deliver different and better services and to engage more closely with its citizens.

Some of the big issues associated with ICT have emerged over the last two years, a period dominated above all else by the global financial crisis. At a national level, the development of the NBN presents great opportunities for government to deliver services and to conduct its general business using a broadband platform. Similarly, the rapid increase in the use of social media can be put to use in transforming the nature of communications between citizens and government. And the publication earlier this year of a Blueprint for Public Sector Reform details priorities such as service delivery that require ICT to play a central enabling role.

These are exciting developments and the Government in the wake of the Gershon Report is well positioned to step up to the challenges involved. In the process of conducting this review it became very apparent that there was a heightened interest among senior public servants and ICT industry leaders about the extent to which the Government was able to build on the work of the last two years. It has been seen as a period in which the Government has addressed some of the fundamentals of better management of technology. The question of how best to move to the next stage is a matter of intense interest and my hope is that this review assists that process.

Dr Ian Reinecke  
June 16 2010
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Introduction

Terms of reference:
• Examine progress on the implementation of recommendations of the Gershon Review
• Advise on the effectiveness of the implementation of the seven key areas, and any corrective action
• Examine and make recommendations on the future role of the Australian Government Information Management Office (AGIMO) as a result of the Information and Communications Technology (ICT) Reform Program

Summary of the Review
This review was recommended by the Gershon Report as “an independent review of progress”, to be undertaken in the first quarter of 2010. Its scope is confined to examining the implementation and assessing the effectiveness of the Report’s recommendations. It will also make recommendations about the future of AGIMO in light of the ICT Reform Program that the Gershon Report initiated. The review will examine the complex and ambitious program of work set out by the Report to assess its progress and effectiveness. Where necessary, the review also indicates actions aimed at correcting matters that impede effective implementation.

Although the emphasis of the Gershon Report on cost savings has overshadowed its other recommendations, in the long run what it recommended, in addition to tighter management of business as usual funding, is of more lasting significance. Collectively its recommendations constitute a substantial reform program that includes stronger governance of ICT, better organisational capability and an improved public sector skills base. The Report also called for aggregating Government data centres, improving the ICT marketplace and increasing sustainability of ICT.

Major findings
The policy underpinnings recommended by the Report are now mostly in place. Their continued execution however will require sustained management effort. In the course of conducting interviews with Government and industry executives and extensively reviewing documentation, it became clear that very substantial progress has been made in the two years since the Report was completed. This review has, however, highlighted a number of areas needing improvement. Prime among them is the governance structure proposed by Gershon, which is not producing its intended business focus, and the vision and supporting strategies needed to continue to drive whole-of-government initiatives and ICT public sector reform.

In August 2008 in his transmittal letter to the Minister of Finance and Deregulation Sir Peter Gershon anticipated “two critical requirements which will determine the success of this reform program”. They were the need for sustained leadership by Ministers and top Government officials and the need to ensure that “enablers of change” were properly resourced with appropriate levels of funding and skills. These were prescient remarks. This review has found that there is room for improvement in both areas, and has recommended accordingly.

Key issues
The improvements recommended to strengthen the reform program are in two areas:
• Proposals designed to re-focus the approach to ICT reform, by sustaining implementation of the Gershon building blocks, and
• A modified governance structure to strengthen capacity to develop an ICT vision and supporting strategies, taking into account developments over the past two years.

Before outlining the recommendations, the major issues identified in interviews as having the greatest impact in the implementation of the Gershon Report are summarised. These issues have generated most discussion about the ICT reform program both in the public domain and in the interviews conducted in the course of this review. These key issues should not obscure those recommendations of the Gershon Report that despite a lower profile are likely to have a constructive effect over time.
Savings targets

The dominant issue in perceptions about the Gershon Report, both within and outside the Australian Public Service (APS), has been the imposition of savings targets on ICT budgets totalling $1 billion over four years. The level of analysis required to collect data and compare the results with external benchmarks has absorbed substantial resources in both AGIMO and other agencies. Undoubtedly some agencies found it difficult to find these savings, especially after the first round of targets, and there is residual preoccupation in the APS about both the quantum and the effect of the savings.

There is also a concern, shared with the supplier industry, that the savings targets have had the effect of promoting the perception that ICT budgets should be treated as costs to be contained, rather than as investments leading to greater productivity. The establishment of a Business-as-Usual Reinvestment Fund (BRF) that returns half the budget savings to a fund that agencies can apply to for project funding has not assuaged all the concerns about negative effects of ICT budget cuts. The focus is now however shifting to non-financial issues of governance, procurement policy and the role of AGIMO itself.

Role of Ministers

The Gershon Report correctly emphasised the importance of strong support by Ministers and Secretaries to ensure that its recommendations were executed across the public sector. The high workload associated with implementing the recommendations generated processes for Ministerial approval of new policies and funding decisions. Those processes have been an intensive and necessary element of executing the Gershon recommendations, but have crowded out more strategic consideration of the role of ICT.

In the case of Ministers, that crowding effect has been seen in the operation of the Expenditure Review Committee (ERC) when considering ICT matters. ERC is augmented with two additional Ministers when considering ICT issues but pressure of business has meant that little time has been devoted to providing the top-level leadership Gershon envisaged. The time spent by ERC considering ICT issues has been occupied by the requirement to review recommendations from Secretaries relating to the ICT reform program.

Secretaries’ role

The clear locus of authority for ICT matters is with the Secretaries’ Information Governance Board (SIGB), which was tasked with considering business rather than technology issues. Instead, the proceedings of SIGB have been dominated by consideration of new policies often of a highly technical nature arising from Gershon. SIGB is also the key decision point in the governance structure for determining successful applications to the BRF.

The result of this preoccupation with reviewing progress is that much of SIGB’s business, especially in 2010, has been conducted out-of-session, without the level of discussion that informs decisions taken in face-to-face meetings. The casualty of this approach has been an inability to develop an ICT vision and the strategies needed to support it. Instead, SIGB’s proceedings have been characterised by process-laden agendas, voluminous documentation, and a focus on technology rather than business issues. As the Gershon recommendations are progressively implemented there is a need to more closely involve Secretaries in setting a five-year direction for ICT in Government. This is a major challenge in preparation for what has begun to be described as the post-Gershon era.

AGIMO’s role

AGIMO has done the heavy lifting in implementing the Gershon Report. It has introduced a raft of new policy, driven the entire governance structure and delivered budget savings that have, at times, made it the focus of considerable resentment. AGIMO has the least enviable task in the ICT reform program and has, in the face of some opposition, efficiently undertaken the task the Government set for it. The cost has been considerable criticism although it is often difficult to determine whether the criticism is directed at the Government’s decision to adopt Gershon’s recommendations, or at AGIMO for implementing them.
The onerous role that AGIMO has undertaken has revealed issues, that if not addressed may impede its effectiveness as the reform program continues. Principally this relates, as Gershon anticipated, to the skills and resources available to implement an ambitious change program. AGIMO has been expected to lead the policy agenda, in the Report’s words to be a “catalyst for change” and to deal with often highly technical implementation issues. One lesson to be drawn from this is that the expectations placed on AGIMO were unsustainable, and its role and structure need to be reconsidered.

Post-Gershon

By their nature, reviews such as this seek to identify the fault lines associated with implementing Government programs and to suggest ways they can be remedied. There is much that is positive about ICT reform in the last two years. Without the aggressive change program that the Gershon Report laid out, the Government would not know what it now does about how to extract better value from its use of technology. To add to the momentum for change, a conjunction of events since 2008 has worked to position the issue of ICT in Government much more strategically.

The pressure for further reform and the need for high-level strategic thinking and leadership has intensified as a result of developments since the Report was written. These include:

- The effects of a global financial crisis that demands continuing budgetary restraint,
- The APS public sector reform agenda which will require extensive use of ICT to enable better and different service delivery,
- The National Broadband Network and its promise to enable delivery of Government services across high bandwidth infrastructure, and
- Improved citizen engagement through the use of Web 2.0 tools and techniques.

Conducting the review

The Review began with an examination of the papers produced for the implementation of the Gershon Report, which demonstrate the complex work effort required. The Report made 27 major recommendations, but it *inter alia* included 15 other proposals that became elements of the ICT reform program. Each of these 42 matters was treated as a project by AGIMO and involved organisations with assigned roles within the governance structure proposed by Gershon. The reform program to varying degrees involved Ministers, Departmental Secretaries, Deputy Secretaries and other senior executives, and Chief Information Officers (CIOs). The volume and complexity of the papers produced to support this multi-layered structure reveal the very substantial effort across Government required to implement the Report’s recommendations.

The second source of information for this review has been a series of interviews with a very wide cross-section of Ministers, Secretaries, senior public service executives and CIOs, as well as industry representatives. Those interviews have been unfailingly frank and constructive and reveal a public service at different stages of coming to grips with the increasing significance of technology in everything that Government does. Against expectations, the implementation of the Gershon savings targets did not dominate those interviews, although the effect on agency budgets had been painful in many cases. There was much more concern about the future, and the vision and strategies for ICT that need to be developed to guide the public sector over the next few years.

AGIMO provided significant documentation tracking implementation of the Gershon Report recommendations and organised meetings selected by the reviewer with a range of Government and private sector executives. The support by AGIMO staff in arranging travel and accommodation and the provision of additional information when required was of a very high standard without which this review would have been much more difficult to complete. A copy of the report was provided in draft form to the Secretary of the Department of Finance and Deregulation (Finance) and to AGIMO for comment. Those comments have been helpful in ensuring the accuracy of the account of a very complex set of activities arising from the Gershon Report. However, as required by the Report, this is an independent review and the judgements expressed in it and the recommendations it makes are its own.
Structure of the Report

This report is structured around the seven major areas identified by Gershon and in the order in which they were presented. In some respects that structure tends to make the assignment of priorities difficult. As one works through the recommendations clearly some are more significant than others. However re-structuring the original order of the recommendations would have made an already complex set of inter-related matters even more opaque.

The internal structure of this review also follows the order of the three elements required by its terms of reference:

- A report on the progress of the implementation of the Gershon Report,
- Evaluation of the effectiveness of implementation and advice on “any corrective action”, and
- Recommendations about the future of AGIMO.

Each of the seven key areas begins with a brief overview and then focuses on the implementation and effectiveness of each recommendation. The information sources for the sections on implementation are mainly drawn from documentation supporting the various governance bodies that provide regular reports of progress. In some cases that progress was tested in interviews.

The second section under each heading focuses on effectiveness and is primarily sourced from the more than forty meetings held across Government and with industry. Many of those interviewed had followed the Gershon process closely since its inception, had monitored the implementation of its recommendations and in some cases were at the sharp end of responding to its requirements. The result was a very comprehensive picture of the effectiveness of the recommendations.

Recommendations for improvement

In some sections of the report on the implementation and effectiveness of the seven key areas highlighted by Gershon, recommendations have been made. They have not been made against all the sections, because in some areas they were either not needed or there was sufficient guidance in feedback from interviews that could be interpreted as constructive or insightful. Where recommendations have been made they signal a specific action that is designed to improve both the implementation and effectiveness of the Gershon Report.

The final section is focused on the future of AGIMO’s role in ICT reform. That concludes with a set of recommendations that go to the overall governance structure of ICT and AGIMO’s role in it. The major governance issue, and hence the major issue for AGIMO’s future, is how the Government makes ready for the next phase of public sector ICT reform, or the post-Gershon era. There is considerable support for strong central oversight and guidance of ICT in Government and wide acknowledgement that AGIMO has performed well in implementing Gershon. Having created a beachhead by implementing the strategic initiatives of the Gershon Report there is however a general view that it is time to move to the next stage.
List of Recommendations

The five recommendations arising from the review are listed in the order in which they appear in this report and are grouped at the end of the section from which they are derived, indicated below by the numbers in brackets.

Recommendations

1. The Government should institute a dedicated Ministerial ICT Committee with additional members scheduled as augmented ERC meetings with formal agendas and matters for decision. (1.1)

2. (a) Two qualified independent members from outside the APS should be added to SIGB, as well as the Secretaries of the Departments of Broadband, Communications and the Digital Economy (DBCDE) and Innovation, Industry, Science and Research (DIISR);
(b) SIGB should agree a forward schedule of face-to-face meetings and where matters need to be considered out of session share agency briefs to better inform decisions. (1.2)

3. (a) Finance should undertake a thorough assessment of AGIMO’s current capability and resources as part of its consideration of whether AGIMO’s two current major roles should be functionally separated;
(b) Lead agencies for projects approved by the Government should be formally appointed by the Minister for Finance on advice from the ERC, SIGB and AGIMO after consultation with relevant agencies and be subject to written agreement detailing their roles and responsibilities. (1.4)

4. (a) As benchmarking reaches greater maturity AGIMO should examine means of simplifying, automating and reducing the load of data collection;
(b) AGIMO should also provide guidance to chief executives to assist them in their interpretation of benchmarks and encourage the exchange of data between agencies;
(c) AGIMO should develop further guidance on shared services including methodologies for risk assessment, benefits realisation and project planning and management. (3.3)

5. (a) AGIMO should be more closely integrated with Finance to provide implementation support under the leadership of a Chief Technology Officer;
(b) A dedicated ICT policy unit headed by the Government Chief Information Officer should be established to support SIGB’s leadership of the reform program;
(c) The responsibility of Secretaries for oversight of agency and cross-Government ICT matters should be clarified in the APS public sector reform process;
(d) SIGB should establish a taskforce of senior APS executives to assist it to develop a vision and supporting strategies for ICT in Government. (8)
1. Pan-Government governance

The Gershon Report identified poor governance of cross-Government ICT resulting in inadequate oversight of the autonomy of agencies to make ICT investments. It concluded that the existing governance arrangements had little influence over agencies and that there was wide variation in the relationship between policy formulation and implementation. The remit of AGIMO was described as weak and lacking a clear mandate.

