



**Australian Government**  
**Australian Public Service**  
**Commission**

CAPABILITY REVIEW

# Department of Human Services

*Effective leadership Diverse workforce **Capable organisations and workforce** Employee conditions APS Values*



Review Report: August 2012



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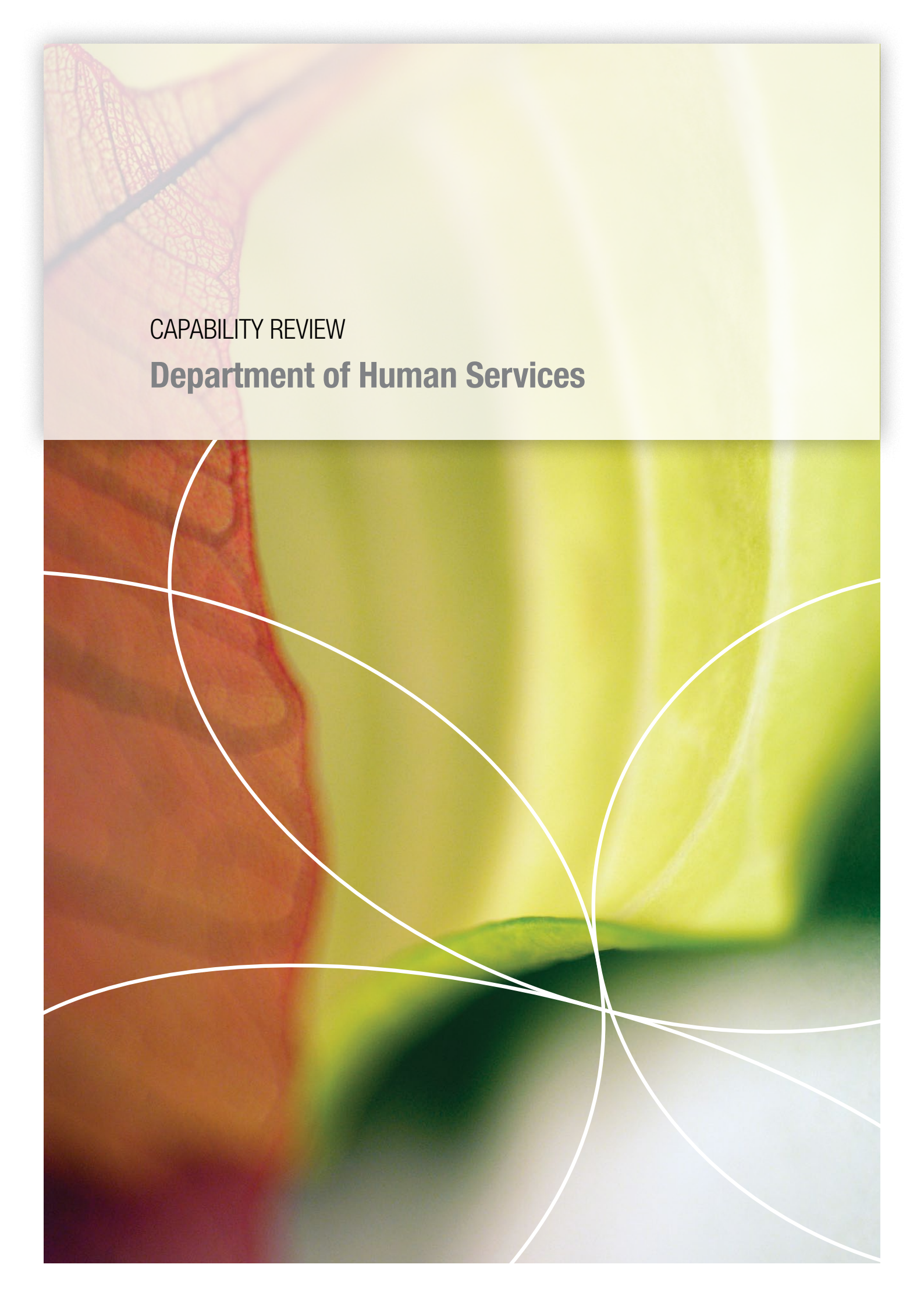
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978-0-9873353-0-2



CAPABILITY REVIEW

**Department of Human Services**

the 1990s, the incidence of *S. flexneri* has increased in the United Kingdom [10]. In the United States, *S. flexneri* has been reported as the most common serotype in children with acute bacterial dysentery [11].

