



Department of Defence

Defence Reserves Support Council Review

CURRENT STATE ANALYSIS

13 May 2019
This report contains 26 pages



Document review and approval

Revision history

Version	Author	Date	Revision
0.1		29 March 2019	Original
0.2		3 April 2019	Update post review
0.3		16 April 2019	Update to create final version taking into account RYD feedback
0.4		13 May 2019	Update to incorporate RYD feedback in final DRSC review deliverable
0.5		24 May 2019	Format

This document has been reviewed by

	Reviewer	Date reviewed
1		1 April 2019
2		18 April 2019
3		
4		
5		

This document has been approved by

	Subject matter experts Name	Signature	Date reviewed
1			
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1 Current state analysis

1.1 Executive summary

The Defence Reserves Support Council (DRSC) was first formed in 1977 as the Committee for Employer Support of Reserve Forces (CESRF), and has undergone several changes since that time to become the DRSC in its current form. Although there are numerous guidance documents on the operations of the council, its direction and scope has largely been determined by its membership, particularly the national executive body.

This report finds that in its current form the DRSC poses a reputational risk to the Commonwealth. The term reputational risk is defined as the potential for loss or decline of the reputational capital held by the Commonwealth (including the Australian Defence Force and the Department of Defence), which may adversely affect its ability to achieve desired outcomes.¹

The issue is not with individual DRSC members, who are committed to supporting the capability of the Australian Defence Force (ADF). Rather, reputational risk is a result of:

- the lack of a clearly articulated purpose for the DRSC, which means members could be advocating an inconsistent message on behalf of the Australian Defence Force (ADF) and the Department of Defence
- the long list of objectives and stakeholders for the DRSC, which creates circumstances where DRSC effort is not cohesively or effectively applied to enhance ADF capability
- a lack of recording of outcomes, making it difficult to demonstrate a return on investment
- no mechanisms for members to demonstrate delivery of or be held accountable for outcomes

The risk caused by the combination of these issues is a compelling case for change. The DRSC structure and governance should be revised to ensure its messaging, efforts, and investments deliver value and support the capability of the ADF.

1.2 Scope

In February 2019, Reserve and Youth Division (RYD) of the Department of Defence engaged KPMG to review the Defence Reserves Support Council (DRSC) and any subsequent resourcing or capability implications as a result of the review for the Defence Reserve and Employer Support (DRES) section of RYD.

The review forms part of a broader suite of assessment and reform being undertaken by RYD, which includes an examination of the support provided to the DRSC by DRES.

Specifically, KPMG was engaged to:

1. review the existing structure and objectives of the DRSC, examine its method of operation including the outputs it currently provides compared to the expectations and current requirements of the Australian Defence Force (ADF), reservists and their employers

¹ CJ Fombrun, NA Garberg & ML Barnett, 'Opportunity platforms and safety nets: Corporate citizenship and reputational risk'. *Business and Society Review*, vol. 105, no. 1, 2000 p. 87; and E Swanepoel, et al., 'Assessing reputational risk: a four point matrix'. *Journal of Economic and Financial Sciences*, vol. 10, no. 2, 2017, pp. 314-315.

2. develop a proposal for a new DRSC structure and method of operation that provides the outputs and support that reservists and employers expect to ensure reservists are able to contribute fully to the delivery of ADF capabilities now and in the future
3. consider contemporary reports and overseas models (e.g. the UK, Canada and the US) of organisations similar to the DRSC.

This document, the current state analysis report, addresses task one on this list. Tasks two and three will be addressed in the next phase of KPMG's review – future DRSC options analysis.

1.3 Context

The Committee for Employer Support of Reserve Forces (CESRF), was established in 1977 for the purpose of supporting and promoting ADF reserve service in the Australian community. It has since undergone several reforms of name and purpose to become the Defence Reserves Support Council, now tasked with educating employers about the benefits of reserve service.

Since its inception and most recent reformation, the composition and context of ADF operations have changed substantially. In particular, the ADF is adapting to ongoing transformation in the supply side of workforce through its Total Workforce Model (TWM), which is a step change in how it conceives of and utilises its workforce to deliver defence capability. The TWM introduces more flexibility across a number of service categories (SERCATs), offering a spectrum of options for service, rather than the reserve/permanent model.

This presents an opportunity for the DRSC to reconsider how it can now support the ADF, with a particular focus on part-time capability and a shared workforce with civilian employers.

1.4 Work done to date

Extensive work has been done in recent years to examine perceived issues associated with the DRSC and its effectiveness. In particular, DRSC national chair Jane McAloon, and the national executive, have been working closely with the department since commencing their terms to initiate a review and reform process. The national chair commissioned an exploratory piece of research in 2018, which was undertaken by [REDACTED]. [REDACTED] conducted consultations with reservists, employers of reservists, and permanent ADF members to understand the challenges facing each of these groups regarding reserve service.² [REDACTED] key findings were:

- there is a lack of clear lines of communication between the three stakeholder groups
- there is a general lack of awareness of the DRSC, or its role and purpose.³

A number of DRSC members have also undertaken extensive work and thought leadership on opportunities to improve the effectiveness of the council. During the consultation process, several stakeholders chose to provide additional written material to supplement their feedback. Some material was written specifically for the purpose of informing the consultation. Other material had been prepared by members of the DRSC network for use by state councils and offices or previously submitted to DRES, RYD or the DRSC national executive for consideration.