The report recommended the establishment of a Ministerial Committee to provide leadership and governance for cross-Government ICT issues and creation of a Secretaries Board with a strong mandate from Government. The Board should focus on business rather than technology issues and should set whole-of-Government strategies to support Ministers. Agencies seeking to opt-out of whole-of-Government arrangements would need Ministerial-level approval.

AGIMO’s major role was to act as a catalyst for change in assisting the formation and realisation of policies and strategies that have been agreed by Ministers and Secretaries. AGIMO should take a leadership and facilitation role in promoting common approaches by agencies to standards, infrastructure, applications and ICT procurement. Implementation of the Report’s recommendations should be overseen by a Program Board drawn from Finance, including Budget Group and AGIMO, and the Department of the Prime Minister and Cabinet (PM&C).

1.1 Ministerial Committee

Implementation:
The Gershon report (the Report) recommended the establishment of a Ministerial Committee on ICT as a means of involving Ministers in the leadership and governance of ICT across Government. It was to have responsibility for ICT policies and an overall strategic vision of ICT on a Government-wide basis. Its members should include Ministers driving change in how ICT can contribute to Government policies and outcomes. It was to be supported by the Secretaries’ ICT Governance Board (SIGB) and was to provide periodic reports on progress of the implementation of the Report.

The Government decided that rather than establishing a stand-alone Committee of Ministers on ICT it should use the existing membership and structure of the Expenditure Review Committee (ERC), adding to its membership when considering ICT matters, the Minister for Broadband Communications and the Digital Economy and the Minister for Innovation, Industry, Science and Research.

Effectiveness:
ERC consideration of ICT matters has been dominated by an agenda prepared by AGIMO and endorsed by SIGB, which included the necessary approvals for funding decisions, such as applications from agencies to the BRF. Other matters considered included phases one and two of the business as usual (BAU) review, governance issues, small and medium enterprises (SME) policies, intellectual property (IP) policy and ICT contracts and progress reports. There were also matters that did not relate directly to the Gershon Report and are therefore outside the scope of this review.

There has not been consideration of a strategic vision for ICT or a strong emphasis on development of whole-of-Government approaches to ICT. Rather ERC has provided prudential oversight and authority over decisions made by SIGB.

1.2 Secretaries Information Governance Board (SIGB)

Implementation:
In line with the recommendations of the Report, new governance arrangements were established in November 2008 to oversee the implementation of the ICT Reform Agenda. SIGB replaced the former Secretaries’ Committee on ICT and reported to the ERC. It was to be supported by the Business Process Transformation Committee (BPTC), the Chief Information Officer Committee (CIoC) and the Chief Information Officer Forum (CIOF).
SIGB was to be composed of representatives of central bodies, portfolio departments and delivery agencies. It was also to have a small number of private sector executives with experience of successful use of ICT in their organisations.

The Report was very clear on SIGB’s general role. It was to focus on business rather than technology and technical issues and in that role was to set whole-of-Government strategies to support policies and vision determined by Ministers. To that end its terms of reference required it to:

- Develop whole-of-Government strategies to implement the policies and strategic vision determined by the ERC
- Determine priority areas for standardisation, consolidation and common approaches based on business value
- Develop the basis for assessing agency requests for opt-outs from agreed common approaches
- Strategic portfolio management of ICT investments across Financial Management and Accountability (FMA) Act agencies
- Reviewing annually key trends in the Government’s ICT expenditure
- Determining Government’s response to emerging ICT trends and issues, and
- Reviewing the annual work plan of AGIMO

The Report recommended that SIGB meet four to six times a year, with greater frequency in the first year.

SIGB’s current membership consists of members drawn from the Departments of PM&C, Human Services (DHS), Australian Customs and Border Protection Service (Customs), Geoscience Australia (Geoscience) and Australian Taxation Office (ATO). The Secretary of Finance chairs the Board.

**Effectiveness:**

SIGB’s membership has not to date, contrary to the Gershon Report’s recommendation, included senior business executives from companies that were successful users of ICT. Finance did organize addresses to an audience of Secretaries by the chief executives of Woolworths and BHP Billiton. The addresses focused on the centrality of successfully managing technology in their respective businesses. Another session was organised for senior executives in the APS in which they were addressed by the CIO of Boeing.

There was concern expressed by some smaller agencies that the SIGB membership consisted primarily of central agencies and those involved in delivering large ICT projects. As both the Ministers for Broadband Digital Economy and Communications (DBCDE) and Innovation Industry Science and Research (DIISR) are members of the augmented ERC when ICT matters are considered, their Departmental heads are obvious candidates to be considered for SIGB membership. Other agencies could be considered for representation on SIGB on a rotational basis, as provided for in its terms of reference.

The Board met five times as a group in 2009 but has not met so far in 2010. The majority of its business since December has been conducted by considering out-of-session papers circulated for decision. Fewer agenda items (33) have been considered in face-to-face meetings, than out-of-session (41). This method of transacting the business of the Board is regarded as unsatisfactory by most of its members, who raised this issue during interviews. It is a widely shared view that SIGB should meet face to face and that it should do so more often than it has to date. Members believe that meetings requiring their physical presence are necessary for constructive discussion.

They recognise that out-of-session distribution of papers saves time but at the cost of constraining discussion of the complex matters with which SIGB has been tasked. Suggestions for improving the effectiveness of the Board include more actively encouraging agenda items from members that are nominated for discussion and supported by briefing papers. When papers are circulated out of session, members should also be encouraged to exchange their departmental briefs in order to ensure their decisions are informed by perspectives other than their own agencies.
**Business focus**

There is concern by members that SIGB is not meeting its terms of reference by failing to focus on business issues rather than technology. This may be partly explained by the necessity of approving applications for funding through the BRF and the formal approval of many of the policies developed in accordance with the Report’s recommendations.

It may be more effective for SIGB to task a sub-committee with scrutinising recommendations for BRF funding in order to free up the Board’s available time to focus on the broader issues of business design across Government and ICT’s facilitation role. This would also have the effect of meeting concerns about perceived conflict of interest when SIGB considers funding applications from agencies that are represented on the Board. The BRF process is effectively administered by AGIMO and all its recommendations so far have been accepted by SIGB.

There are immediate high profile initiatives such as the DHS ICT platform consolidation program that are crucial to the future of ICT in Government and of which SIGB does not have clear oversight. As noted by some of its members, the Committee’s preoccupation with process issues means that it is unable to assess the degree to which other agencies will deliver effective ICT programs. If necessary, SIGB’s terms of reference could be amended to enable it to receive progress reports on important ICT projects, especially where they have cross-agency implications.

An impression widespread among senior executives interviewed across the APS was that SIGB, while satisfactorily fulfilling its role of scrutinising expenditure, has not succeeded in developing a vision for the use of ICT across the sector. In the words of one, the Board is perceived to be about “cost saving without vision”. A meeting of members of SIGB and selected CIOs was held in April 2010 to begin the process of scoping a vision for ICT across Government. It is apparent that SIGB needs assistance in developing a vision for the whole Government and that it may require a different mechanism than relying solely on its own deliberations.

Industry organisations have expressed disappointment that there are no external members of SIGB citing the UK model of public sector ICT governance involving both industry and the Civil Service. They attribute the absence of external members to a lack of trust in Australia between Government and industry. They see the general rules of engagement as being bound by the formal procurement process. Industry would also welcome a clearer blueprint of the future and cites the UK Government as an exemplar in this regard.

There is concern from ICT vendors about where “re-fuelling of growth” will come from following implementation of the Gershon recommendations, a phase that will focus on transformational approaches in contrast to the commoditisation of ICT. Industry believes that strategic leadership and large-scale change is missing from the Government’s thinking. Suppliers indicate that the NBN offers new opportunities across Government in concert with advances in mobile computing and communications.

### Business Process Transformation Committee (BPTC):

**Implementation:**

The formation and operation of the BPTC preceded the Gershon review, as did the CIO Committee and the CIO Forum. The Report concluded that none of these bodies had much influence over agencies and that in particular there was a lack of standardisation of common business processes across Government. The BPTC was seen in the Report as providing advice to SIGB about proposals for common adoption, including whether appropriate funding had been allocated and whether they were fit for purpose.

The BPTC’s current terms of reference state that it operates at the direction of SIGB to identify, investigate and endorse Government business issues and emerging trends that can be applied on a whole-of-Government basis. Its role is also to provide expert business advice to the CIO Committee. BPTC is chaired by AGIMO and comprises Deputy Secretary level representatives from central, portfolio and service delivery agencies.
Effectiveness:
It is unclear from interviews with its members and with other senior Government executives what constructive role is being performed by BPTC and what its impact has been on the governance structure for ICT. Some members see its utility as a forum for exchanging information, others are concerned that its focus is on technology rather than business issues and that it does not consider issues associated with investment in ICT rather than cutting costs. It was described by one member as having no strategic direction, with its emphasis on detailed matters resulting in the Committee operating “down in the weeds”.

The options for the BPTC appear to be to either revise its mandate and operation or, as has occurred with the ICT Program Board, abolish it entirely. A majority of its current members support the latter option. However, some members have suggested that its function could be performed more effectively by a taskforce approach in which a small set of strategic ICT issues was identified for intensive consideration against a defined timeline by a group selected from a cohort of Deputy Secretaries. The results of this work would be used to inform the consideration by SIGB of business process transformation issues in which ICT could play an enabling role.

Chief Information Officer Committee (CIOC):

Implementation:
Like the BPTC, the CIOC was seen in the Gershon Report as a source of advice to SIGB. The CIOC describes its role as investigating, identifying and endorsing ICT issues and emerging trends that can be applied on a whole-of-Government level. It sees itself as working in collaboration with the BPTC, to which it provides expert technical advice. The Committee is chaired by AGIMO, with members drawn from CIOs representing central, portfolio and service delivery agencies.

Effectiveness:
Members of the Committee regard its operation as process driven, governed by the objective of gaining endorsement for agenda items in the shortest possible time. One member described the Committee’s work as “a production line”, another as “a rubber stamp on the way to SIGB”. There was however general acknowledgement that the CIOC working groups have made a valuable contribution to policy development.

The view from outside the CIOC, especially from smaller agencies that are not represented on it, is that its agenda reflects almost exclusively the perspectives of large agencies. Although an understandable concern, in its defence CIOC might argue that small agencies have their own organization in the CIOF. A broader issue is the view that discussions and decisions of the CIOC are not shared widely enough outside its membership. This does seem to be a matter that could be remedied by ensuring that CIOC papers are shared with the CIOF and more generally among agencies to keep them informed.

Like both SIGB and the BPTC, the CIOC is seen as suffering from an intensive focus on process at the expense of more strategic consideration of cross-agency issues. AGIMO, which provides the chair and secretariat services for the Committee, should consider whether the necessary focus on implementing the Gershon Report’s recommendations over the first two years can now shift more decisively to include consideration of strategic issues.

This phase of wider engagement could involve a stronger role for the CIOC working groups in influencing the agenda and operation of the Committee. Working groups have assisted the development of policy in the areas of ICT skills and whole-of-Government telecommunications. CIOC currently has working groups considering architecture, authentication and the Internet protocol version IPv6. This engagement model enables expertise to be sourced from a range of agencies. AGIMO should build on this mode of cooperative engagement by developing for SIGB consideration a comprehensive communications strategy for CIOC to more widely share views about ICT across the APS. For its part, the CIOC should be more pro-active in convening forums for communities of practice to assist the development of cross-agency initiatives.
**Chief Information Officer Forum (CIOF):**

**Implementation:**
The CIOF, which like the CIOC preceded the Gershon Report, was established as an information sharing and consultation forum comprising primarily CIOs from smaller agencies than are represented on CIOC. One of its functions is to provide advice to CIOC and SIGB from the perspective of smaller agencies. It was also established to share information about better practices and key strategic issues faced by small agencies and to explore collaborative opportunities.

The CIOF is currently chaired by Treasury and governed by an executive committee that meets monthly. The chair of the CIOF is a member of the CIOC and provides input to it and reports back to the committee on its proceedings. The full membership of the Forum meets three times a year and members report its major benefit is as a business networking forum. The Forum has operated in recent times in a more interactive mode and has held a number of community practice forums to exchange information and experiences between agencies.

**Effectiveness:**
In view of its limited remit in the ICT governance structure and the apparent satisfaction of its members with how it currently operates, any proposed improvements are likely to be at the margin. Certainly greater sharing of information with the CIOC would be beneficial, as may consideration by the CIOC that community practice forums may also be of benefit to large agencies.

**1.3 Allow agencies to obtain opt-outs**

**Implementation:**
The purpose of this recommendation in the Gershon Report was to address the finding that agencies simply had too much autonomy in deciding which ICT policies they adopted and which they rejected. Together with inadequate governance this freedom to essentially pursue agency over whole-of-Government agendas produced fragmentation and duplication in ICT.

The Report recommended that rather than opting-out from Government policy at will agencies needed to seek approval from the Ministerial Committee to do so. Applications to opt-out would need to be supported by business cases and be subject to scrutiny by SIGB on the basis of assessment criteria that it developed. It was anticipated in the Report that the number of opt-outs approved would be low.

**Effectiveness:**
The Government decided that agencies seeking opt-out status should demonstrate a genuine business need and tasked SIGB with considering submissions and developing the basis of assessment criteria. Those criteria included economy of scale benefits, accelerating joined-up services for citizens and business, managing scarce ICT skills and avoiding cost duplication. SIGB would seek advice from both the BPTC and the CIOC before assessing opt-out applications. Agencies would need to demonstrate their need to opt-out against a set of grounds that included adverse impact on Government policy, national security, compliance costs, legal issues and regulatory burden.