There is a paucity of data on the epidemiology of *S. flexneri* in the United Kingdom. In the 1970s, *S. flexneri* was the most commonly isolated serotype from patients with acute bacterial dysentery in the United Kingdom [12]. In the 1980s, *S. flexneri* was the most commonly isolated serotype from patients with acute bacterial dysentery in the United Kingdom [13].

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## Foreword

The 2010 report *Ahead of the game: Blueprint for the reform of Australian Government administration* recommended that the Australian Public Service Commission (APSC) undertake regular and systemic reviews to promote improved capability in the key agencies and to assess the institutional capability of the service as a whole.

The methodology used by the APSC to conduct these reviews drew significantly on the United Kingdom Capability Review Programme. Through the knowledge gained from the first tranche of reviews (the three pilots), the United Kingdom methodology has been gradually refined to more closely reflect the Australian context in which the review program is being conducted. This is the third report of the second tranche of capability reviews.

We thank the Department of Human Services for this opportunity. Its support and genuine desire to benefit and learn from this review is evident in the time the Secretary has committed to the review and is complemented by the collaborative and inclusive approach taken by the senior reviewers to their task.

I would like to thank Professor Peter Hughes CNZM, the chair of the review team, and the other senior members of the team, Christine McLoughlin and Ewen McDonald. Once again, this review has demonstrated the advantages of bringing together a team of this calibre.



Steve Sedgwick AO  
Australian Public Service Commission



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## 1 About the review

A capability review is a forward-looking, whole-of-agency review that assesses an agency's ability to meet future objectives and challenges.

This review focuses on leadership, strategy and delivery capabilities in the Department of Human Services. It highlights the department's internal management strengths and weaknesses using the model set out in Figure 1. A set of 39 questions is used to guide the assessment of each of the 10 elements of the model. Those assessments are included in Section 4 of this report.

Capability reviews are designed to be relatively short and sharp and to take a high-level view of the strategic operations of the agency. They focus primarily on the views of its senior leadership, but are also informed by the views of its middle management, who attend a series of workshops.

External stakeholders are also interviewed, including relevant ministers, private sector companies, state delivery organisations, peak bodies, interest groups, citizens, clients and central agencies.

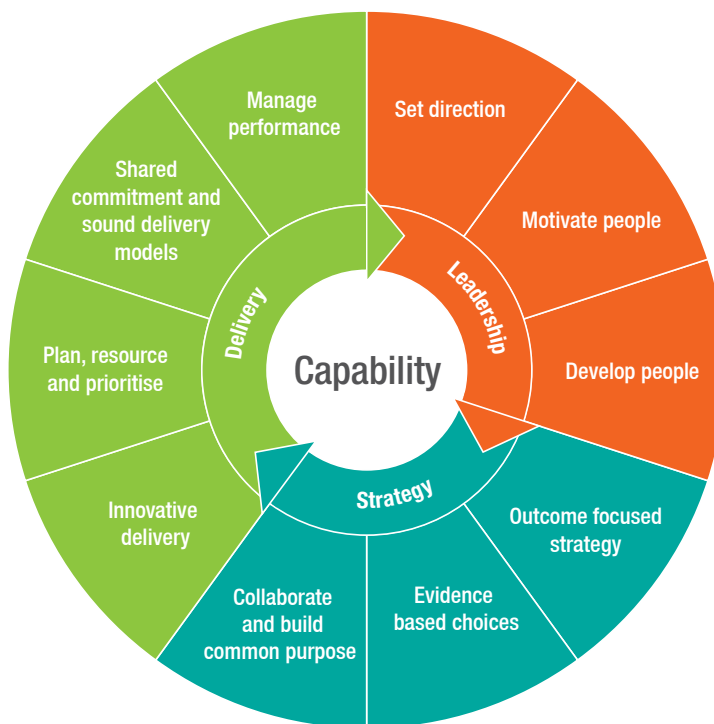


Figure 1: Capability model

## 2 About the department

The Department of Human Services (DHS) is highly valued by the Australian community. It is the largest Australian Government department and touches the lives of every Australian at least once during their lifetime.

The Department of Human Services pays \$148 billion in entitlements each year, which is around 11 per cent of Australia's Gross Domestic Product, on behalf of partner agencies.\*

Every day, the department makes 360,000 face-to-face contacts across more than 600 sites. This is equivalent to the Melbourne Cricket Ground filled three and a half times over. The department also answers 220,000 customer calls, the equivalent of the population of Greater Hobart, and processes over 130,000 online transactions.

\*See Appendix A for details on the scope and range of payments made by DHS on behalf of other agencies.