A national vice chair, [REDACTED], provided a large number of documents generated over the length of his tenure on the Western Australian DRSC and the national executive. This included submissions developed by the former strategic review team, motions previously tabled for

² [REDACTED] S. *Issues Affecting Reservists, Employers of Reservists and ADF Members Working with Reservists*, July 2018.

³ [REDACTED] S. *Recommendations for the Role of the Defence Reserve Support Council*, August 2018.

consideration by previous national executives, and a wide variety of strategic, communications and stakeholder engagement proposals.

The South Australian state chair provided a briefing note prepared for KPMG containing information about the SA DRSC's short, medium and long term activities and strategies, as well as a brief paper on a meeting with UK reservists and a social media strategy for a proposed awareness raising program.

The Queensland state chair provided a number of materials including state engagement metrics, a map displaying Queensland regional committees and key contacts, a stakeholder engagement strategy outline, a briefing note on the role of regional committees and a communications discussion paper prepared by a Queensland based public relations agency.

The Queensland state manager provided a briefing note he had previously prepared for the leadership of DRES and the RYD on options to optimise the future role of the DRSC; as well as a copy of the employer engagement memorandum of understanding between DRSC Queensland and the 11th Brigade.

1.5 DRSC administration and responsibilities

The DRSC operates as an advisory council to the responsible minister and the Department of Defence. It is important to note that the DRSC is not a statutory authority, and does not exercise control over its funding, and as such any activities or events held by the DRSC require prior approval from a Department of Defence delegate.

The DRSC operates under the authority of three documents, listed in order of precedence:⁴

- Defence Reserves Support Council Business Rules, 2014 (the business rules)
- Directive by the Assistant Minister for Defence to the National Chair of the Defence Reserves Support Council on the Direction and Management of the DRSC and its state and territory councils, 2014 (the directive)
- Memorandum of Understanding between the Department of Defence represented by Vice Chief of the Defence Force and the Defence Reserves Support Council, 2012 (the MoU).

The documents describe the DRSC's purpose, objectives, stakeholders, structure, governance, and policy framework. These are analysed in further detail in the sections below.

1.5.1 DRSC purpose

The three documents governing the DRSC articulate similar but slightly differing purposes for the council.

The DRSC's purpose as described by the directive from the minister "is to establish and sustain a flexible and supportive partnership between Defence and the community, industry and employers, in order to sustain and enhance **the availability** of the Reserve component of the ADF."⁵

⁴ Memorandum of Understanding between the Department of Defence represented by Vice Chief of the Defence Force and the Defence Reserves Support Council, 2012, p. 3.

⁵ Directive by the Assistant Minister for Defence to the National Chair of the Defence Reserves Support Council on the Direction and Management of the DRSC and its state and territory councils, 2014, p. 2.

In the business rules the DRSC is defined as a consultative council for the purpose of providing advice to the responsible minister and Reserve and Youth Division (RYD) on achieving defined objectives⁶ (which are discussed in further detail in the section titled 'DRSC objectives'). None of the objectives listed conflict with the purpose stated in the other two documents,

In the MoU, the DRSC's vision is to "develop and **promote a culture and working practices** in which all Australians, including employers, support and value the military service of Defence Reservists..."⁷

Broad terms of reference can be advantageous as they allow a council to respond to emerging opportunities. However, any activities undertaken by the DRSC could be interpreted as contributing to each of these purpose statements. Their general nature and broad applicability make it difficult to determine and apply real measures of success. Having three slightly differing purpose statements also creates a sense of ambiguity of the expectations of the DRSC's purpose.

Key observation:

The DRSC has a broad remit, which is likely to limit the effectiveness of its activities and constrains its ability to deliver value to the ADF as a mechanism to support capability.

1.5.2 DRSC objectives

The DRSC's objectives cover a broad spectrum and vary slightly between the governing documentation. The business rules identify five objectives for the council, which are to:

- provide advice on policies, programs, and issues relevant to reservists
- foster and promote the availability of reservists
- promote the benefits of reserve service to stakeholders
- act as an interface between stakeholders
- promote the adoption by stakeholders of policies and practices supportive of reservists and their availability for service.⁸

The directive includes the above objectives from the business rules, and adds further tasking for the national chair, which is to:

- expand the supportive employer network
- expand the understanding and appreciation among stakeholders of the nature and importance of reserve service and its contribution to the national interest
- recognise and reward the contribution made stakeholders, including employers and families
- support the reintegration of returned reservists into civilian employment

⁶ Defence Reserves Support Council Business Rules, 2014, p. 1.

⁷ MoU, p. 3.

⁸ Business rules, p. 1.

- encourage and facilitate the negotiation of memorandums of understanding with significant stakeholder groups.⁹

The MoU again lists the objectives from the business rules, and adds further tasking for the council, which is to:

- enable the department and government to seek and obtain informed and representative advice, including from senior community, industry and employer representatives regarding their support for reservists, and reserve-related issues
- propose and develop measures, services and initiatives to enhance the availability of reservists
- improve acceptance and appreciation of reserve service in the community generally
- foster a greater understanding by reservists of their rights and responsibilities in the workforce, and encourage reservists to communicate with their employers in connection with their reserve commitment
- foster the recruitment and retention of reservists
- liaise with peak employer groups
- liaise with employers of reservists at time of operational deployment
- afford recognition to reservists' and their families' contribution to Defence

This list demonstrates that the DRSC's objectives cover a broad scope, and would require a high level of effort to achieve. They more closely align with the objectives that would be expected of a large, well-resourced organisation or department.