Instead of agencies operating on the basis of what the Gershon Report described as a “system of self-approved opt-in” to whole-of-Government policies they must now provide SIGB with a brief business case that identifies the policy from which they are seeking to opt out. A description of the activities in question was required and the extent to which variation from the policy was proposed. The business case needed to be supported by a short financial analysis outlining the respective costs associated with compliance and non-compliance. This process appears to have been effective in ensuring that agencies adopt a more disciplined approach to complying with whole-of-Government ICT policies.
1.4 **Redefine AGIMO’s role**

**Implementation:**
The Gershon Report saw AGIMO as “a catalyst for change”, assisting in formulating and realizing the objectives and strategies of the Ministerial Committee and SIGB. In order to ensure it had adequate resources to perform this role, the Report recommended recruitment of private sector skills and a system of rotational secondees from agencies.

A comprehensive list of tasks was set for AGIMO in the Report, including:

- Identifying and with SIGB approval developing and implementing appropriate areas for the adoption of common approaches
- Strategic management of suppliers and leadership of public sector ICT professionals
- Undertaking and reporting on benchmarking and identifying emerging issues and trends
- Developing an ICT work plan for Government, facilitating good practice and scrutinising funding and opt-out applications

**Effectiveness:**
AGIMO’s primary role is perceived across the public sector as less a catalyst for change than as a facilitator brokering whole-of-Government arrangements. Its work over the last two years has clearly been focused on ensuring that the recommendations of the Gershon Report are implemented by agencies. In this role AGIMO is regarded as the mechanism by which those recommendations are implemented rather than their driver. Agencies see a limit to AGIMO’s facilitation role that stops short of implementing systems that are their responsibility and for which they believe AGIMO is not equipped in either expertise or resources.

The perception of AGIMO, both inside and beyond the Australian Public Service (APS) has been fundamentally influenced by its task of implementing the recommendations of the Gershon Report. In some respects this perception obscures the work that AGIMO has been doing in areas not subject to recommendations in the Gershon Report. This includes its role in supporting the Gov 2.0 Taskforce, the coordination of ICT procurement, cyber security and the Australian Government Online Service Point (AGOSP).

Not all perceptions about AGIMO have been positive, as could be anticipated from its lead role in ensuring that the Gershon Report’s savings targets were met by agencies. While AGIMO has been generally seen as very effective in achieving the savings objectives it has also received criticism about uniform imposition of savings targets across agencies of different size, scope, operation and at different cycles in implementing ICT programs. The result, in the words of one senior executive has been a certain amount of “shooting the messenger” which has coloured judgment of AGIMO’s performance.

AGIMO has pointed out that there was flexibility for each agency to develop savings strategies to meet their particular circumstances. Benchmark data provided to agencies included consideration of agency variables such as the size of the agency, whether ICT was outsourced or provided in-house and whether their primary role was policy or service delivery. Agencies were also able to indicate where cost reduction targets could be demonstrated to impair service delivery to citizens or business. Benchmarking data was collected on the basis of the relative sizes of agencies.

While opinions differ about whether AGIMO’s longer-term role should be modified it has over the period of implementing Government ICT policy engaged closely with agency CIOs. In the view of some this has built a more cooperative working relationship although others believe that the emphasis on budget savings has tended to make CIOs more cautious about cross-agency initiatives. Working groups formed by AGIMO and agencies have been seen as an effective means of collaboratively developing policy. In some cases such as the development of the whole-of-Government data centre strategy and ICT skills policy, secondees from agencies have supplemented the membership of working groups.
Operationally, there is some criticism of AGIMO that it can be unnecessarily inflexible in applying the same approach and process to problems whether they are simple or complex. It is also believed that AGIMO could focus more on its efforts to communicate the progress and outcomes of work being undertaken and in consulting more widely in the process. AGIMO reported that it consulted agencies in the implementation of initiatives such as the Customisation and Bespoke (COTS) policy and on the review of two-pass investment as well as in the course of the BAU budget reduction program.

It is generally acknowledged that AGIMO’s Gershon responsibilities changed its role by conferring on it greater implied authority. The result according to one CIO was that instead of agencies “paying lip service” to AGIMO policies, they now “took notice”. However, there is still a widely held view that AGIMO lacks sufficient authority in its own right to meet the objectives set for it as a central coordinating unit. This is seen as having been especially the case in the decentralised ICT policy and procurement mode in which agencies were operating under the previous Government. In the words of one CIO: “AGIMO acts with one hand tied behind its back - it is too dependent on agency goodwill”.

For many, the source of the authority that AGIMO now has is indirect, conferred by the task of implementing the recommendations of the Gershon Report and directly derived from its role in procurement and budget control, in which it is seen as an agent of Finance. Strengthening this line of authority with a formal mandate defining AGIMO’s powers and responsibilities has general support.

**Capability and resources**

Central coordinating units face considerably greater critical scrutiny than the agencies that are their primary clients. In the case of AGIMO this scrutiny extends to the capabilities of its people and the resources provided to undertake its task. Assessment of its capability is greatly influenced in AGIMO’s case by the perceived role given to it by Government. To many senior executives in the APS its role is seen as developing ICT whole-of-Government policies; to others it is to assist agencies in meeting the implementation targets set by Government policy. These respective roles clearly require a different mix of skills, although both inform each other.

This disparity of perceptions of AGIMO was reflected in discussions with agency executives and external stakeholders. One set of views was that AGIMO was dominated by technical staff and thus inadequately equipped to perform its policy development role; another indicated that in specific areas of technology, AGIMO had insufficient skills. These conflicting views of AGIMO’s capability point to a need for it to more effectively communicate the range of functions for which it is responsible. There was more consistency about AGIMO’s role in bridging technology and business issues where it was generally believed that it did not have sufficient experience in solving business problems. It was an even more commonly expressed view that AGIMO had an insufficient spread of skills to cover everything it was expected to do, from policy to implementation.

A common conclusion drawn from this range of views was that AGIMO did not currently have either the right mix of skills or sufficient resources to cover the full span of its responsibilities from developing policy to supporting delivery. The continued implementation of the Gershon Report’s recommendations would require AGIMO to have strong business and technical expertise and knowledge of the practical issues faced by agencies. Policy development required a different set of skills that stretched beyond familiarity with business and technology issues.

The need to strengthen AGIMO’s capability remained constant whether it was decided its primary role was policy development or facilitating delivery, although the balance of skills would clearly need to reflect its predominant role. There was a consistent view that if AGIMO was to have a primarily policy function it should be structured and resourced to be a smaller, more agile unit with fewer technical skills and more expertise in strategic analysis. Conversely, if AGIMO’s main role was to provide support for the implementation of whole-of-Government ICT policies it would require a somewhat larger and more technically oriented workforce, ideally supplemented by secondees from line agencies with relevant skills and technical expertise.
Implementation support

The issue of where the balance lies between policy development and implementation support does not need to be resolved in order to assess how AGIMO performs its current remit. It is critical to the success of the ICT reform program that policy once developed by AGIMO and agreed by SIGB and Ministers should be implemented as a priority by agencies. AGIMO has reached a point where almost all of the Gershon Report recommendations have resulted in a policy or initiative intended to guide its implementation. Ensuring that agencies implement policies in a constructive and timely fashion requires oversight, not only for the purposes of performance reporting but to assist the process where necessary by providing information or advice.

To that end, some agencies have indicated that it would benefit them to have AGIMO take on more strongly the function of providing a source of reliable information about ICT initiatives and projects that are being undertaken across Government. This information broking role would enable agencies to more easily learn from each other and exchange practical experience. In the course of its own process of monitoring agency compliance with whole-of-Government policy AGIMO would be able to assemble learnings that could be shared across agencies. This approach would particularly benefit agencies seeking to interpret complex benchmark data in order to extract information relevant to the better management of ICT. The device used by the CIOF to share information on key strategic issues by facilitating community of practice events was cited as an effective communication and consultation model for AGIMO to adopt. AGIMO currently runs communities of practice for webmasters and for agencies implementing Internet Protocol (IP) version 6.

The task of defining the respective responsibilities of AGIMO and agencies in implementing Government policy would benefit from a deeper analysis of what functions are best undertaken centrally and what should be within the scope of agencies. Clearly the compliance and reporting function requires central coordination while hands-on project management belongs with agencies.

Lead agencies

One area where it would be useful for AGIMO to initiate consultation to more clearly define respective roles is greater clarity about the responsibilities and rewards of “lead agencies”. As that phrase is currently used, there is no clear guidance to assist its consistent application. In general, lead agencies are given authority to pioneer approaches from which other agencies can learn. The nomination of lead agencies where the Government has decided to implement a major program of work should be formally identified, and distinguished from the less formal use of the term where agencies take a lead role on specific operational matters.

Current examples in the Australian Government where lead agencies are being used to drive change are citizen and organisational authentication. It would benefit agencies selected to lead projects with potential whole-of-Government application to have a more formal definition of their roles and responsibilities. Their responsibilities should clearly assign a communications role for lead agencies so that others can learn from their work.

Appointment to lead agency status requires stronger governance arrangements and attention to capacity constraints. One prospective lead agency was of the view that supplementary funding was needed to undertake the role; another declared that such a role did not constitute core business and was not a priority. There is some evidence that in the absence of a clear definition of lead agencies there are competing agency solutions seeking to attain de facto leadership in particular areas. Defining respective roles and capturing them in an exchange of letters or a MoU between AGIMO and agencies would assist in clarifying lead agency roles.

AGIMO is currently developing a formal definition of roles and responsibilities for lead agencies in the context of work it is undertaking on authentication. In the implementation of the Gershon Report, it points out that lead agencies have been nominated for a range of projects. They include the Department of Foreign Affairs and Trade (DFAT) for analysis of the issues surrounding the imposition of a $80,000 procurement threshold under the Free Trade Agreement arrangements, the Department of Innovation Industry Science and Research (DIISR) on ICT and small and medium enterprise policies and Australian Public Service Commissioner (APSC) on ICT workforce planning and career structures.
1.5 ICT Reform Program Board

Implementation:
The Board was established by SIGB to manage the implementation of the ICT Reform Program. Its three members were drawn from AGIMO, PM&C and Finance.

Effectiveness:
In December 2009 the Board recommended its own dissolution to SIGB on the grounds that the ICT reform program was well advanced and that there was adequate oversight of its implementation through the SIGB and ERC. This very pragmatic decision by the Board to declare its work done and to recommend its own abolition has had the effect of simplifying the ICT reform program governance structure.

Recommendations:
1. The Government should institute a dedicated Ministerial ICT Committee with additional members scheduled as augmented ERC meetings with formal agendas and matters for decision. (1.1)

2. (a) Two qualified independent members from outside the APS should be added to SIGB as well as the Secretaries of DBCDE and DIISR;
   (b) SIGB should agree a forward schedule of face-to-face meetings for SIGB and where matters need to be considered out of session share agency briefs to inform decisions. (1.2)

3. (a) Finance should undertake a thorough assessment of AGIMO’s current capability and resources as part of its consideration of whether AGIMO’s two current major roles should be functionally separated.
   (b) Lead agencies for projects approved by the Government should be formally appointed by the Minister for Finance on advice from the ERC, SIGB and AGIMO after consultation with relevant agencies and be subject to written agreement detailing their roles and responsibilities. (1.4)
2. Strengthen agency governance

The Report found that agency governance was weak on ICT efficiency and there needed to be adequate capability for organisations to realise benefits from ICT projects. There was no formal means of assessing whether agencies had the capability to commission, manage and realise benefits from ICT projects. Agencies had a poor understanding of the relative costs and benefits associated with purchasing commercial off-the-shelf (COTS) solutions versus modifying those products, leading to excessive customisation.

It recommended a series of measures aimed at improving governance of ICT including the adoption of a common methodology for assessing agency organisational capability to support the entire lifecycle management of ICT. Agencies should set target levels of capability that could be independently validated before undertaking major ICT projects. Agency capability should be one of the assessment factors in the two-pass investment approval process. Proposals to acquire or upgrade customised solutions should in selected areas, require Ministerial Committee approval and the initiation of major projects should take into account the outcomes of any Gateway Review process. A lead agency that would act as a custodian of best practice in benefits realisation was to be identified.

2.1 Agency capability

Implementation:

The issue of agency capability is critical to the reform program for Government ICT. Unless agencies had the internal capability to implement whole-of-Government policies there could be no discernible benefit from having developed those policies. The ability of central bodies to assess capability would be hampered by continuing lack of transparency about IT expenditure in agencies. This lack of visibility was made more opaque by differences between agencies in the way in which they calculated costs for ICT.

Effectiveness:

The Gershon Report noted in analysing desktop computing costs, the use of the terms ‘real cost’ versus ‘standard cost’ of desktops reflected substantial variations between agencies. Those definitions have been progressively tightened by AGIMO in the data collection process supporting benchmarking; however ambiguities can be expected to remain. Many agencies found it difficult to classify ICT costs because they did not separately identify them in their accounts. In other costs, genuinely attributable ICT costs were difficult to disentangle from global figures. Investments in data centres included multiple line items, many of them linked to non-ICT infrastructure costs.

SIGB in October 2009 endorsed the use of the Portfolio, Program and Project Management Maturity Model (P3M3) by FMA Act agencies with annual ICT expenditure of more than $20M. The use of P3M3 had been trialled by four agencies – Australian Bureau of Statistics (ABS), Department Education, Employment and Workplace Relations (DEEWR), Geoscience Australia and Crimtrac – to assess its suitability for application across the Australian Public Service (APS). The selection of P3M3 as the preferred common methodology for capturing the real costs of ICT is generally perceived as useful by agencies. Some regard its major benefit as providing assurance and risk protection for agencies; it is also seen as assisting agencies to justify their business cases for ICT projects.