On 1 July 2011 legislative changes integrated Medicare Australia and Centrelink into the department, which had pre-existing responsibilities for the Child Support Program and CRS Australia. While these predecessor agencies had a common focus on the delivery of services to the public, they operated under different funding models, processes and enabling systems, and often served different customers.

The integrated department of today represents around 25 per cent of the Australian Public Service (APS) and manages close to 40 per cent of Australian Government expenditures. Furthermore, while its services often happen under the radar, any significant failure in DHS delivery mechanisms would have major implications for social cohesion and the financial wellbeing of many Australian citizens.

In the lead-up to and since July 2011 considerable work has been done to bring the department together as one, including by combining enabling services, implementing a single financial management system, negotiating a single enterprise agreement and commencing the process to integrate information and communications technology (ICT) infrastructure of the department. Nevertheless, the integrated department of state remains a 'work in progress' while maintaining multiple outward facing brands.

Under its various programs DHS delivers over 200 different types of income, employment, education, job placement support, family, carer, health and disability payments and services. Australian Hearing remains a statutory agency of the department. The department also delivers a raft of other business and industry programs, including the Small Business Superannuation Clearing House and Early Release of Superannuation Scheme.

Customers can access DHS services by phone through call centres and face to face in service centres. An increasing range of services are also available online. Many service access points are co-located and some are co-located with state government offices and not-for-profit organisations. For customers with complex needs, the department is piloting new models—such as Local Connections to Work, and Case Coordination—and experimenting with new approaches such as Baylink<sup>1</sup>, which all aim to provide more 'wrap around' services (i.e. services which treat the whole person organically as opposed to individual issues or symptoms of disadvantage).

The continuing confidence of government in the department's delivery capability is demonstrated in the expanding range of services and initiatives that have been required in successive budget initiatives—leveraging off the core capability within the department. As a result of the May 2012 Budget, for example, the department will implement 42 new measures.

The commitment of DHS staff to delivery is particularly well illustrated by their involvement in emergency responses, which requires swift and coordinated cross-jurisdictional engagement. They support individuals and families in affected areas by providing emergency payments as well as information and assistance. They work collaboratively with Australian Government and state and territory governments, other agencies and local community groups to coordinate the assistance provided to people and communities affected by floods, fire and other national disasters. This is in addition to maintaining services and payments normally provided to these communities. To the department's front-line staff 'public service' has special and particular meaning: helping the disadvantaged, contributing to the repair of the social fabric where it is broken and dealing with the human face of economic uncertainty.

The department's 2011 People Survey, conducted prior to integration in March 2011, showed that staff are highly motivated and prepared to 'go the extra mile' to do their best. Findings from the 2012 People Survey indicate that this continues to be the case after integration.

Statistically, the typical Human Services employee is a female aged 42 years who is an ongoing APS4 employee with 10 years of experience. She is likely to be working in a service delivery role, as 73 per cent of employees are in customer contact.

Strategic Workforce Plan 2011–2015, p. 15.

As the department shifts to delivering more self-managed services, online, via mobile devices and in other ways, the work that DHS employees do will change. The impacts will be experienced in different ways across various business areas and functions at different times. DHS faces people and culture challenges as it transitions employees from transactional work to relationship management and delivery coordination which have the customer at the centre. To assist in understanding these changes, the Strategic Workforce Plan 2011–2015, the first for the integrated department, was developed. The plan looks at the future workforce, including the capabilities and critical job roles which will be required. The integrated Learning and Development Strategy 2011–2015 sets out the learning and development requirements to support the staff as they transition.

The department delivers services on behalf of many Australian Government departments and agencies. This requires close collaboration on the implementation of policy and delivery options, which is managed through governance arrangements set out in formal agreements that also cover performance requirements.

The department also engages with a significant number of stakeholders, including medical professionals, businesses, professional associations and community and not-for-profit organisations. The department manages its relationship with these stakeholders through a number of advisory and working groups across its business. Engagement activities are conducted through a range of interactions—from information sharing to consultation, co-design and active participation in decision-making.

The department's first Strategic Plan released in May 2012 outlines the focus, priorities and commitments which are required to meet the department's goals. The strategic plan is supported by more detailed plans that focus on specific areas, such as ICT, Finance and People.