Additionally, many of these objectives are functions carried out by other organisations, both within and external to the ADF and the department. For example, with the ongoing transition to the ADF Total Workforce Model (TWM), the reserve contribution to capability is shifting into the new model of service categories (SERCATs).¹⁰ The management of capability through the TWM will also require the ADF to administer policies, programs and issues relevant to all members across the SERCAT spectrum, rather than addressing reservists separately.

Other examples of areas where the DRSC's role duplicates that of other organisations are:

- the Defence Community Organisation and Defence Families Association, which focus on supporting ADF families
- the Defence Force Welfare Association, which advocates for ADF members' interests
- the Defence Reserves Association, which focusses specifically on the interests of ADF reservists

Given the general and broad nature of the objectives it is difficult to concentrate the effort of the DRSC to deliver demonstrable outcomes.

⁹ Directive, p. 2.

¹⁰ <http://www.defence.gov.au/ADF-TotalWorkforceModel/ServiceSpectrum.asp>

Key observations:

The number of objectives limits the capacity of the DRSC to undertake cohesive and effective activities to deliver outcomes.

The DRSC cannot be expected to achieve each of these objectives within its budget and the scope of its authority.

Some of the DRSC's objectives cross over with the functions of other organisations internal and external to the Department of Defence.

1.5.3 DRSC performance measures

The DRSC has a set of specified performance measures listed against selected objectives in the MoU,¹¹ which align roughly to those identified in the governing documents and listed in the section above titled 'DRSC objectives'. However, there are also additional objectives introduced in this list. These are to:

- support RYD programs such as Exercise BOSS LIFT and Exercise Executive Stretch
- assist RYD to promote the Prince of Wales Awards and participate in the selection process
- engage with ADF units to promote awareness of the DRSC.¹²

It is not clear to what extent these measures are reported against or being met by the DRSC. Additionally, the measures are focussed on outputs, rather than outcomes. For example, one measure is the "number of employers formally recognised at employer awards events".¹³ This does not provide any visibility over whether a positive outcome has been achieved, such as the number of employers implementing reservist-friendly policies.

None of the other governing documents specify performance measures.

An additional barrier to the measurement of the DRSC's performance is the lack of available data. See the section titled 'DRSC and DRES data limitations' for further analysis on the challenges for the DRSC and the department on the limitations of data collection.

Key observations:

The DRSC's performance measures do not appear to be tracked, reported on or delivered.

The DRSC's performance measures cross over with some of the stated objectives in the governing documentation, but do not cover all of them, and introduce some new ones.

The DRSC's performance measures are focussed on outputs rather than outcomes.

¹¹ MoU, pp. 8-9.

¹² MoU, p. 9.

¹³ MoU, p. 8.

1.5.4 DRSC stakeholders

The DRSC's stakeholders, identified in all three documents, are:

- the minister
- the Department of Defence
- reservists
- employers
- industry
- families
- educational institutions
- the community.

These stakeholder groups comprise a large proportion of Australian society. Attempting to engage or provide services to such a sizeable and diverse set of stakeholders would be challenging for any organisation to engage in a comprehensive, consistent and demonstrable manner with relevant stakeholders.

Key observation:

The DRSC's stakeholders are groups with divergent interests, encompassing a large proportion of Australian society, making it challenging for the council to engage or provide services adequately.

1.5.5 DRSC structure

The business rules describe the structure of the DRSC. The DRSC operates under a federated model, comprising a national executive, a national council, state and territory executives, state and territory councils, and regional committees. Members of each executive also sit in their respective council.

In the DRSC's governing documentation there does not appear to be any rationale for the prescribed structure of the DRSC or the existence of state and territory councils. It is also not clear why there are executive bodies as well as councils (i.e. there is a national executive, which is separate from but also sits within the national council. This is the same in state and territory councils). There does not appear to be any reason why the tasking stipulated in the business rules¹⁴ for the national executive and the national council could not be undertaken by one entity.

The scale of the DRSC is considerable. The national council currently has more than 30 members, each state and territory council has at least five members, and there are regional committees with several members in at least two states, totalling approximately 190 DRSC councillors around Australia.

There are a number of remunerated positions on the DRSC at all levels. All members of the national executive and national council, as well as state and territory chairs, and regional committee chairs are remunerated for their role on the DRSC. The amount is determined by the Remuneration Tribunal.

¹⁴ Business rules, p. 5.



Volunteer members (regular members of state and territory councils, and regional committees) receive no remuneration for their roles on the DRSC, however their DRSC-related travel costs are reimbursed.

Department of Defence and ADF members receive no remuneration for their roles on the DRSC, as the work forms part of their standard employment duties.

The structure of the DRSC – including remunerated, volunteer and other positions – is shown in figure 1 and outlined in the subsequent sections.