The use of a single consistent methodology has been regarded by some agencies as helpful beyond the confines of specific projects because it has the effect of increasing the degree of focus on ICT capability across the agency as a whole. They have noted that it has obliged them to self-assess their capability in areas that have shown up as weaknesses, in particular in governance and architecture. In some cases the requirement to assess and report on capability has been a significant factor in agencies establishing for the first time whole-of-department steering committees to oversee ICT investment strategy and expenditure.
2.2 Policy implementation

Implementation:
To address what it saw as a gap between policy development and implementation, the Gershon Report recommended that agency capability be reflected in the processes by which funding approval was given to major ICT projects. Agency capability was to be taken into account in considering both new funding bids through the New Policy Proposal (NPP) process or the evaluation of internally funded agency projects. The two-pass investment approval process for projects that accompanied these bids was to be extended so that where agency capability constituted a risk to projects it could be monitored. Larger agencies would be required to indicate their capacity to locate part of the work involved to locations outside Canberra.

The Report also recommended much tighter scrutiny of ICT projects that involved customisation by agencies of standard off-the-shelf solutions, which it regarded as a cross-Government rather than an individual agency issue. The greater the extent of individual customisation among agencies, the greater the cost and difficulty associated with modifying administrative boundaries. It was also recommended that the linkage between formulating policy and the capability to execute it should be examined at the initiation of major projects, using a ‘phase zero’ gating process.

Effectiveness:
Although the introduction of the two-pass process preceded the Gershon Report, it was strengthened by the inclusion of agency ICT capability as one of its elements. Virtually all large NPP projects will be enabled to some extent by ICT; thus all projects above a total threshold of $30M and an ICT spend of $10M are subject to the process, whatever the level of overall project risk. AGIMO undertakes the two-pass analysis of ICT components of projects in order to provide input to the Budget Group in Finance, which has responsibility for assessing proposals.

In conjunction with these changes, Finance also published guidance and provided briefings for agency Chief Financial Officers (CFOs) and CIOs in late 2008 and early 2009 about the application of phase zero phases in the Gateway reviews to apply in assessing new ICT funding bids through NPPs. Some agencies reported in interviews that this tighter scrutiny was leading to greater effectiveness in ICT expenditure, sometimes because there had previously been inadequate measurement of ICT costs in business cases. There was however a reservation that this level of scrutiny at the initiation of projects may not be maintained over their lifetime and that monitoring ongoing performance was necessary to reduce the number of failed large ICT projects. The introduction of regular project status reports would reduce the risk of projects drifting off timetable and budget, as would AGIMO representation on project steering committees.

Customisation policy
In response to the Gershon Report, Finance issued in October 2009 an Estimates Memorandum detailing an IT Customisation and Bespoke Development Policy for implementation by agencies. FMA Act agencies were required by early 2010 to confirm that their internal governance arrangements conformed to the policy and to propose candidates for whole-of-Government off-the-shelf applications. Details of planned or implemented off-the-shelf solutions needed to be communicated to Finance, which would establish a whole-of-Government register to support opportunities to standardise Government business systems and processes.

The immediate and complete elimination of customisation across Government is clearly an unrealistic objective but greater rationalisation over time is achievable, as agencies are required to justify more rigorously the reasons for and the costs associated with customisation. There is some feedback from interviews at CIO level that the policy has not stopped short-term applications development in small to medium-sized agencies, especially where legacy systems are still in operation. Another view expressed by CIOs is that the policy descends into too great a level of detail and agencies should be permitted some flexibility in its implementation.
There is widespread understanding that there needs to be less customisation for the practical reason that while it may solve individual agency implementation issues it creates much more difficult problems of incompatibility that hamper joint programs across multiple agencies. It is also recognised that customisation defeats the purpose of agencies purchasing the same suite of off-the-shelf software; examples of this provided by CIOs were the customisation in each agency of the major parliamentary workflow system and the dominant grants management system.

### 2.3 Benefits realisation

**Implementation:**
The Report recommended that a lead agency be identified as the custodian of best practice in benefits realisation to promote and assist agencies improve their capability in this area. As a result, Centrelink was identified to undertake the role of leading a community of practice to exchange knowledge across FMA Act agencies. It was to also provide a source of practical advice on improving benefits realisation from ICT-enabled investment and other projects and programs. Centrelink took on this role from late 2009 sponsored and supported by Finance and PM&C’s Cabinet Implementation Unit.

**Effectiveness:**
Centrelink has established a benefits realisation ‘best practice hub’ on GovDex as a repository for on-line better practice information based on experience from itself and other agencies. The hub is intended to assist agencies to improve their capabilities in calculating and monitoring benefits realisation. A joint workshop for agencies was held in May 2010 on “assessing and developing capability in ICT investment” that examined agency benefits management practices and its links with the ICT investment framework, including agency capability in portfolio, program and project management and the use of the P3M3 tool in assessment.

### 2.4 Defence progress report

**Implementation:**
Both Defence and the Australian Intelligence agencies were required by the Gershon Report to demonstrate through their own governance structures the measures they had undertaken to implement the recommendations made in the Report.

**Effectiveness:**
In the Government’s response to the Report, the Defence Department was required to submit an annual report to SIGB. The report for 2008-9 was considered by SIGB in March 2010 and detailed Defence’s alignment with relevant recommendations in its administrative, financial, personnel and other non-defence capability ICT systems.
3. Tighten management of BAU funding

Very few agencies were found by the Gershon Report to regularly measure the efficiency of their ICT spending and there were no common metrics for measuring either the efficiency or effectiveness of ICT. There were significant variations in costs for similar finance and human resources information systems across agencies and expenditure was dominated by business as usual (BAU) rather than project spending.

A raft of measures was recommended by the Gershon Report to remedy this situation, principally reducing BAU spending across large agencies by 15 per cent in aggregate over two years, a saving to be sustained in subsequent years. Large agencies were defined as those with annual ICT expenditures of more than $20M. Smaller agencies, defined as those with annual ICT spending between $2M and $20M, were set a reduction target of 7.5 per cent over two years, to be subsequently sustained. Agencies with annual ICT expenditure of below $2M were exempt from the savings targets. The establishment of a series of review teams was proposed to validate agency reduction targets and to use cross-agency and external benchmark comparisons to identify scope for greater efficiency.

Half the savings generated by implementation of these recommendations were to be placed in a central fund for reinvestment in projects that improved ICT efficiency and effectiveness. Rigour in monitoring the effectiveness of ICT investments was to be improved by the development of a set of common effectiveness metrics. The Report was cautious about efficiency gains from shared services and advised agencies to quantify their existing back office service levels and current costs before moving to shared services in the future.

The Report’s recommendation for reducing budgets was driven by four central observations that:

- BAU spending was not sufficiently scrutinised
- Variation of costs in areas such as desktop systems pointed to the potential for substantial savings
- Where common metrics were applied to other areas of expenditure, similar savings potential would be evident
- Detailed scrutiny and management focus would render the target savings achievable

3.1 BAU savings targets

Implementation:

The estimate of the ratio between BAU spending by agencies and the share of their budget spent on developing new capability (classified as non-BAU) was put by the Report at 77:23 per cent in 2007-08. It set a target of modifying that ratio to 70:30 per cent by 2011-12. Estimates generated from the application of savings targets of 15 per cent from large agencies and 7.5 per cent from small agencies were predicted to generate about $140M in the first year and $400M in the next and subsequent years. Savings of $1B were identified and taken out of agency forward budget baselines through to 2012-13.

Non-BAU expenditure was defined by AGIMO following the Report as those ICT costs that related to significantly extending or enhancing current agency capability, including:

- Developing substantial new functionality within an existing or new application
- Providing significant new technology capability such as server virtualisation
- Significantly transforming the ICT operating model by adopting a different sourcing approach
- Upgrading application software or operating systems in areas such as financial and desktop systems

All remaining ICT costs relating to operating and maintaining current ICT capability were classified as BAU and included:

- Monitoring and operating the current ICT environment
- Maintaining, applying patches, installing service packs and providing minor enhancements
- Replacing existing capability that did not significantly enhance the current ICT capability
- Purchasing additional assets to meet business demand such as increasing storage capacity
Effectiveness:
The imposition of savings targets on agencies by the Gershon Report has over-shadowed its many other recommendations aimed at improving the efficient and effective use of ICT by the Australian Government. It has dominated external perceptions of the implementation of the Report’s recommendations and has been a major preoccupation of agency senior executives. This focus on savings has diverted attention from measures intended to improve governance, workforce skills and other areas for improvement. It continues to influence attitudes to the Report, despite that fact that savings have been deducted from forward budgets through to 2012-13.

Part of the explanation of this pre-occupation with ICT savings targets, although not all of it, is associated with the difficulty that many agencies found in funding the budget cuts. In some cases the difficulty arose from the incapacity of agencies to readily identify their expenditure on ICT because their chart of accounts did not separately itemize spending on technology. In other cases, different arms of agencies ran their own accounts and extracting consolidated financial data for ICT was difficult. This was particularly the case where detailed analysis was needed to separate the cost of administrative systems from operational activities that required the use of specialized equipment.

Many agencies found the first round of budget savings relatively easy to achieve as it came from the normal contingency ‘headroom’ that ICT managers allowed for in projects. The second round savings targets proved more difficult to achieve and invoked different responses from agencies. Some of them took advantage of a change in methodology between phases one and two to recognise substantial service impairment as grounds for moderating individual agency targets. Four agencies claimed that some of the proposed measures to meet their savings targets would impair service delivery and their targets were reduced accordingly by the Government. In all four cases, the agencies delivered some contributions to the phase two targets. The anticipated gaming of the distinction between BAU and non-BAU as agencies sought to minimise their savings target was evident but the close involvement of the ICT review teams set up to implement Gershon tended to suppress this temptation.

A variety of sources were exploited by agencies to achieve their targets. In some with high contractor numbers, the overall contracting requirement was reduced and contractor roles were converted to staff positions. Measures to achieve savings included renegotiating ICT contract renewals; pushing down unit prices in supplier negotiations and tapering off internal expenditure on ICT-related functions. In some large agencies the scheduled re-tendering of outsourcing agreements offered the opportunity to fund savings. Other areas tapped to produce savings included reviews and fine tuning of mainframe capacity, rationalisation of desktops and laptops, consolidation and virtualisation of servers and reduced applications maintenance spending.

A number of agencies revealed in interviews that they had been unable to fund the savings targets from their ICT budgets and had supplemented them from non-ICT sources. The extent to which this practice was widespread was difficult to gauge but it is contrary to the spirit if not the letter of the Gershon Report’s efforts to heighten the efficient use of ICT.

Uneven effect
The task of finding the quantum of savings that the Gershon Report identified through the application of a common template was always likely to have an uneven effect on agencies. This issue was raised by a number of senior executives in interviews. It was admitted by many that some agencies were better prepared for implementing the Report’s recommendations than others. There was concern however at the unanticipated consequences that were the result of applying a uniform process to agencies that differed in size, role and operations. The uniform application of a generic template to all agencies was described several times as “a blunt instrument”.

According to AGIMO the methodology used in the BAU budget reduction program allowed agencies to tailor savings strategies to their own circumstances, assisted by analysis of benchmark data supplied by the ICT review teams. They could also submit cases for service impairment arising from the imposition of savings targets.
The major variable between agencies in many cases came down to a matter of timing. One agency that had recently completed a major review and overhaul of its ICT systems had saved costs through virtualisation, used industry benchmarks to monitor efficient use and had introduced internal cost recovery for ICT. As a result, its savings targets were relatively modest. In agencies where targets at the full 15 per cent level were set, they were easier to meet if their timing coincided with changes to outsourcing arrangements. A large agency that was transitioning from one outsourced supplier to another was already seeking substantial cost savings in the course of its commercial negotiations.

In some cases larger agencies could further exploit their already considerable economies of scale to achieve savings. In the list of 28 agencies identified as large in the Report, there is however considerable variation in size. Certainly the 'top eight' very large agencies dwarfed many of the other 20 on the list despite the fact that each of them exceeded the $20M threshold in annual ICT spending. The view from some of these smaller agencies was that the consistent application of a common savings template fell more heavily on them than on the larger entities.

The experience of agencies varied according to where they sat in their project development and procurement cycles. The Gershon review occurred just as a large transformation project in one agency was completed and the ICT spend was rebalancing the relationship between project and BAU funding. For the previous four years a substantial group of contractors had been hired to undertake the project resulting in a higher ratio of non-BAU to BAU costs and high contractor to staff ratios. Had the agency been subject to savings targets a year earlier it would have easily met them.

**Indirect consequences**

Many agencies reported that seeking to reach the savings targets had consequences beyond the collection and reporting of the financial data associated with ICT. One agency CIO concluded that the exercise in finding savings strengthened the hand of the IT department to insist that their operating divisions defined business requirements with more rigour so that all costs could be identified. Others reported that the availability of financial data enabled departmental governance processes to more closely scrutinise internal business cases for ICT expenditure. Examination of the potential for greater consolidation of ICT functions and services across smaller agencies or between small and large agencies was also assisted by accurate information on ICT spending that became available in the course of progressively implementing budget reductions.

Positive assessments of the longer-term effects of budget cuts were not however universal. They were held in some cases to have impeded agency capability development in skills and to have stalled project investments. A common concern was that no savings arising from investment in ICT were taken into account when setting budget targets for agencies. There was concern that financial information collected in meeting targets indicated that ICT spending was not disproportionately large across Government.

In general there was unease that a cost-cutting approach served to support a particular perspective about ICT, expressed by one CIO as “Gershon has taken the CFO view that ICT is a cost centre”, a perspective that ignored the role of ICT in under-pinning productivity growth. AGIMO points to the establishment of the BRF, funded by 50 per cent of the savings, which are re-directed to improving ongoing efficiency and effectiveness of ICT activities.

