



# Efficiency through Contestability Programme – Functional and Efficiency Reviews

**This fact sheet describes the process of Functional and Efficiency Reviews and provides an overview of their purpose and intended impact.**

In May 2014, the Government introduced the Efficiency through Contestability Programme (the Programme) led by the Department of Finance (Finance).

The aim of the Programme is to seek and apply the most efficient and effective way of designing and delivering government policies, programmes and services.

In 2015-17, Commonwealth entities will apply contestability and competition in a phased programme of Portfolio Stocktakes, Contestability Reviews and Functional and Efficiency Reviews.

## Functional and Efficiency Reviews

Functional and Efficiency Reviews (FERS) will comprehensively assess the efficiency and effectiveness of all aspects of an entity's operations, programmes and administration. Reviews will determine whether the functions and current resourcing level of the entity align with government objectives and to ensure functions are undertaken in the most appropriate way by the organisation best able to do so.

These Reviews support Commonwealth Ministers to align public resources to the government's portfolio objectives, achieve planned reforms, and address contemporary pressures while ensuring a responsible and streamlined public sector.

Where an entity completes a FER prior to the Portfolio undertaking a Portfolio Stocktake, that entity won't need to complete a Stocktake as well.

## What do Functional and Efficiency Reviews consider?

Reviews will consider:

- whether current functions performed by an entity align with the Government's priorities and policy commitments
- any barriers preventing the entity from achieving its current intended outcomes and, where relevant, propose solutions to address these concerns
- the feasibility and efficiency of alternative approaches to address the government's priorities. This might include identifying the benefits, costs, risks and other relevant considerations (including legal, regulatory and cultural considerations)
- the proposed transition path to implement preferred alternative approaches to performance management, staffing, capability considerations and potential governance arrangements.

## Functional and Efficiency Review Key Steps

### 1. Scope

- An Independent Review Leader is appointed.
- FERS will consider:
  - the role of the Government entity, its programmes, functions, outcomes and purpose
  - whether current functions performed within the entity align with government forward priorities and policy commitments
  - departmental expenditure
  - ability to achieve results, including optimal management structure, contract management and value for money in consultancies
  - any barriers preventing the entity from achieving its current intended outcomes and, where relevant, propose solutions to address these concerns.

### 2. Analyse

The Independent Review Leader will comprehensively assess the feasibility and efficiency of alternative approaches for addressing government priorities including identifying the benefits, costs, risks and any other relevant considerations (including legal, regulatory and cultural considerations).

### 3. Assess Alternative Approaches

A FER will assess whether a function is being delivered in the most efficient way possible and by the entity most able to do so. In some cases, a FER will look beyond the functions an entity undertakes and assess where similar functions are performed in other entities, and if these functions should be transferred or modified.

### 4. Recommend Actions

Analyse implementation and management of the recommended alternative approach/es over the short, medium and long term.

Identify the best approaches and make recommendations about the proposed transition path to implement preferred alternatives, including how performance

could be managed, Australian Public Service staffing, capability considerations and potential governance arrangements.

### 5. Submit

Submit a draft report to Finance to confirm the report complies with the Terms of Reference and Contestability Framework and is sufficiently rigorous.

Submit the final report to the Contestability Programme Steering Committee (CPSC), and in turn, to the Finance Minister.

### 6. Implementation

The actions resulting from FERs will support Commonwealth Ministers to align public resources to the government's policy and programme priorities, achieve planned reforms, and address contemporary pressures while ensuring a responsible and streamlined public sector.

## Roles and Responsibilities

Finance and the entity will agree to governance arrangements at the commencement of the Review process. This will include high-level engagement between departments and general oversight by the CPSC, led by Finance.

The Independent Review Leader will report regularly on the Review to relevant stakeholders. Regular reporting provides assurance that the FER is progressing as agreed and provides opportunities for feedback and guidance from relevant stakeholders.

### For more information about the Contestability Programme

W: <http://www.finance.gov.au/resource-management/governance/contestability/>

E: [contestability@finance.gov.au](mailto:contestability@finance.gov.au)

T: 02 6215 2991