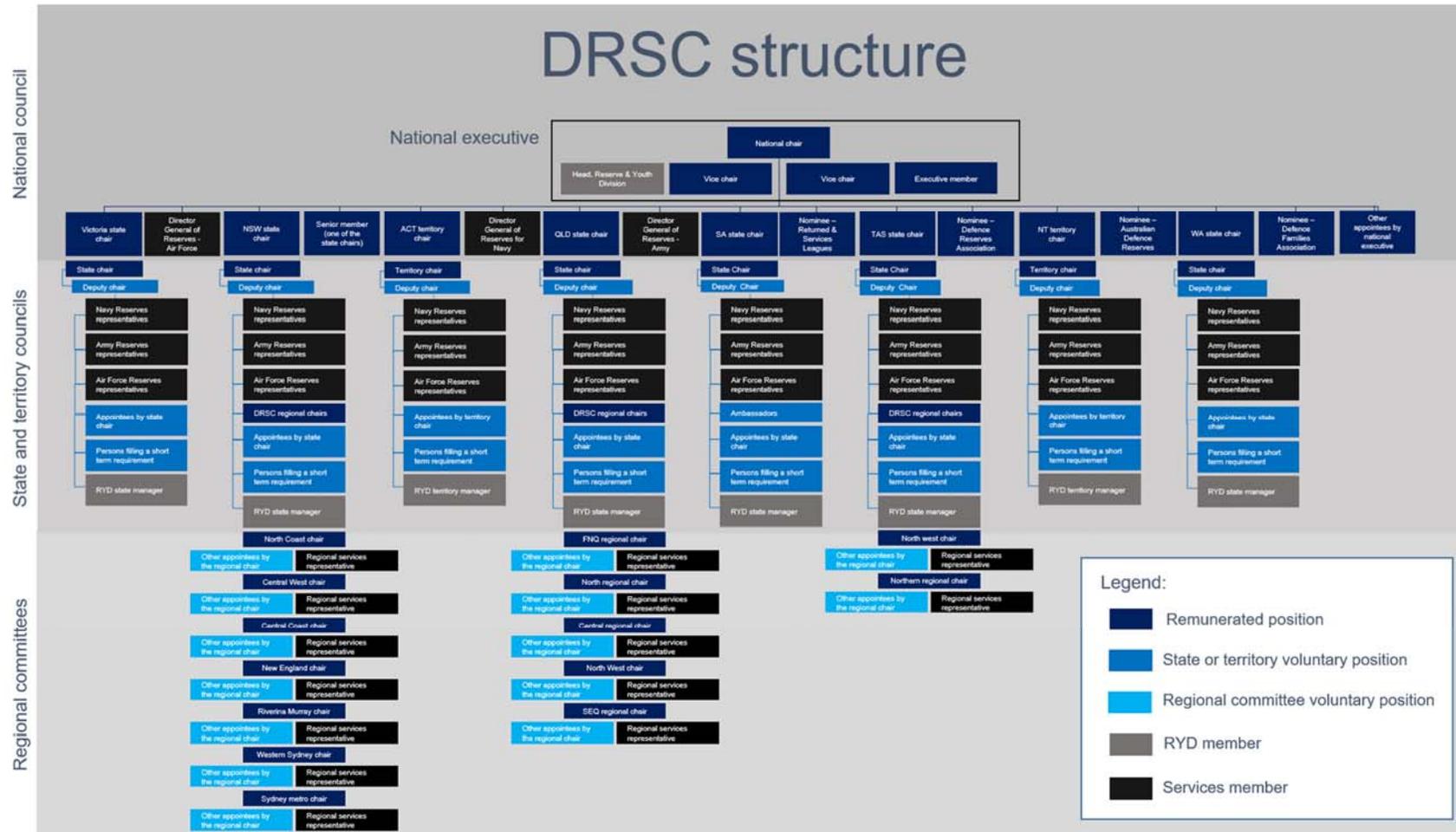


Figure 1: DRSC structure

National executive

The national executive comprises:

- National chair
- Two vice chairs
- the DRSC senior member (drawn from among the state and territory chairs, appointed by the national chair)
- Head, Reserve and Youth Division.¹⁵

According to the business rules, the national executive:

conducts the business of, and governs, the DRSC between meetings of the National Council; provides senior level advice to Government and the ADF on matters affecting Reserve availability including employer support; and provides leadership and guidance to the National and State and Territory Councils.¹⁶

National council

The national council is “the plenary body of the DRSC and is responsible for the pursuit and achievement of the objects of the DRSC.”¹⁷

The national council’s membership is stipulated in the business rules, and includes all of the members of the national executive, as well as:

- directors-general of reserves of Army, Navy and Air Force
- nominees of other organisations (appointed by the national executive), including:
 - Defence Reserves Association
 - Australian Defence Association
 - Defence Families Association
 - Returned and Services League
- any other persons considered appropriate by the national executive.¹⁸

State and territory councils

Similarly, state and territory councils are to be made up of:

- a chair (appointed by the national executive)
- a deputy chair (appointed by the state or territory chair)

¹⁵ Business rules, p. 1.

¹⁶ Business rules, p. 5.

¹⁷ Business rules, p. 5.

¹⁸ Business rules, p. 2.

- any regional committee chairs within the state or territory
- representatives of the Army, Navy and Air Force reserves in the relevant state or territory
- the RYD state or territory manager, as committee secretary
- persons appointed by the state chair to fulfil a short term requirement
- any other persons as deemed necessary by the state or territory chair.

Regional committees

Regional committees may be established entirely at the discretion of a state or territory chair, where they consider “remoteness from a ... capital constrains the influence of the ... committee in a region.”¹⁹ The governing documentation specifies no further purpose, objectives or function for a regional committee.

A regional committee comprises:

- a chair (appointed by the state or territory chair)
- regional service representatives
- any other persons deemed necessary by the chair (in consultation with the relevant state or territory chair), with the aim of approximately reflecting the composition of a state or territory council at regional level.²⁰

Key observation:

In the absence of a clearly defined purpose, objectives, or stakeholders, it is not possible to demonstrate that the size and structure of the DRSC are fit-for-purpose, nor is it possible to assess whether the membership of the DRSC is appropriate.