Gershon recommended development of a common chart of ICT accounts to assist in tightening the management of BAU funding. A financial taxonomy for ICT spending in Australian Government was developed by Finance and used in conducting the agency reviews. It is available for implementation by agencies in their financial systems and is used in the annual benchmarking of agencies’ ICT activities.
**Business-as-Usual Reinvestment Fund (BRF):**

**Implementation:**

The Gershon Report sought to achieve its objective of shifting the balance of agency ICT funding away from business as usual spending to project investment by seeking to reduce BAU expenditure through budget savings. The Report also recommended that half the savings produced by its recommendations be placed in a central fund for reinvestment in projects “to improve efficiency and effectiveness of ICT BAU activities”. Examples of projects that could be funded through this pool included replacement of legacy software and hardware that had high costs for support and maintenance. The rationale for this measure was to improve the efficiency and effectiveness of BAU activity and to shift spending on ICT towards new capability rather than BAU. Subsequent changes to broaden eligibility criteria for the BRF were also intended to create a greater incentive for agency participation by enabling them on a case-by-case basis to retain 50 per cent of the net aggregate savings.

The first round of investment fund applications to the BRF from agencies was evaluated on the capacity to improve BAU efficiencies and effectiveness. Applications were scrutinised by AGIMO, which made recommendations to SIGB about which bids should be funded. While confining bids to BAU projects did focus on efficiency it also restricted the type and scope of projects that could be funded under BRF guidelines. The difficulty agencies had in putting forward acceptable proposals was reflected in the fact that the available funds held for dispersal through the BRF in round one were not fully committed.

The second round of funding was conducted under an amended set of guidelines that served to broaden the pool of potential bids by requiring applications for funds from the BRF to demonstrate that they enhanced business efficiencies and service delivery across multiple agencies and supported the Government’s policy priorities.

SIGB’s decision to broaden the purpose of the BRF to include ICT-enabled projects that resulted in business savings or operational improvements also eliminated the distinction between BAU and non-BAU expenditure for the purposes of funding applications. All ICT activities, BAU or not, would be eligible for second-round funding on the basis of both operational spending and capital expenditure, although ongoing costs would not be funded. This wider scope of potential projects also enabled the ERC to consider allocations from the BRF twice a year. The changes to the BRF investment terms of reference have been generally welcomed by agencies.

There have so far been 95 applications by agencies to the BRF; 43 of them in the 2009-10 round and 52 in 2010-11. Following round one there was a balance of $47.2 million remaining in the fund for 2009-10, which was rolled over to 2011-12. Five of the applications for the 2009-10 round were resubmitted in the following round and there was an overall success rate of 46 per cent across both rounds of funding. The bids were assessed on the basis of value for money against the criteria for the fund. Those bids that were unsuccessful were generally incomplete or provided insufficient detail to support their business cases.

In the first round of the BRF $19.8M was allocated across 14 projects to 11 agencies from a total available in the fund of $54.6M. In the second round a total of $211.5M was allocated across 30 projects involving 14 agencies. The overall total allocated to date of $231.3M over two years represents approximately half of the $502.4M being set aside by the Government as a result of meeting its savings targets. The remaining $271.1M in the fund will be distributed in annual tranches through to 2012-13.
Effectiveness:
The range of applications to the fund from agencies does not reveal a consistent pattern. One large agency reported that it had benefited substantially from the BRF through eight successful submissions. Another equally large agency had not submitted any bids on the basis that it believes the fund is better suited to supporting projects from small agencies. There is criticism from agencies about the application process, ranging from concern that the initial round was rushed, that decisions on which projects were funded were not strategic and that there has been insufficient visibility of the process of evaluation. Communications about the purpose and operation of the fund were also an issue, with agencies seeking more detailed feedback on applications from AGIMO.

The existence of the fund itself clearly also represents a potential target in the context of tighter Government spending and pressure from other central agencies on Finance to take up the BRF as savings would be unsurprising. Such a step would result in a significant return to consolidated revenue but would also very likely have the effect of undermining the rationale of using the BRF to improve the efficiency and effectiveness of ICT in Government. This presents dangers in an environment where there has been scepticism from agencies that the Gershon Report’s effect was predominantly aimed at cutting their ICT budgets. It is also the view of SIGB members that such a move should be resisted on the grounds that the removal of the BRF would break faith with agencies by reneging on an arrangement that underpinned their agreement to meet the Gershon savings targets.

3.2 Benchmarking

Implementation:
The Gershon Report called for greater rigour in monitoring the effectiveness of ICT investments and recommended that a set of common metrics and regular benchmarking should be applied to assist in this task. Annual aggregated benchmarking reports were to be prepared by AGIMO together with detailed reports to each agency to assist them improve performance.

The initial data collection phase was conducted by AGIMO in 2007-8 across 53 large agencies. It put the split between BAU and non-BAU at 60:40, a ratio that was subsequently identified as being closer to the 70:30 target nominated by Gershon on the basis of a more comprehensive survey of 103 agencies in 2008-9. AGIMO advises that the reason for the difference between the two phases is that the 2007-8 baseline data was skewed by three large ICT projects, in the ATO, Department of Immigration and Citizenship (DIAC) and Centrelink.

An initial ‘phase zero’ exercise developed a methodology to achieve savings and outlined the data collection approach. This was followed by phase one in which the results of the data collection and the use of benchmarks from other sources were applied to secure the five per cent reduction target in ICT budgets in 2008-09. Phase two involved further analysis of benchmarking data and discussions with agencies to achieve the full 15 per cent cuts for large agencies in 2009-10. Data validation exercises conducted with agencies to compare their expenditure with common benchmarks were undertaken early in 2009.

There were differences between the data collected in 2007-8 and 2008-9, with the former restricted to BAU expenditure and the latter including non-BAU spending. However the unit cost of products and services were consistent whether categorised as BAU or not. The findings from data collection and benchmarking revealed that expenditure was stable and identified the following trends:

• Contractor numbers fell by six percent while agency ICT staff numbers rose by about the same
• Applications dominated agency ICT spending, accounting for more than third
• Large agencies were about half as expensive as small agencies in end user infrastructure costs
• Virtualisation increased and the unit cost of data storage fell
• End user devices grew by five percent per full-time employee although mobile phone cost per handset use fell by ten percent and there was a slight fall in the ratio of printers per person.
Effectiveness:
Cost elements across 12 ICT ‘service towers’ were identified to assist agencies analyse the efficiency of their expenditure on specific activities. Reports were then sent to CIOs giving them data from their own agencies and a comparison with benchmark results; the final versions of these reports were to be signed off by the respective agency chief financial officers (CFOs). Although a full set of agency benchmarks was provided by AGIMO, there was limited transparency of performance as the results were anonymised at the request of agencies.

The benefits of benchmarking were acknowledged, particularly by agency heads, as a useful discipline that enabled them to more closely scrutinise areas of ICT expenditure that were at odds with external benchmarks. They endorsed the approach of benchmarking against service towers on the basis that the process could signal areas for an ongoing program of work to improve efficiency and effectiveness.

The cost transparency produced by benchmarking was seen by some agency heads as the single most useful aspect of Gershon and they anticipated that benchmarks could be used to identify duplication and high spending in their ICT. One acknowledged that benchmarking forced the agency to reexamine its governance and review its ICT expenditure. Sharing benchmarking results across agencies would be beneficial in retaining the focus on the efficiency of ICT expenditure but carried the risk of reputational damage to agencies if the information was not clearly placed in context. It was also pointed out that often a culture of agency competition prevailed that would inhibit sharing information unless it was enforced by mandate.

Agencies reported that the necessity of collecting information for benchmarking purposes raised concerns about the use to which the data would be put. There was concern that the raw results of benchmarking required careful interpretation and that CIOs in particular needed to explain results to their senior managers and to test the reliability of inferences drawn from data. Some CIOs reported that there was reluctance by their more senior managers to engage with the results of the benchmarking exercise.

Agencies experienced difficulty in some instances with collecting information and using benchmarks in the absence of reliable baseline data drawn from their financial systems. In a number of cases agencies reported that they did not keep data in a format amenable to the fields required by AGIMO. Similarly some, especially if their ICT activities had not been outsourced at any point, were not set up in the tower cost structure in which benchmarks were presented. Others suggested that their operations were sufficiently different from the rest of Government that the most appropriate benchmarks were against peer organisations internationally. The issue of over-measurement was also raised, both because of the volume of information generated in data collection and the load on agencies to do so. The costs of data collection needed to be weighed against the benefits.

While some of these points reflect individual agency self-interest there is no doubt that the implementation of the Gershon Report has involved a sharp increase in reporting, a burden for which not all agencies were well equipped to bear. The timeframes for reporting have stretched agency resources and some have argued that greater forewarning and a forward schedule of the information required would make reporting a less onerous task. In 2008-9 agencies were invited to provide feedback on the draft benchmark report and given nine days to respond and the data collection template released in July 2009 gave agencies three months to complete.

Some executives have indicated that AGIMO appears to assume a level of reporting capability that does not exist in smaller agencies. Two agencies reported that they had received between 14 and 16 requests for information from January to April. Perhaps partly as a result of this, many agencies assessed the level of detail demanded by AGIMO as unproductive due to what they regarded as excessive time spent on providing responses. This especially applied to data collected for benchmarking, which some thought could be better assembled by an automated process. AGIMO indicates that the necessity of collecting information that had not been previously assembled was responsible for the level of detail involved in data collection.
3.3 Shared services

Implementation:
The Gershon Report advised caution in pressing for benefits from sharing back office functions, suggesting that shared service projects only be undertaken on a carefully selected and controlled basis. As a first step agencies were urged to quantify back office service levels and costs in order to reap efficiencies from improvements in internal administrative processes. Once this stage had been completed, the benefits of shared services could be explored.

Effectiveness:
Although the report cited the experience of Australian state Governments and an adverse report on shared services in the UK Department of Transport as antecedents for the adoption of a cautious approach within the APS, there continues to be strong interest among agencies in sharing resources. In some cases that is manifesting itself in small agencies seeking to partner with larger entities in the provision of data storage or financial and human resources services. In others, large portfolio groups that have multiple smaller agencies within their governance structure are looking to share services.

The issue of shared services has also been raised since the Gershon Report was completed in the context of APS reform and the publication of the Blueprint produced by a taskforce headed by the Secretary of PM&C. Agencies appear to have taken on board Gershon’s inference that the benefits of shared services are sometimes illusory but the view persists that in certain circumstances they can lead to greater operational efficiency. There is strong awareness that shared services projects need to be accompanied by effective governance arrangements and that some up-front investment is required to generate initial momentum.

Some see the opportunity for a more proactive evaluation of the benefits of shared services while acknowledging that proposed projects require close scrutiny before implementation. The work Finance is leading under recommendations of the APS Reform Blueprint to improve the efficiency of small agency corporate functions would provide an appropriate point for the Government to take stock of the risks and benefits involved and provide guidelines to agencies.

Advice to proceed cautiously with shared services should not preclude them and some agencies are proceeding with plans to rationalise infrastructure, systems and services. One, which is the umbrella department to 19 smaller agencies, is examining the benefits of greater consolidation. Other initiatives under early consideration include establishment of a common payments utility, a single granting platform, greater standardisation around a single parliamentary workflow system and records management and website rationalisation. Stronger examination of shared services opportunities can also be expected from the emphasis given to them in the Moran Review of public sector reform.

Recommendations:

4. (a) As benchmarking reaches greater maturity AGIMO should examine means of simplifying, automating and reducing the load of data collection;
(b) AGIMO should also provide guidance to chief executives on the interpretation of benchmarks and encourage the exchange of data between agencies;
(c) Further guidance on shared services should be developed by AGIMO including methodologies for risk assessment, benefits realisation and project planning and management. (3.3)
4. Enhance Management of Skills Base

The Report found that there is a general lack of strategic planning for ICT workforce capability and poor professional career structures in ICT. The pressure on the supply of skills was exacerbated by the location of about 80 per cent of all APS ICT staff in the Australian Capital Territory (ACT). Almost a quarter of that workforce consisted of contractors, employed at higher cost than agency staff. Organisational leaders were generally not well equipped to harness the potential benefits of ICT, the Report concluded. It found that there were unnecessary delays and costs associated with obtaining security clearances for staff, with a subsequent reduction in the responsiveness and flexibility of agencies. A shared, central process would deliver a more satisfactory outcome.

A series of recommendations was made by the Gershon review to address these issues, beginning with the development of whole-of-Government ICT career structures and a strategic workforce plan to smooth demand for skills in individual agencies. A reduction in the total number of contractors by 50 per cent across Government was recommended over a two-year period, with a simultaneous increase in the number of APS ICT staff. Large agencies were required to demonstrate their commitment to locating significant ICT work outside Canberra in all projects requiring two-pass approval processes.

A whole-of-Government project to examine security vetting processes was recommended, as was the arrangement of events to enable organisational leaders to better harness the potential benefits of ICT. Development of a whole-of-Government policy on tele-working was also recommended, as was the establishment of annual awards sponsored by Government to recognise outstanding ICT professionalism.

4.1 Recruit and retain

Implementation:

The Gershon Report recommended two initiatives based on the recognition that national and global competition for talented ICT staff required the APS to recruit, develop and retain key ICT skills. The first was the development of a whole-of-Government ICT career structure by the Australian Public Service Commission (APSC), AGIMO, and PM&C to leverage existing development programs for ICT professionals. The second was development of a whole-of-Government strategic workforce plan by the APSC and AGIMO based on input from agencies.

A cross-agency team from the APSC and Finance developed a whole-of-Government strategic ICT workforce plan for the period 2010-13. The team conducted surveys of ICT employees in the APS to identify capacity and capability demand. It also conducted workshops to seek agency input and drafts of the plan received feedback from individuals in more than 50 agencies. It was endorsed by the Secretaries’ Board and released by Ministers in late April 2010.

The plan provided an overview of issues affecting the ICT workforce in the APS and identified future needs. Agencies were urged to use the plan to develop and manage a workforce that was "qualified, satisfied and flexible" in an environment that provided attractive career paths for ICT professionals employed in the APS. All agencies are required to implement an ICT workforce plan for 2010-11 and the APSC will monitor and review progress.