Prior to the release of the strategic plan the focus for the department was the Service Delivery Reform (SDR) budget initiative. As part of SDR there has been a move to co-design (i.e. meaningfully engaging with customers in the design of processes and services), co-location and the creation of online and telephony services, which encourages more self-management while providing intensive support for customers who need it. In the Strategic Plan 2012-16 SDR is no longer referred to as a discrete piece of work, reflecting an intention that the vision and outcomes that drove the SDR initiative should now be incorporated into how the organisation conducts all of its business.

In the opinion of the review team, the department is at a pivotal point in its evolution—a fork in the road.

The department has done well in its first year of operations. The opportunity now is to move forward boldly and confidently to maintain the momentum that has been generated since integration. With confident action the department will be able to push beyond its current integration agenda and develop its potential as the centre of excellence in government service delivery and the principal point of interaction with Australian communities on behalf of not only the Australian Government but, quite possibly, other tiers of government as well.

### 3 Summary Assessment

At the time of publication of this report, the integrated Department of Human Services as established under the *Human Services Legislation Amendment Act 2011* is slightly older than one year.

This integrated organisation—comprising Centrelink, Medicare Australia, the Child Support Program, CRS Australia and the pre-existing Department of Human Services into a single department of state—has successfully delivered to the Australian community an expanded array of critical payments and services during a period of extraordinary change.

Its success in doing so is testament to the resilience and commitment of its people and its leadership.

DHS is an organisation of many people (36,977 at 30 June 2012), comprising almost a quarter of the APS. It is an organisation of many strengths. Amongst these are:

- The **exceptional performance and reliability of DHS** day after day in the delivery of activities of extraordinary scope and scale.
- A **significant crisis response capability**—for example, the department's response to the 2010 and 2011 floods, Cyclone Yasi and the Western Australian bushfires saw over 2,500 employees come together to assist more than 2 million people—which has earned the department the respect of its peers in state and local governments, and across suffering and traumatised Australian communities.
- The **successful implementation of changes over its first 12 months**, which has placed the organisation in a good position to take its next steps; this has included integrating five major entities into one while undertaking major service delivery reforms.
- **Exciting and innovative practices**, such as Local Connections to Work, Case Coordination, Customer First and Baylink<sup>7</sup>, which have scalable potential for delivering better outcomes for government and customers.
- A **workforce who operate with conviction and commitment**, for whom public service has special meaning reflective of their personal daily exposure to the needs, aspirations and hopes of the department's customers.
- A **highly capable Secretary**, who is widely respected and well skilled to lead the department into a challenging future.

These strengths place DHS on a very strong footing to perform both now and into the future. The department faces a future that will look markedly different from the present day.

Seeking to allow a greater share of able customers to manage their own affairs, whilst providing more intensive services to those who need them, constitutes a major shift in focus and approach—one that few Australian Government agencies have had to face.

The customer relationships that DHS will establish will be dynamic and often intimate or personal. They will shift the focus of the skills demanded from staff. They will require new forms of leadership and engagement with partner agencies. They will demand greater effort in seeking out innovative ways of doing things. They will necessitate the deployment of new technologies and the harnessing of the department's knowledge for strategic purposes.

In the opinion of the review team, and recognising that the evolution of the department has reached a 'fork in the road', DHS can choose a way forward and extend its capabilities to meet its future challenges by prioritising the following areas for focus.

### Leadership, teamwork and communication

The success of any large organisation is contingent not just on the quality of its individual leaders but the ability of that cohort to work together as a team. The bringing together of five agencies with different cultures and ways of working is a huge challenge and one which takes time. DHS has put a number of building blocks in place to achieve this. A key requirement for success as the organisation goes forward is the cohesion of the leadership group combined with highly visible activities by the leadership team directly linked to the core business of DHS.

In the 2012 People Survey, overall satisfaction with the Executive leadership group, which for the purposes of the survey was defined as the Secretary, Associate Secretary, Deputy Secretaries and General Managers (Band 2 SES), currently sits at 38 per cent. This provides feedback from staff that they are looking for that team to actively demonstrate at the top the behaviours and teamwork required in DHS as it goes forward. These behaviours will need to be supported by effective two-way communication and staff feeling valued through having opportunities to contribute and being listened to, as will transparency and fairness of decision-making. In the 2012 People Survey, satisfaction declined in each of these areas, to 33 per cent and 32 per cent respectively.

There is a clear message from staff that they are looking for the Senior Executive Service (SES) officers, at each level and collectively, to focus their effort on these areas.

The DHS Executive—Secretary, Associate Secretary and Deputy Secretaries—must operate, and be seen to operate, as a high performing team. This means working in a highly collaborative way where relationships are characterised by mutual trust, confidence and respect and the diversity of the team's membership is valued.