1.5.6 DRSC governance

The business rules describe the governance of the DRSC. The national executive, appointed by the responsible minister, is made up of a national chair and two vice chairs. In practice, the national executive has been expanded to a fourth member. The national executive undertakes the business of the DRSC, makes the discretionary appointments to the national council, and provides leadership and guidance to the national, and state and territory councils. State and territory chairs are appointed by the national executive. State or territory chairs can establish a regional committee at their discretion and appoint a regional chair. All appointments to the DRSC are for a term of up to five years, and may be terminated at any time should the position cease to exist as a result of a DRSC restructure.²¹ State, territory and regional bodies mirror these conditions.²²

Further analysis of the DRSC’s governance is detailed in the subsections below:

¹⁹ Business rules, p. 8.

²⁰ Business rules, p. 8.

²¹ Business rules.

²² Business rules, p. 7.

1.5.6.1 Accountability and reporting

The reporting obligations for the DRSC are:

- The national chair is to report to the responsible minister on the achieved outcomes of the DRSC within one month of a national council meeting²³
- DRSC national council members are to report annually on their activities.²⁴

Under the governing documentation there is no obligation for the DRSC to report on its expenditure against prescribed objectives and metrics, which creates an accountability deficit because there is no mechanism to align expenditure of public funds to an outcome or outcomes. It should be noted that the DRSC does not have control over its funding or expenditure (this resides with the department). The most recent briefing to the minister was provided during a meeting with the national chair.

Based on the information available, it would appear that national council members inconsistently meet their reporting obligations.

Additionally, there is considerable discretionary power vested in individuals in some operations of the DRSC. For example, state and territory chairs are able to directly appoint members to state and territory councils (see the section titled 'voluntary positions' for further detail on the risks arising from this situation), establish regional committees and directly appoint chairs to regional committees in remunerated positions.

Altogether, the reporting mechanisms, funding circumstances and governing documentation of the DRSC do not enable conditions for accountable performance.

Key observations:

There is a lack of accountability to the responsible minister on the DRSC's performance against measurable outcomes.

There is a lack of assurance that members of the DRSC are meeting obligations and delivering on the council's intended outcomes.

Some decisions can be made solely by individual members of the DRSC, which makes it difficult to assure that they are transparent, defensible and align with the organisation's purpose and objectives.

1.5.6.2 Appointment processes

The appointment process of individuals to remunerated positions on the DRSC takes place in two steps: recruitment of candidates for consideration, and then selection of the candidate that best meets the DRSC's criteria for membership.²⁵

²³ Ministerial directive, p. 3.

²⁴ Business rules, pp. 4-5.

²⁵ In this section, recruitment is defined as the process of creating a pool of candidates for consideration, and selection is defined as how the successful candidate is chosen from the pool.

There is no assurance that the recruitment process is rigorous. When a vacancy is expected for a ministerial appointment,²⁶ RYD must notify the minister and the national executive. The national chair and the two vice chairs are the only appointments to the DRSC made by the responsible minister.²⁷

The national executive must then “seek expressions of interest from appropriate persons.”²⁸ There is no further guidance on this step, and it is not clear how individuals are identified by the national executive as potential candidates initially. This presents a risk that a wide pool of meritorious candidates are not being considered for membership of the DRSC, with potential follow on impacts for the achievement of desired council outcomes.

The selection step has adequate criteria for membership, and requires a rigorous assessment and comparison of the individuals presented. Detailed processes to be followed by the minister, national executive and RYD on the discretionary appointment of DRSC members are described in a schedule to the business rules.²⁹ The general characteristics of persons to be considered for appointment to all entities of the DRSC are listed in the business rules,³⁰ and describe a high standard of skills and attributes required of an individual member. Additionally, recommendations to the minister on appointment decisions require considerable due diligence, such as the presentation of three candidates, and the compilation of a suite of supporting documentation for each.

The process for appointment of state and territory chairs is similar, but more problematic, in that the national executive is tasked with establishing the pool of candidates, and also making the final decision on the appointee.³¹ Again, there is no guidance provided on how to recruit the pool of candidates for selection.

Candidates for ex officio appointments to the national council are presented by their organisation, which may choose to offer a panel of candidates. Selection or confirmation is made by the national executive.³²

The appointment of individuals to voluntary positions on DRSC state and territory councils and regional committees are entirely at the discretion of the relevant state, territory or regional chair.³³ Further analysis on the appropriateness of volunteer members on the DRSC is made overleaf in the section titled ‘voluntary positions’.

²⁶ Business rules, p. 2.

²⁷ Business rules, p. 10.

²⁸ Business rules, p. 10.

²⁹ Business rules, pp. 10-12.

³⁰ Business rules, p. 4.

³¹ Business rules, p. 10.

³² Business rules p. 11.

³³ Business rules, p. 7.

Key observation:

Current selection processes for discretionary appointments to remunerated positions are sound, however it is not clear if there is any rigour in the process for recruitment of the pool of candidates.

1.5.6.3 *Obligations of membership*

The obligations of all DRSC members are to:

- act in good faith
- act with due care and diligence
- consult and collaborate where appropriate
- avoid or disclose conflicts of interest
- promote the benefits of reserve service to their organisations
- raise issues relating to reservists and reserve service with the DRSC
- foster and encourage the adoption of reserve-supportive practices in their organisations
- report annually on their activities to the DRSC (usually at the October council meeting).³⁴

Member reporting at national council meetings does not appear to have been adhered to by all members for an ongoing period of time. Because reports from members are not available for review, it is not possible to ascertain whether members are meeting the remainder of the obligations on the above list.