An ICT Capability Framework developed and released as part of a whole-of-Government approach to creating an ICT career structure was also produced by the APSC in collaboration with Finance. Agencies are required to assess their ICT capability against the framework, annually determine their future requirements and develop individual workforce plans by the end of 2010. An online interactive tool – Career Navigator – is being made available though agency intranet sites. The tool will enable agencies to create position profiles, complete capability reviews, establish development options and assess capabilities.
Effectiveness:
Shortage of ICT professionals has been consistently reported as the most pressing issue agencies face, although only a very small minority had developed a specific ICT workforce plan; a larger proportion indicated they were developing plans. Major projects such as the National Broadband Network (NBN), greater use of Web 2.0 techniques and continuing implementation of the ICT Reform Program were likely to increase demand for skilled ICT staff, as will implementation of the Blueprint for APS Reform released in March 2010.

The lack of clear career paths, limited opportunities to move between agencies and complex and prolonged recruitment process as well as remuneration constraints have all served to impede the capacity of the APS to attract and retain suitability qualified and experienced staff. Measures to improve recruitment processes and increased flexibility of working arrangements such as tele-working were also proposed by the plan.

4.2 Reduce contractors

Implementation:
The Gershon Report concluded that the controls on and scrutiny of expenditure on ICT contractors was too weak and that there was no professional career structure to smooth demand for ICT skills. It recommended that the number of contractors be reduced by 50 per cent over two years while progressively increasing the number of ICT staff in the APS. This target was estimated to produce a saving of $100M. Agencies that had less than ten per cent of their ICT workforce as contractors would be exempt from the target. However agencies that had 23 per cent or more of their ICT staff as contractors would be required to exceed the 50 per cent reduction target.

The Government subsequently adjusted the Gershon targets by spreading the reduction in contractor numbers over three years rather than two with the effect that a 10 per cent target applied in 2009, 15 per cent in 2010 and 25 per cent in 2011. The progress of agencies in reducing their ICT contractors is monitored through the annual ICT benchmarking process, which showed that, as of 30 June 2009, the APS as a whole was on track to achieve the reduction target of 10 per cent in the first year although progress varied between agencies.

Analysis of ICT benchmarking data for 51 APS agencies for the year ended 30 June 2009 found that the number of contractor positions had reduced by six per cent or 2,783 full-time employees compared to 2,951 the previous year. Over the same period, the number of APS staff in ICT jobs rose by nine per cent to 9,633 full-time employees compared to 8,870 the year before. It is estimated that the contractor reduction program will return $33M to the budget between 2009 and 2011.

Effectiveness:
The initial momentum for moving ICT personnel from contractor to staff status could not have been anticipated in the Gershon Report. The impact of the global financial crisis that was unfolding when the report was being completed undoubtedly made it easier to achieve the conversion from contractor to staff positions in 2008-9 and into early 2010. Contractors facing an uncertain future in the context of Government responses to the crisis were clearly more receptive to the certainties of going on to the public sector payroll, albeit at a lower level of remuneration.

A common view expressed in interviews was that the early success in migrating contractors to staff positions would be difficult to maintain as the economy improved. Anecdotally there were signs that the flow to staff positions had slowed by the end of the first quarter of 2010 and a report to Government on conversion rates due later in the year will give a stronger indication of the success of the contractor reduction initiative. There is scepticism among some Government CIOs that the momentum that produced a 10 per cent reduction in 2009 can be maintained in the face of increasing demand for scarce ICT skills.
In some cases it was reported that the effects of the requirement to migrate staff were being mitigated by the employment of contractors through third party service providers with the result that they did not show up in agency contractor numbers. AGIMO advises that agencies that are categorising contractor expenses as services expenditure “where they have direct management control over the contract resources” would be misrepresenting their contractor numbers.

Competition for ICT skills between Government departments seeking to resource major transformation projects may be a factor in moving contractors from staff positions back out to the contracting market. Demand for contractors to support major projects is an almost permanent feature of the Canberra marketplace. However, the duration of contracts is generally finite. One large agency reported that by October 2010 it anticipates it will have reduced its contractor workforce by 300-400 ICT personnel as a major project reaches completion.

Pay scale differences for ICT skills between agencies also appear to be fuelling a market created by agency competition for specific skills. Agency executives in interviews have raised the possibility of better use of the Commonwealth ICT workforce through pooling architects and business analysts to smooth out the peaks and troughs of demand. Although there is no formal cap on ICT salaries the general ceiling nominated by some agencies was about $125K a year for ICT staff positions. This level of remuneration makes the permanent retention of highly skilled project managers, architects and applications developers difficult.

Contractors are represented through their industry organisation, which has been actively questioning the effects of contractor reduction on public sector ICT capability. Its core view is that imposition of the targets to move contractors to staff positions runs against the operation of the contracting market. It sees the driver as cost, rather than an increase in APS workforce capability and compares the Australian rate of reduction with the target adopted by the UK Government of 50 per cent over 10 years.

A consultant’s report commissioned by the industry body makes the argument that agencies are avoiding the intent of the Gershon recommendations by contracting resources through service providers and outsourcing vendors as intermediates, at considerably higher margins. The report estimated that an additional mark-up of 20-28 per cent was applied to the rate for direct contractors. Once contractors employed under these terms are taken into account, the consultant estimated that there were 1,500 retained through third party channels in addition to the 3,100 contractors identified by the Gershon Report in 2007-8 figures.

4.3 Canberra-centricity

Implementation:
In order to reduce what the Gershon Report somewhat inelegantly termed “Canberra-centricity”, larger agencies were required to demonstrate the extent of their capability to locate ICT skills outside the ACT. This requirement would apply where they were making new funding bids through the NPP process or via internal agency processes that were subject to the two-pass system.

Effectiveness:
The Departments of Defence (DoD), DIAC, DHS and the ATO were nominated in September 2009 by the Government to increase their capability to manage ICT work outside Canberra over the next five to 10 years. An implementation strategy and timeframe is being developed by these agencies with AGIMO, taking into account Government reviews on taxation, service delivery and Defence strategies.

4.4 Security vetting

Implementation:
The delays to which ICT staff and contractors were subject in security vetting processes were judged by the Gershon Report to have an adverse effect on the cost and delivery of ICT projects. It recommended a whole-of-Government project to scrutinise security vetting processes, especially for high volume, lower-level skill classifications.
Effectiveness:
As a result, the Government has set up a single security-vetting agency within Defence that will implement Commonwealth security clearances in accordance with the Report’s recommendations, commencing in October 2010. This is expected to speed up vetting processes for recruitment and for transfers between agencies.

4.5 ICT for leaders

Implementation:
The Gershon Report highlighted the need for organisational leaders to gain a greater understanding of the importance of harnessing the potential benefits of ICT. It charged the APSC and AGIMO with organizing a series of events that would enable guest speakers from Government and the private sector to share their experiences in leading large-scale transformational projects.

Effectiveness:
To date, AGIMO has organised two forums that have been hosted by the Secretary of PM&C to which Secretaries have been invited to hear addresses and participate in discussion at chief executive level with representatives from Woolworths and BHP Billiton. In addition, AGIMO has organised events for senior members of the APS on ICT-related topics.

4.6 Tele-working

Implementation:
The Gershon Report recommended that a whole-of-Government policy be developed on tele-working as a means of making the APS a more attractive and flexible place to work for ICT professionals. A policy on tele-working was endorsed by SiGB as a result in early 2010. A cross-agency ICT workforce reference group oversaw the development of the policy.

Effectiveness:
The central aim of the policy was to ensure that there was flexibility in job design; this was intended to attract higher numbers of ICT professionals into the APS and to increase the depth of its skills base. Advice was also provided on removing impediments to tele-working such as technical set up issues, information security and access to appropriate infrastructure. The policy was designed to promote the ability of employees to work from home, to be employed beyond the normal commuting distance to their place of work and to operate from regional tele-centres shared with other agencies. All agencies in the APS are required by mid-2010 to develop individual tele-working policies and to have implemented them by January 2011 and to report annually on progress to SiGB.

4.7 Sponsor awards

Implementation:
The sponsorship of annual awards that recognised outstanding professionalism in ICT was recommended in the Gershon Report, focusing in particular on project management, systems architecture and software development.
Effectiveness:
The CIOC gave support in 2009 to a series of awards to encourage, recognition including eight new award categories for inclusion in three national award programs. They were:

- WITEM Alumni Annual Awards for APS Female ICT Professional, APS Mentor of the Year and Agency Leading the Advancement of Women in ICT
- Australian Government’s Excellence in e-Government Award for outstanding contribution to ICT in the APS and outstanding achievement awards in project management, systems architecture, applications development, geospatial and service delivery and ICT Professional of the Year
- Australian Public Service National ICT Awards APS Young ICT Professional of the Year

The first of the awards, the APS and WITEM Women in ICT Awards events, were held in April 2010, followed by the e-Government awards in May; an evaluation of the awards is currently being undertaken by AGIMO.
5. Data Centres

5.1 Whole-of-Government approach

Implementation:
The Gershon Report concluded that the Government faced a series of issues associated with data centres, including power supply, capacity and adequacy of facilities. In the absence of a whole-of-Government strategy agencies were sourcing data centre facilities without regard to scale economies. It was estimated that implementation of a cross-Government strategy would enable costs of $1B over 15 years to be avoided.

Development of a whole-of-Government data centre strategy for the next 10-15 years was recommended. The strategy would be based on consolidation of data centre infrastructure, including buildings, heating, air conditioning and power supply. However individual agency assets would be separately controlled and managed through co-location arrangements. In the meantime to ensure that this strategy was not undermined there would be a freeze on major upgrades or replacements of data centres. Agencies would require approval from SIGB for exemptions to this policy.

A data centre strategy released in the first quarter of 2010 put the annual spend of FMA agencies on data centres at $850M using about 30,000 square metres of space. A survey of agencies conducted in 2009 revealed that 14 agencies accounted for more than half the Government’s data centre requirements. Many of them were considering moving their equipment to another facility within two years. A further 10 agencies were contemplating a move in less than five years. The strategy noted the shortage of quality data centre space was likely to create a sellers’ market if agencies competed for space. It endorsed aggregating agency demand in order to achieve better prices. Consultants estimated the annual growth rates in Australia of data storage requirements between 2007-08 and 2008-09 were 32 per cent, reflecting an annual growth rate in data running at 40-60 per cent.

Effectiveness:
An interim data centre panel was established in 2009 to relieve pressure on agencies with immediate needs for short-term space facilities. Access to the interim panel arrangements required approval by SIGB to provide exemptions. The efficiencies sought in a whole-of-Government approach included avoiding $35M a year in electricity charges associated with data centres and a 13 per cent reduction in their carbon footprint. All 103 FMA agencies were subject to the whole-of-Government approach, which covered construction, location and lifecycle costs of data centres, infrastructure management and operation, contractual arrangements from leasing to managed services, consolidation and standardisation.

The data centre strategy has faced criticism from the ICT industry on the grounds that it is too focused on real estate and that treating data centre space as a commodity does not take into account issues such as innovation, scalability and technology change. The emphasis on square metres rather than capacity measured in kilowatts would restrict Government’s ability to adjust accommodation and price changes according to the major industry association. It urged the Government to examine innovative hosting capabilities including virtualisation and cloud computing and suggested a separate panel be established for managed services.

AGIMO’s view is that the strategy is flexible enough to accommodate new technologies, innovative hosting capabilities, and data centre design. The use of floor space as a metric is common and easily understood and the pricing model for the interim data centre panel contracts distinguished floor space from electricity components. The data centre strategy released in March 2010 included both operators of physical facilities and service providers in the proposed whole-of-Government panel arrangements.
6. Improve the ICT Marketplace

In finding that the Government ICT marketplace is neither efficient nor effective the Gershon Report identified a range of contributing factors. They included onerous procurement processes, barriers to SMES, over-prescription of requirements and insufficient industry engagement. Government intellectual property policy and liability policies were also a deterrent to suppliers, as was the $80,000 threshold for open tenders. The Government made insufficient use of selective sourcing and of its collective buying power for commodities.

In order to improve the ICT marketplace the Report advocated whole-of-Government panel arrangements for high volume commodity items and consideration of mechanisms such as e-auctions. It recommended that more strategic management of suppliers occur, and that Government should seek to gather better market intelligence about suppliers. The development of client and supplier codes of conduct was also recommended, as was industry and Government consultation in developing the codes. The Government should review its IP policy to determine to what extent it constituted a barrier to entry and SME and ICT procurement policies should also be better integrated.

6.1 Better use of Government buying power

Implementation:

The Gershon Report recommended that whole-of-Government panels be established for commodity purchasing where there were benefits to be gained from economies of scale; if larger agencies obtained better prices they should be made widely available across the sector. It also advocated collecting better information about suppliers to identify market dominance, track mergers and acquisitions and monitor the financial status of companies.

The first two areas that have been made subject to whole-of-Government panel arrangements are for desktop computers and telecommunications. Additional areas for other panel arrangements are currently being considered by AGIMO, which will release a discussion paper for comment by the end of June 2010.

E-auctions, which Gershon suggested should be examined as an alternative mechanism for purchasing, are being investigated as an option by Finance and an ICT Reform working group on procurement has circulated a discussion paper on the matter to agencies for comment. Strategic management of key suppliers will be guided by a model that will be used to identify emerging issues and trends in the ICT market that have implications for Government. The supplier management framework comprises a classification model that applies four categories to suppliers according to the extent of their contractual engagement with Government. The most critical of the categories consists of suppliers on which the Government is most dependent, those with a contractual commitment of at least $50M per annum averaged over the last three financial years.

Effectiveness:

There is strong industry support for the objective of reducing the cost of procuring goods and services, especially through the use of panels for smaller projects. Some suppliers expressed the view that Commonwealth procurement has in the wake of Gershon moved into a more reactive mode based on detailed specification of requirements in tenders. Pre-determining solutions in this way rather than posing the problem and seeking responses based on outcomes tended to suppress innovation in their view. Suppliers also see the need for an improvement in the level of skills in Government in areas such as contract negotiation and project management.

AGIMO points to its interactions with industry prior to the release of requests for tender (RFTs), which have involved consultations with more than 50 industry organisations in the case of the data centre strategy. It also indicates the use of a request for proposals (RFP) prior to the release of a RFT for Internet network connections and to posting online its draft telecommunications managed service RFT, for industry comment.
Both agencies and suppliers believe that the speed of procurement should be increased particularly to put interim arrangements in place while more permanent whole-of-Government initiatives are in train. A common complaint was that the process of going to market was taking too long, an effect some agencies attributed to the Finance procurement function being overloaded by its volume of work. While there is general support for more coordinated procurement there is also recognition that exemptions had been granted in some cases so that purchasing could proceed. The overall pace of procurement processes was regarded as too slow, especially in a fast-moving technology market.

### 6.2 Client and supplier codes of conduct

**Implementation:**
The Report recommended that codes of conduct be developed between industry and Government covering such matters as intellectual property and liability, security clearances, the cost of tender responses, avoiding excessively prescriptive requirements and early engagement with industry. It proposed selective sourcing processes for smaller components of larger ICT projects in order to expand the pool of suppliers. It also advocated earlier interaction with industry for non-commodity purchasing. The UK Intellect model was suggested as an example of an engagement approach involving consultation between Government and industry.

**Effectiveness:**
The major industry body reports that there were initial high expectations of the implementation of the Gershon Report, which in the view of its members promised a new period of interaction between Government and industry. The time taken to implement the recommendations “had reduced the energy” and there was criticism of an excessive attention to detail and “box ticking” in implementing its recommendations. Suppliers have been pressing for early engagement with Government on the lines suggested in the Report to assess ‘concept viability’ before entering a formal procurement process. It was acknowledged however that the very competitive culture that exists in Australia among ICT vendors can serve to impede industry feedback to Government and constrain development of a more strategic relationship.

The UK’s Intellect industry body, representing members of the IT, Telecommunications and Electronics Association was advanced as a model for Government engagement. Industry advocated adoption of the UK concept viability process in which suppliers had earlier involvement in Government agency ICT planning. The process began with a short description of the business need provided by the Government client to the industry body, which was then circulated to relevant suppliers for comment. Workshops were convened to exchange information between potential suppliers and their Government clients and the aggregated responses were published in a concept viability assessment, which was made available to all interested suppliers. AGIMO has undertaken to consider this model following the implementation of the current major coordinated procurement program.

A draft paper on Government and industry codes of conduct was released by AGIMO for comment in October 2009. In May 2010, the Minister for Finance and the two major industry bodies endorsed and signed the Government and Industry Principles of Engagement on ICT. The Principles covered practices to improve accessibility, collaboration, governance, problem resolution and application. A further measure designed to develop a closer dialogue between industry and Government is the formation of a proposed Ministerial reference group drawn from industry to meet with the Minister for Finance and other Ministers with a strong portfolio interest in ICT.

### 6.3 Review the effect of Government IP Policy

**Implementation:**
The issue of whether the Government’s current IP policy constituted a barrier to entry for suppliers and contributed to greater costs was referred to the Attorney-General’s Department (AGD) for a response after consultation with other relevant agencies.
6. Effectiveness:
The Government decided in April 2010 to adopt a default position that ensured that ICT suppliers would retain ownership of software developed under contract with FMA agencies. Government would retain ownership in the case of Defence applications. The changes will be implemented from October 2010 and the relevant Government statement of IP principles and intellectual property manual will be amended to reflect the change.

These amendments have been welcomed by industry although it has questioned the consistency with which the new arrangements will be applied through legal and contractual units, especially in smaller agencies. It acknowledges that a default position in which contractors license IP to the Commonwealth and that the IP applying to consultancies remains with the Government has clarified arrangements.

6.4 Integration of ICT and SME policies

Implementation:
The Gershon Report proposed that the Ministerial Committee commission a study to assess the extent to which the Government’s ICT and SME policies mutually reinforced each other. AGIMO reported to Government in December 2009 on initiatives to reinforce the Government’s ICT and SME policies, which were noted as being in alignment.

Effectiveness:
This recommendation was referred to DIISR for advice, which advised that the Government ICT and SME policies were consistent. It was anticipated that SMEs would be assisted in the marketplace by initiatives such as the appointment of the ICT Supplier Advocate by DIISR and the development of better practice guidance. The Supplier Advocate was appointed in April 2010 to work with the IT Industry Innovation Council and other bodies to promote more ambitious involvement by SMEs in Government projects. From January 2010 all new contracts over the value of $20M put out to tender by Government agencies require an approved Australian Industry Participation (AIP) plan outlining the opportunities for SME involvement.

In interviews with suppliers policies adopted by the Victorian Government to encourage SMEs were commended, including the establishment of an e-services panel for contracts under $1M to promote opportunities for innovative solutions. There are about 260 suppliers on the panel and the average contract size they secure is $100K; about three-quarters of the business won through the panel goes to Victorian-based SMEs.

6.5 Benefit of tender threshold

Implementation:
The existence of an $80,000 threshold on open tenders under the terms of the Australia-US Free Trade Agreement (FTA) was raised in the Report as a potential impediment to both agencies and suppliers. A review led by DFAT was proposed to examine the net benefit of this arrangement and to report to Ministers.

Effectiveness:
This recommendation was referred to DFAT for advice. Because of the confidential nature of FTA matters details of progress information are provided by DFAT to Finance for its internal use only and were not available for this review.
7. **Sustainability**

The Report found a significant inconsistency between the Government’s overall sustainability agenda and its incapacity to measure and manage its energy costs in relation to ICT, reflected in inadequate responses by agencies to questions asked by the Gershon review team about energy consumption.

It therefore recommended development of an ICT sustainability plan, which identified appropriate standards to be adopted for ICT acquisitions and a whole-of-Government energy target. Large agencies would be required to develop ICT energy efficiency plans and be subject to periodic independent assessment. As an interim measure, AGIMO should identify a list of possible quick wins based on best practice in the public and private sectors.

### 7.1 Sustainability plan

**Implementation:**

The Department of Energy, Water, Heritage and the Arts (DEWHA) was tasked with developing in conjunction with Finance and other agencies a whole-of-Government ICT Sustainability Plan. The plan was intended to identify appropriate standards to be adopted for all ICT purchases and to set out whole-of-Government targets against which agencies should report.

Large agencies were required to develop ICT efficiency plans that should include the measurement of data centre energy efficiency and include energy usage targets. These agencies would undertake periodic ICT energy assessments and their plans would be assessed by DEWHA, which would report to Ministers on the outcomes.

**Effectiveness:**

A whole-of-Government sustainability plan was prepared for SIGB in late 2009. The plan aimed to align Government acquisition and use of ICT with its overall sustainability agenda by identifying mandatory environmental standards to be applied in ICT procurement. A process to set ICT energy consumption targets was outlined including measurement of ICT energy intensity. Agencies with an annual ICT spend of more than $30M were required to develop IT energy management plans; all had completed their IT energy management plans by May 2010. Industry consultations occurred during preparation of the plan and submissions were received; overall feedback expressed strong support for Government leadership in ICT sustainability.

### 7.2 ICT quick wins

**Implementation:**

The Gershon Report recommended that a list of possible quick wins to assist ICT sustainability be prepared including software controlled energy savings of personal computers.

**Effectiveness:**

A list of Green ICT quick win initiatives was developed by Finance and DEWHA and made available on the AGIMO web site and a Green ICT Procurement kit is due for release in 2010. It was estimated that the Australian Government could improve its energy performance by up to 25 per cent through to mid-2015 on current consumption levels.
8. Future of AGIMO

The review’s terms of reference require it to examine and make recommendations on the future role of AGIMO as a result of the ICT Reform Program.

8.1 AGIMO post-Gershon

The future of AGIMO is inextricably linked to an assessment of the entire set of governance arrangements for ICT in Government, some of which preceded the Gershon Report and others that were a product of it. A clearer definition of the elements of AGIMO’s future role is necessary if it is to be structured and located to perform its function to best effect.

AGIMO is entering what some interviewees for this report described as its post-Gershon period. This is not strictly accurate because many of the Report’s recommendations are still in the process of being implemented and others will have an effect over the medium- to long-term. This review is considering progress to date, two years after the Gershon Report was handed to Government. As the review demonstrates, very substantial progress has been made but the full impact of many of the recommendations will continue for some years. The progress of these initiatives will need to be closely monitored and reported to Government.

While acknowledging that AGIMO’s role will continue to evolve there was concern that it would have difficulty building on its most recent primary role as the Government’s Gershon implementation arm. Its broader scope was seen as transcending the Gershon Report and dealing much more closely with cross-agency issues. While Gershon was seen as very much cost related there was concern that other issues would not receive sufficient attention, including defining a longer-term roadmap for ICT and contributing to whole-of-Government issues such as the APS public sector reform agenda. In its next phase, there was strong support for AGIMO to have a mandated whole-of-Government role and clearly defined authority.

As it is currently structured AGIMO is expected to straddle both technical innovation and policy development, especially in providing a strategic vision for ICT. Undertaking this spread of responsibilities requires not only an increased level of technical skills to support implementation but may need seconded policy development experience. While there was a strong view that the post-Gershon period should rebalance the cost and innovation elements of ICT it was also acknowledged that AGIMO had an important continuing role in monitoring and reporting on progress of the Gershon recommendations.

A number of areas were nominated in which AGIMO should be looking to provide technology leadership, especially exploring opportunities for agencies to collaborate. This applied to encouraging the establishment of utility functions and consolidating standardised infrastructure and network requirements. The difficulty of achieving real progress in these areas was not underestimated because individual agency resistance could be anticipated and strong leadership was required from agency heads. Other proposals for new directions included the development of a pooled capability for architecture, where there was a scarcity of high-cost skills and fluctuating demand from agencies.

AGIMO points out that it has in the period since the Gershon Report was completed been tasked with whole-of-government initiatives in standardising infrastructure, networks and services. It cites as examples the development of ICON, an intra-Government communication network and the Ministerial communications networks, as well as the Australian Government Online Service Point (AGOSP) and coordinated ICT procurement. This pattern of activity is reflected in AGIMO’s 2010-2011 budget, which indicates that three-quarters of it is devoted to the provision of whole-of-Government services. The majority of proposals for AGIMO’s forward agenda focused on providing practical advice and technical support for major ICT projects and policies.
Among the functions that AGIMO was expected to perform were reporting on the progress of programs, scrutinising agency capability and the implementation of policy developed in the wake of the Gershon Report. There was also a need to ensure that the critical scrutiny of ICT programs led to greater compliance with Government policy rather than simply technical facilitation. Re-positioning AGIMO to ensure it had a strong formal mandate and responsibility was nominated as a key issue.

Some CIOs and senior agency executives endorsed the importance of re-building cross-agency activity in areas such as standard business reporting, architecture and individual and organisational authentication. AGIMO indicates that it is involved in work with agencies on architecture and authentication and with major ICT projects in DIAC, Treasury and DHS.

At Secretarial level there was concern that assessment of the ongoing effectiveness of the Gershon recommendations continued to be challenging and needed to be addressed. There was uncertainty about whether Gershon had changed the culture of ICT spending in agencies, or simply its quantum. Centrally monitoring the behaviour of agencies was necessary in order to assess whether they reverted to less efficient practices in the wake of Gershon. One agency head put the matter bluntly: “agencies will recalibrate – left to their own devices their previous behaviour would creep back in five years – if you want to maintain discipline you will need to monitor compliance.”

8.2 Implementation support

Despite a widespread view that an ICT vision and strategies to support it had not been effectively developed and that SIGB needed to remedy this, there was also a universal view that implementation of the Gershon recommendations should continue to be vigorously pursued. While views about AGIMO’s current capacity to develop strategy varied, there was agreement that it should continue to monitor implementation matters.

Monitoring compliance will clearly require stronger authority than AGIMO currently has. The strongest single source of authority available to AGIMO in implementing the Gershon recommendations has been its relationship to a powerful central agency. There appear to be compelling reasons if AGIMO is to have responsibility for monitoring compliance with ICT policy that it leverages to a greater extent the authority of its host agency. This would be most effectively achieved by AGIMO becoming a more closely integrated operational arm of Finance. By focusing on reviewing the performance of agencies in whole-of-Government initiatives AGIMO would be a much better fit with Finance’s mainstream activities than its current mix of policy and implementation. AGIMO identifies its strongest links within Finance in five areas, comprising ICT investment, coordinated procurement, service delivery reform, whole-of-government activity and services to Ministers and parliamentarians.

Identifying direct parallels on which to draw in considering AGIMO’s role in Government is challenging. One potential model is that of the Office of Coordinator General in PM&C, another is the Office of Best Practice Regulation within Finance, which has a similar focus on performance reporting. Finding appropriate models is however difficult because AGIMO has a broad agenda that is primarily focused on implementation. Aside from its policy functions, the major responsibilities with which AGIMO is charged include service improvement; security and authentication; better practice and collaboration; infrastructure; investment framework and procurement.

For its part, Finance would benefit from AGIMO’s technical expertise in the reform of ICT procurement, especially to develop faster tender processes and better value for money. Closer coordination with Finance could also focus AGIMO on the savings to ICT budgets that are available through cross-agency cooperation. In some of these areas, such as procurement and investment frameworks, the argument for closer integration of AGIMO with Finance seems particularly strong.

In a number of interviews the role of a Chief Technology Officer (CTO) was advocated with the US model in particular being seen as successful. While the Australian environment and Government structure is quite different from the US, the need for high-level leadership in ICT seems undeniable. Unlike the US, where the role is a White House appointment and thus has in-built standing at the highest level of Government, the most likely source of authority for a CTO position would be in Finance, heading the AGIMO compliance monitoring role.
The issue of AGIMO’s relationship to Finance was often raised in interviews. Some executives saw AGIMO’s responsibility for ensuring the Gershon Report’s implementation as a swing back to a more centralised approach after a period in which the Government had combined outsourcing with greater agency autonomy. In the words of one: “Gershon turned AGIMO from an information management office to an arm of Finance”. While Finance was seen to have a natural alignment with the budget savings objectives of the Gershon Report it was regarded as having a less credible fit with matters of ICT vision, strategy and investment. The role assigned to Finance in the APS Blueprint to lead the future direction of Government service delivery was noted as indicating a widening of Finance’s responsibilities beyond its traditional scrutiny of cost centres.