A metric of attendance at a minimum of 75 per cent of council meetings is recommended for all DRSC members in the business rules,³⁵ although it is not clear if this is undertaken in practice (this is discussed in more detailed in the section titled 'accountability and reporting').

Key observation:

It is not possible to determine to what extent members' obligations are being fulfilled, as it appears that council member annual reporting has not been consistently undertaken in practice.

1.5.6.4 *Voluntary positions*

Members of DRSC state and territory councils, and regional committees (except the chairs) are not remunerated. The governing documentation does not provide explicit guidance on the roles and responsibilities of individual members of state and territory councils and regional committees, other than general instruction on the functions of councils.³⁶ There is no instruction on the intended function of regional committees.

³⁴ Business rules, p. 4.

³⁵ Business rules, p. 4.

³⁶ Business rules, p. 8.

While some National Executive members have recognised the unique knowledge and value of state and regional councils due to their specific geographic circumstances, there is a risk to the DRSC that volunteers are charged with unclear responsibilities and are advocating on behalf of the DRSC, the Department of Defence, the ADF and the Australian Government. While this risk also applies in the context of remunerated positions, there is a higher level of rigour applied to those appointments, and therefore a perception that a higher level of professionalism and accountability exists for those members. Additionally, as discussed in the section titled ‘appointment processes’, the risk that an appropriately qualified, meritorious pool of candidates is not being considered for appointment to DRSC roles also applies in the context of volunteer members.

Key observation:

The DRSC is exposed to risk through the absence of rigour in the appointment of volunteer members, who are charged with unclear roles and responsibilities, and are advocating on behalf of the DRSC, the Department of Defence, the ADF and the Australian Government.

1.5.6.5 Induction

Induction information available for review either dates back to 2014, or is undated. The target audience of these documents is all council executives and members, and the information they contain mirrors that of the DRSC’s governing documentation.

Key observation:

Current induction information is consistent with the ministerial directive, the MoU and the business rules.

1.5.6.6 Council meetings

According to the business rules, meetings of the national executive are to occur quarterly and require a quorum of two thirds of the membership to be present.³⁷

Meetings of the national council are to occur biannually, usually in April and October, and require a quorum of two thirds of the membership to be present.³⁸ Meetings are convened and chaired by the national chair, who also determines the meeting agenda with input from the national executive, council members and the secretariat. The business rules state that meeting minutes are to be distributed to the national council and responsible minister within four weeks of a meeting.³⁹ Over the past two years, the frequency of national council meetings has been sporadic.

Meetings of state and territory executives also occur as required. It is not made clear in the business rules how the requirement is determined or who has the authority to convene a meeting.

³⁷ Business rules, p. 6.

³⁸ Business rules, p.5.

³⁹ Business rules, p. 6.

State and territory councils are required to have a minimum of four meetings per year. Meetings are to be convened by the state or territory chair and minutes should be submitted to the national secretariat.⁴⁰

Regional committees are required to have a minimum of four meetings per year. Meetings are to be convened by the regional committee chair and minutes should be submitted to their relevant state executive and the national secretariat.⁴¹

Key observation:

In the absence of a clearly defined purpose, objectives, or stakeholders, it is not possible to determine whether the frequency or volume of DRSC meetings is fit-for-purpose, nor whether they are contributing to DRSC outcomes and ultimately the enhancement of ADF capability.

1.5.6.7 Periodic review

The MoU states that the DRSC's specified responsibilities and performance measures will be reviewed annually, and that the MoU will be reviewed at least every three years, or sooner as required.⁴² However, it does not provide any further planning on how to execute a review, nor who should be responsible for undertaking it. The DRSC does not appear to have been subject to a review within at least the previous five years.

Lack of review does not mean that the responsibilities and performance measures are not fit-for-purpose, however without a conscious appraisal this remains an unknown for the DRSC.

Key observation:

Periodic reviews of the DRSC do not appear to have been planned or undertaken, which creates an accountability deficit for the Council.

1.5.7 DRSC policy framework

There is no legislation or policy explicitly governing the DRSC. The DRSC operates with inferred ministerial support via the ministerial directive, and under its MoU with VCDF (which has indefinite standing⁴³) and the business rules. The three governing documents do not appear to have been updated since 2014.

In 2018, policy responsibility for the RYD moved from the office of the Vice-Chief of the Defence Force to Joint Capability Group within the Department of Defence, which presents a timely opportunity, in concert with this review, to revise the DRSC governing documentation.

⁴⁰ Business rules, p. 8.

⁴¹ Business rules, p. 9.

⁴² MoU, p. 7.

⁴³ MoU, p. 7.

Key observation:

Revision of DRSC governing documents should be coordinated to bring greater consistency and clarity to the DRSC's operating authority, purpose and objectives.

1.5.8 DRSC administrative support and secretariat

The Defence Reserves and Employer Support (DRES) section, within the Reserve and Youth Division (RYD) of the Department of Defence provides secretariat and administrative support to the DRSC, as specified in the MoU⁴⁴ and the business rules.⁴⁵ DRES has a national footprint, with offices and staff in every state and territory. DRES delivers a range of activities and initiatives in its capacity underpinning ADF reservists, which the DRSC is tasked with supporting.⁴⁶ For example, in conjunction with the Services, DRES make the administrative and coordinate engagement activities for initiatives such as Exercise Executive Stretch and Exercise BOSS LIFT, as well as the national and state and territory Employer Support Awards. These coordination and support functions delivered by RYD facilitate the activities of the DRSC.