Despite this, AGIMO was seen as occupying an uneasy position between policing budget savings and developing whole-of-Government ICT investment strategies and priorities. Attempting to do both meant that while there was a strong fit with Finance’s fiscal policing role there was a poorer alignment with its brief to be a generator of ICT policy. The creation of technical standards and policies that supported wider issues such as whole-of-Government service delivery was however seen as an appropriate AGIMO role.

The link to Finance was widely cited as colouring views of AGIMO’s capability to support agencies in implementing whole-of-Government policies. The greater discipline that Finance brought to AGIMO’s monitoring activity was acknowledged and if that rigorous approach was informed by detailed ICT knowledge it could increase the Government’s capacity to provide more direct oversight of large ICT projects. This would provide Government with the ability to intervene earlier than it is able to currently, a situation characterised as providing “punishment rather than prevention.”

8.3 SIGB’s leadership role

SIGB is the natural locus of authority in ICT governance. Its members are directly responsible to Ministers and they occupy the senior leadership roles in Government. For these reasons SIGB must be more than a committee of Secretaries that meets to make a series of what amount to process decisions; it needs to be fully engaged with ICT matters at a strategic level. Successful reform of the current governance structure to make it fit for purpose for the post-Gershon era is ultimately dependent on SIGB taking responsibility for driving change.

In a number of interviews, with Ministers, Secretaries and their Deputies and senior agency executives and CIOs, the issue of governance was advanced as the area where the Gershon Report recommendations were working least satisfactorily. While the governance structure may have served the purpose for the task of implementing the Report’s recommendations it was widely seen as not being appropriate for the next phase of ICT reform.

Secretaries reported that SIGB had efficiently performed the administrative functions of approving budget savings, making recommendations on funding applications to the BRF and endorsing policy. However, the Board met face-to-face at irregular intervals and there was no ongoing forum for the discussion of strategic issues in ICT at Secretary level. There was general concern that governance bodies were preoccupied with implementing budget savings targets and new policy initiatives in a tight timeframe. In the words of one Secretary: “the focus has been on savings - AGIMO has ruthlessly executed them but there are doubts about some of the other Gershon recommendations, especially governance”. Another suggested that it was important to redesign the governance structure around a new mandate, describing the current arrangements as “a structure looking for work”.

There was support in interviews for the AGIMO policy development function to become a direct instrument of SIGB rather than of a particular Department such as Finance. This position was based on the belief that AGIMO had conducted its facilitation role effectively in the implementation of the Gershon Report but that it had less success in establishing a leadership role within the APS. Under those circumstances the obligation to provide ICT leadership in Government sits more properly in SIGB rather than AGIMO itself. The current relationship between SIGB and its major source of policy advice in AGIMO is mediated by the Department of Finance. A more direct relationship in which SIGB is supported directly by a policy unit would ensure that the strategies devised by an ICT taskforce and passed to SIGB for implementation could be supported by ongoing development of policy.
A view commonly expressed in interviews was that there is a need for a think-tank role on ICT in Government, which is not being effectively performed by AGIMO because of its implementation of the Gershon budget savings and other recommendations. In particular, there was necessity for policy development and input to implement the APS Reform Blueprint. The structure and membership of SIGB is clearly positioned to provide whole-of-Government authority but its capacity to execute appears currently to be constrained by lack of a policy ‘engine room’ under its direct control.

Separation of AGIMO’s policy development role from its function as a coordinator and monitor of practical cross-agency measures to improve efficiency would be beneficial in two ways. First, it would distinguish the dual roles that AGIMO currently performs and remove confusion between them. Second, it would provide the basis of building a more effective policy development team to directly support SIGB. This separation could be achieved structurally by incorporating SIGB as a unit of governance that was more substantial than its current status as a committee of Secretaries. The Government Chief Information Officer would be the appropriate head of the policy unit, which could comprise senior staff from AGIMO plus executives from other agencies on a permanent or seconded basis. This structure would enable SIGB to have direction of a highly skilled policy unit of perhaps 25 staff reporting to the Chair and administratively located in Finance.

The unit could where necessary convene subject specific and time-limited reference groups, project teams and forums of CIOs and business owners in agencies under a commission conferred by SIGB. In this respect it would resemble the work of the APSC in formulating basic issues for resolution. APSC has a quality assurance role and acts a source of independent advice and just as it seeks to define how human capital is built and applied; the SIGB policy unit would ask similarly fundamental questions of the Government’s use of ICT.

8.4 Roles of Secretaries

The implementation of the Gershon Report’s recommendations served to highlight the roles of Secretaries and agency heads in devising and delivering ICT policy. There was a range of responses to the Report by Secretaries and their peers. The view of one Secretary was blunt: “Gershon achieved what it was intended to, it woke us up”; an alternative view from a CIO was: “when the focus was on savings CEOs paid attention, but not to the rest of it”.

The attitude of agency heads to ICT is a significant issue that needs to be addressed if the governance arrangements that define AGIMO’s role and responsibilities are to be effectively designed and applied. There is evidence of a wide spread of CEO attitudes to technology in Government. For many, their experience with technology projects has not been positive and as a result they are wary of ICT and inclined to push responsibility to their CIOs. This is not an approach endorsed by all agency heads, one of whom declared that ICT should not be regarded by chief executives as “an add-on”.

There was some concern about the quality of advice that CEOs received from within their agencies on ICT and frustration at the way options were presented. One CEO summed it up as: “there is a need for CIOs to articulate the business problem they are seeking to address, not the technology solution”. Too often advice from CIOs was couched in technical terms that did not show awareness of the business environment. Aggressive outsourcing was seen by one CEO as having the effect of “distancing executives from what is happening on the ground.”

Attitudinal differences among CEOs reflected in many cases widely different reliance on technology across agencies; for some, “a desktop that works” is the priority, for others basic agency functions could not be performed without complex information systems. This feature was apparent in the results of the data collection activity, with ICT spending as a proportion of total agency budgets ranging between agencies from seven to 25 per cent. An issue raised by some agency heads was that the perceived attitude of CEOs to technology was seen as a generational issue. The current generation of agency chief executives was not primarily comprised of people who had been hands-on users of ICT throughout their working lives.
8. Future of GIMO

There was considerable discussion in interviews about how chief executives could be encouraged to take a closer interest in and accountability for the acquisition and use of ICT within and across agencies. There were differing views about the effect of the FMA Act in this regard. One view was that the FMA Act should spell out whole-of-Government responsibilities for ICT. Proposals for strengthening responsibility for ICT included amendment of the Act to require accountability of chief executives for supporting designated cross-agency activities; it was possible that this be reinforced through individual performance agreements.

One senior executive tartly summed up the three views of the FMA across Government: (a) as a default refuge for taking no more responsibility than is absolutely necessary; (b) as being wide enough to include technology responsibility and; (c) as being silent on the matter. It was pointed out that reluctance to take responsibility for ICT issues does not occur with financial matters because Secretaries are specifically accountable under the Act for financial management.

The addition of a level of responsibility to ensure that there is equivalent accountability for technology was seen as a matter for legislative amendment either of the FMA Act or to the Public Service Act. This would assign responsibility to agency heads for providing policy advice, efficient delivery, stewardship and leadership in relation to ICT in Government. An opportunity to address this issue is apparent in the APS Public Sector Reform Blueprint, which calls for the roles and responsibilities of Secretaries to be assessed in relation to the Secretaries Board.

8.5 Strategic ICT issues

There is a raft of strategic ICT issues facing Government as technology continues to evolve, as innovation occurs in the ways that public servants and the community communicate and as the public sector uses ICT to deliver services. The absence of a vision and supporting strategies was a concern to the senior executives interviewed, with one summing up a commonly held perspective in this way: “there is no five-year vision, no guidance on how it all comes together – there needs to be a serious bit of thinking and work done”.

SIGB members were clear in their view of ICT as an enabler, especially of service delivery reform and saw the linking of an ICT vision with public sector reform as a priority. Articulating a clear strategy to ensure this occurs was seen by some members as having the potential to focus Secretaries on business rather than technology issues. The implementation of the APS Public Sector Reform program was acknowledged as requiring substantial strategic investment in ICT. As one Secretary commented: “nothing worthwhile happens in modern service delivery without ICT”.

The view of another senior executive was that the Government was still too attached to big industrial-age service delivery structures while the real issue was how to drive innovation in customer-facing functions using consolidated platforms. Using the information base Government now had was seen as an opportunity to mine data to identify future opportunities for innovation. Strategy development could then have a stronger evidence base to inform new policy initiatives. One executive commented: “we have a better handle on how funds are spent - we now have a much better knowledge base”.

It was recognised that strong whole-of-Government policies would need to be devised to implement ICT strategic direction and priorities. There was support for an enhanced ICT strategic role, which was seen as a qualitatively different task from administrative scrutiny of budget savings and implementation support. It was pointed out that under the current governance arrangements “there is no place for a discussion about the transformative potential of ICT”. Some interviewees also believed that there needed to be a far greater focus on what culture changes were necessary for the successful implementation of ICT projects and that devising a clearer vision for the future was essential.
8.6 Re-setting the agenda

Under current governance arrangements, SIGB has found it difficult to define a vision for ICT and to develop broad strategies to support it. An initial paper developed by AGIMO which sought to outline a vision was not regarded by the SIGB members interviewed as sufficiently strategic. A discussion group involving Secretaries, Deputies and CIOs held in April 2010 with the aim of scoping some of the issues sought to define how to best develop a vision statement. Members of SIGB indicated that AGIMO would need to supplement its current set of skills and available resources if it was to be able to develop a forward strategy that meets the challenges the Government faces. They were also of the view that the process used to derive the strategy required cross-agency executive input.

At least two models of a process by which this ICT vision could be developed have been used recently in formulating Australian Government policy in related areas of interest. The first is a focused and pragmatic approach to developing the National Security Information Environment Roadmap: 2020 involving 18 agencies across Government. The second is the use of a taskforce approach in the development of the Blueprint for the Reform of Australian Government Administration (Ahead of the Game). While both approaches have their merits, the scale and scope for developing a vision embracing the entire APS points to the latter.

A taskforce could be established by SIGB and operate with the support of Finance with a small secretariat and a budget. Like the APS Blueprint taskforce, it would have the benefit of having both Secretaries and Deputy Secretaries from the APS and some external members. The taskforce would consult widely within and outside Government and report against a defined deadline, set notionally as three months from inception. Other models for how the task of developing a vision and supporting strategies were suggested and included the use of taskforces at Deputy level formed as what were called ‘policy hubs’ in the UK, an example noted in the APS Public Reform taskforce discussion paper. The use of taskforces to develop strategy drew on what was referred to in the Blueprint as the ‘APS 200’ comprising the 200 most senior public servants across the sector.

The APS Blueprint taskforce approach was suggested in interviews as a model for filling the ICT policy development vacuum by bringing together a mix of Secretaries, Deputies and some external members to work intensively over a finite period. Such a group could be convened and chaired by the Secretary of Finance, involve some members of SIGB and the Government Chief Information Officer as well as seeking fresh perspectives from selected senior public sector and external participants. It would disband on completion of its work.

8.7 APS reform and ICT

One of the most significant developments that has occurred in the Commonwealth public sector since completion of the Gershon Report was the review of the APS headed by the Secretary of PM&C. The resulting Blueprint has lessons that could be applied to the task of mapping the future of ICT reform, both in its content and the method by which it was developed. The Moran Review gave Finance an oversight role on service delivery, giving added weight to the challenge of critically examining the governance arrangements for whole-of-Government policy development in ICT.

A modified governance structure should take into account the broader scope needed to consider ICT’s place in supporting the wider service delivery agenda. Service delivery reform requires a sharper focus on business rather than technology issues and the role of ICT needs to be considered in the context of its function of enabling the business processes used to deliver services. In service delivery in particular, much of the innovation in consumer services is being led by the private sector, indicating the value of greater representation of external viewpoints. Feedback from members of the APS reform taskforce was that there was great benefit derived from external input, with one commenting the independent members drove questioning of public sector perspectives and assumptions. The Blueprint itself allowed for implementation sub-groups of the APS Secretaries Board to have external members.
The potential enabling role for ICT is woven throughout the APS Blueprint. Using Web 2.0 techniques to draw on the experience of the community in dealing with Government and the opportunity of co-designing solutions will require ICT strategy and policy support. The APS Blueprint also references life cycle events as a priority for examination in developing different and better services; designing new linked services with components drawn from disparate areas of Government will require strategic engagement with business design and ICT.

The leadership of public sector reform by the Secretaries’ Board will ensure that the effective use of ICT in delivering the reform agenda will be a foreground issue and not a matter where technical advice is the driving factor in determining ICT policy. The implementation of the Gershon Report has positioned the Government well for this next stage of integrating ICT policy into the public sector reform process. It is important that effective governance arrangements are in place to ensure that the mechanisms for developing and approving policy are fit for purpose.

Recommendations:

5. (a) AGIMO should be more closely integrated with Finance to provide implementation support under the leadership of a Chief Technology Officer
(b) A dedicated ICT policy unit headed by the Government Chief Information Officer should support SIGB’s leadership of the reform program
(c) The responsibility of Secretaries for oversight of agency and cross-Government ICT matters should be clarified in the APS public sector reform process
(d) SIGB should establish a taskforce of senior APS executives to assist it to develop a vision and supporting strategies for ICT in Government (8)
**List of Consultations**

*June 2010*

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