Stakeholder consultation revealed that expectations of the services provided by DRES and DRSC to one another are not in alignment. Clearly defining the DRSC's purpose and objectives, as well as how DRES's operations will support DRSC to achieve them, would improve the clarity of mutual expectations and service obligations.

As discussed in the section titled 'scope', DRES will be examined in more detail in order to determine its best structure and capability needs to support the future DRSC, which will be presented in a separate report.

Key observation:

Expectations of support and services provided by the DRSC and DRES to one another are not in alignment. This should be addressed during the governance document review discussed in the previous section.

1.5.9 DRSC and DRES data limitations

There is not a sufficient amount of data available to the DRSC to enable targeted or strategic engagement with employers. For example, there is limited data on the employers of reservists, as reporting of this information by reservists is optional and subject to privacy legislation. Additionally, the department does not have access to an integrated customer relationship management (CRM) system in order to monitor engagement and relationships with industry.

This situation was recognised as a major challenge for both the DRSC and DRES during consultations.

⁴⁴ MoU, p. 5.

⁴⁵ Business rules, p. 5.

⁴⁶ The directive, p. 2, and the MoU, p. 5.

1.6 DRSC funding

A high level overview of DRSC budget for the financial year 2018-19 is presented in the table below:⁴⁷

Type of expenditure	Amount	Percentage of total budget (approx.)
Sitting fees	\$206,000.00	32.5%
National Council meeting costs	\$30,000.00	4.7%
Travel costs	\$60,000.00	9.5%
State and territory council meetings	\$9,000.00	1.5%
Industry engagement activities (incl. travel)	\$127,000.00	20.0%
Employer Support Awards	\$135,000.00	31.8%
Employer Support Awards (travel costs)	\$67,000.00	
Total	\$634,000.00	100%

As its funding is provided by the Commonwealth, the DRSC budget must demonstrate outcomes against expenditure.

Overall, half of the DRSC's budget is expended on remuneration and administration-related costs, such as travel and meetings, and half is expended on engagement with industry. If the travel costs of the Employer Support Awards⁴⁸ are taken into account, total annual expenditure on travel for the DRSC is \$127,000.00, or 20.0 per cent of its total budget. This pushes administration-related costs close to 58.7 per cent of the DRSC's total budget.

It is difficult to assess if the sum and composition of funding is appropriate due to the lack of demonstrable outcomes.

Remuneration (sitting fees)

Remuneration of DRSC members makes up approximately 32.5 per cent of the DRSC budget.

Information and processes on determination of remuneration are not clear in the DRSC governing documents, other than the stipulation that remuneration is not available to members of state and territory councils or regional committees (other than the chairs).⁴⁹

The section above in the report titled 'voluntary positions' addresses the potential risks to the DRSC, the Department of Defence, the ADF and the Australian Government arising from the lack of rigour in

⁴⁷ Data supplied by DRES.

⁴⁸ The Employer Support Awards are an annual event arranged by RYD, and attended by DRSC members, to recognise the impact delivered by supportive employers of reservists.

⁴⁹ Business rules, p. 7.

volunteer appointments, and suggests the exploration of the possibility that all future appointees to the DRSC are remunerated.

Employer Support Awards and industry engagement activities

The Employer Support Awards, including associated travel costs, make up about 31.8 per cent of the DRSC's budget.

Industry engagement activities make up 20.0 per cent of the DRSC's budget.

Together these two activities make up just over half of the DRSC's budget. Updating the DRSC's purpose and objectives will provide better guidance on the appropriate ratio of expenditure within the DRSC's budget for activities designed to deliver outcomes.

Key observation:

In practice, the DRSC does not appear to measure performance and delivery of outcomes against expenditure, resulting in a lack of accountability.

1.7 Stakeholder consultation analysis

1.7.1 Enhance access to part-time capability

Consultation has been undertaken with DRSC, DRES and ADF stakeholders to:

- confirm and clarify desktop research, particularly in relation to the needs and challenges of utilising reservists to enable ADF capability
- understand the experience of stakeholders in different parts of Defence and DRSC, and different geographies
- provide a forum for stakeholders to contribute to the review process.

Consultation was undertaken through a combination of face-to-face meetings and teleconferences. A full list of stakeholders consulted through this process is included at attachment one.

1.7.2 Findings

While stakeholders provided comment on a range of topics, the key theme consistently coming out of the feedback was the lack of clarity around the primary purpose and mission of the DRSC.

Consultation revealed a range of stakeholder views about the role and focus of the DRSC at both a national and state and territory level, demonstrating a degree of confusion over the objectives and priorities of the council. This includes lack of clarity around the relative priority of external stakeholders, and whether the council should be focused on engaging existing employers of reservists, targeting potential employers of reservists, engaging the community as a whole or servicing reservists.

Stakeholder views were more closely aligned on the issues of the new approach to the Defence workforce, information sharing, reporting challenges and support for a strategic review of DRSC and DRES.

Most of the stakeholders, including all of the Service representatives, recognised changes in the Defence workforce with personnel seeking greater work-life balance and being less likely to view Defence as a "career for life." They also noted the reform of Defence workforce management through

the Total Workforce Model (TWM) and “One Defence” which meant that reservists were far more integrated into the Defence workforce as “part time” personnel and that old divides between “reservists and regulars” were being eliminated, in large part due to the actions of Defence leadership.

Within the context of the TWM, some stakeholders raised the concept of modifying the DRSC’s tasking or mission to include employer and industry engagement on behalf of Defence relating to shared workforce (including current serving members) or veterans, as well as relating to reservists.

Many stakeholders identified unclear reporting mechanisms, a lack of data and constricted information flows as major barriers to delivering effective outcomes. A particular issue cited was the lack of data about the employers of reservists, noting privacy issues impacted the ability to collect this data. Stakeholders consulted expressed the view that the absence of recorded data was essential to address, even if it required legislative or system change. Some council members also raised concerns about their liability when making decisions without access to data.

There was broad support for a strategic review of DRSC’s purpose, tasking, appointments and brand, and stakeholders tended to focus their comments on these issues rather than matters relating to governance and procedures.

These issues will inform the development of future options for the DRSC.

1.7.2.1 DRSC and DRES stakeholder specific issues

Council members raised several issues as areas for improvement including resourcing and budget, DRES support, approvals processes and general engagement with Defence (external to RYD), noting that at a state level there was a generally high degree of satisfaction around the relationship between state and territory councils and local DRES offices.

They also flagged concern there is no standard approach to strategic planning and relationship management across the states and territories. This is compounded by inconsistently applied policy and procedures, rotation of DRES state and territory staff due to posting cycles and inefficient back-end processes such as a CRM to manage stakeholder communications and engagement.

Most DRSC members described their core function as engaging employers, industry and the community through organising and attending both DRSC and external events; while state chairs also indicated a significant portion of their time was spent planning and liaising with state and regional council members and the state office staff.

1.7.2.2 Services stakeholder specific issues

Services indicated they value the perspective and networks of civilian DRSC members provide, and believe the DRSC is better positioned and more effective at influencing external employers, industry and community stakeholders than Defence personnel, however they cannot provide specific evidence to support this perception. The Services see industry involvement as critical to achieving capability in line with the new workforce model and view DRSC as a positive channel for engagement with employers and industry, considering this as its most valuable contribution moving forward.

Each service has slightly different capability needs and is serviced by reservists with distinct backgrounds and skills, however none indicated an issue in accessing reservists to meet capability needs, noting that longer exercises, operational deployments and sea time presented different challenges for reservists and their employers.

1.7.2.3 *Other findings*

Some feedback raised during the consultation process focused on areas outside the scope of the review including comment on issues of communications and branding, DRSC tasking, and the council's overall remit. A summary of issues and stakeholder recommendations raised outside the scope of the review will be captured in the final report as an addendum on matters for future consideration.

1.7.3 Future consultation

KPMG will engage stakeholders through a combination of face-to-face meetings and teleconferences to test and refine the options for the future structure and function of the DRSC to ensure they are fit for purpose. It will also assist in ensuring stakeholders are kept informed and have an ongoing opportunity to contribute to the reform process and outcomes.

1.8 DRSC current state analysis conclusion

The DRSC is an entity comprising a membership of highly motivated, high calibre individuals with a desire to make a contribution to Australia's national interest through supporting ADF capability. Efficiently utilising the value of the DRSC's members would be a force multiplier for the delivery of outcomes to enhance ADF capability.

In practice however, the DRSC is not operationally equipped to meet a defined purpose or achieve a set of outcomes measured against expenditure of public funds, which exposes the Commonwealth to reputational risk.

This presents an opportunity to develop a contemporary purpose for the DRSC in the context of the ADF's shift to the Total Workforce Model – the integration of reserve service into a spectrum of service options – and the strategic vision of reaching a mature shared capability between the ADF and civilian employers.

Derived from a redefined purpose, a set of appropriate, measurable objectives should be developed for the DRSC, to which the council would be held accountable through stronger reporting obligations.

Options for the future DRSC, including redefined purpose and objectives, will be developed as the next step (phase three) of the DRSC review being undertaken by KPMG.

2 Attachment One: stakeholder consultation list

DRSC and DRES

- [REDACTED] Acting Head Reserve & Youth Division, and Acting Commander Australian Defence Force Cadets
- [REDACTED] DRSC National Chair
- [REDACTED] DRSC National Deputy Chair
- [REDACTED] DRSC Deputy Chair
- [REDACTED] DRSC National Executive
- [REDACTED] DRSC NSW State Chair
- [REDACTED] DRSC Qld State Chair
- [REDACTED] DRSC Vic State Chair
- [REDACTED] DRSC SA Chair
- [REDACTED] DRSC ACT Chair
- [REDACTED] DRSC WA Acting Chair
- [REDACTED] DRSC Tas Acting Chair
- [REDACTED] DRSC NT Acting Chair
- [REDACTED] State Manager, DRES Qld

Services

- [REDACTED] departing Director-General Reserves, Royal Australian Navy
- [REDACTED] incoming Director-General Reserves, Royal Australian Navy
- [REDACTED] Captain Reserves, Royal Australian Navy
- [REDACTED] DGANCR Project Officer, Royal Australia Navy
- [REDACTED] Director-General Reserves, Royal Australian Air Force
- [REDACTED] Deputy Director General Reserves , Royal Australian Air Force
- [REDACTED] AO, CSC, Commander Second Division
- [REDACTED] former Commander Second Division
- [REDACTED] Director-General Reserves, Australian Army
- [REDACTED] Commander Fifth Brigade
- [REDACTED] Director-General, Defence Force Recruiting
- [REDACTED] Director, Military Recruiting, Defence Force Recruiting.