### A unifying organisational culture

Throughout 2011–12 the department rightly focused on 'getting to go' in the sense that it has successfully carried out the technical aspects of integration of multiple agencies with separate systems, processes and approaches. In this respect, a deliberately cautious approach has been taken to achieve a 'merger' of the five agencies rather than risk the perception of a 'takeover' by any one of them.

The success of the merger is reflected in the 2012 People Survey rating that shows 70 per cent of staff understand how their role fits into the 'bigger picture', and in the degree to which employees are now identifying themselves as employees of the new department and not its predecessor agencies.

The DHS Executive, in the view of the review team, has an opportunity at this point in DHS's maturity to clearly present a 'new order' to the workforce. The Executive also needs to empower the middle management of the department to communicate and 'live' this new order. In particular, the focus needs to go on to building a simple, unifying DHS culture.

To support the formation of a new organisational culture, the review team suggests that the DHS Executive adopts a more formal process to build and embed a new culture that is 'shared and owned'. The team suggests that this process includes defining the behaviours

required to deliver the departmental mission—such as being responsive, and acting professionally and collaboratively—communicating and modelling those behaviours, reinforcing those behaviours at every opportunity, and aligning the organisational infrastructure to support those behaviours. In identifying the desired behaviours, the department might ask itself the questions ‘When we are at our best, how are we behaving?’ and ‘What additional behaviours do we need to display to achieve our mission?’

## A service design map and customer focus

The department undertook considerable work in establishing its vision, which culminated in the release in May 2012 of its Strategic Plan 2012–16. This has been complemented by considerable next-level planning in the areas of ICT, human resource management, financial management and governance.

In the opinion of the review team, the next logical step for the department at this stage of its evolution is to develop a ‘map’ that translates its vision into concrete form. This will need to be both accessible and understandable to DHS employees, in particular those at the front line, who have made clear they are looking for ‘something they can grip on to’. Doing so will help address the frustration recently expressed by staff over the direction of service delivery reform in the 2012 People Survey results, which indicates that staff are looking for a concrete view of the future, their role in it, and how they will collectively move to this new model of operation.

Importantly, the customer needs to be placed at the centre of the service design and a clear and deep understanding of the various demographic cohorts serviced by the department needs to be properly reflected in the design. Whereas the customer base of the individual predecessor agencies was relatively homogenous and understood by each agency, the integrated department must cater for the diversity of the whole in its service design.

A service design map will also provide a point of reference for the next level of planning (e.g. workforce plans, people plans and ICT strategies) and allow for the efficient allocation of scarce resources across a diverse customer base with differing needs and expectations of DHS.

## Workforce transformation

The shift in skills and approach required of the workforce to achieve the DHS vision is arguably without precedent in the APS. It will involve the practical translation of workforce planning into recruitment, development activities, training, job design and work level standards. It will involve new models of work and new ways of thinking about work. Moreover, this transformation must be achieved at the same time as the usual, yet complex, business of the department is carried forward.

The department has done significant planning for transforming its workforce from one that manually processes transactions on a large scale to one that is focused on developing relationships with clients and within the community and using those relationships to make connections and achieve outcomes for people. Research shows DHS staff desire to ‘own’ customer interactions end to end, which is positive for the change that needs to happen. The planning for this transformation is to be commended.

Moving forward, the department can build on the good start it has made to meet the workforce needs of the future. In the opinion of the review team, the introduction of a concrete service design map will give renewed life to these people transformation efforts



and will bring a level of granularity that will allow the planning work done to date to flow through the organisation at all levels, including into customer-facing roles.

## Change coordination, ICT and Risk management

The department has been subject to extraordinary changes since integration, and there are more to come. These changes are not simply related to the technical aspects of integration of the department but are evident in policy design, programming, governance and resourcing activities. They are also evident in the reconfiguration of ICT architecture and business processes, and within the workforce, as mentioned above.

There is good management control of each of these streams of reform individually but there is no high-level process and/or function that brings together these various change efforts and coordinates them within a single unified view across the entire enterprise. The creation of such a function or process will ensure that change is aligned, sequenced and managed against the capacity and resources of the department.

Technology is fundamentally changing the way society and business operates, and it is driving the public's expectations of government and the way people expect to be able to interact with government. As such, ICT is critical to the operations of every department, but is particularly critical to DHS, as its IT system encompasses more than just the department's own operating system, but is a key component of its service delivery mechanism. This is an area of activity where proper alignment is paramount. Changes with respect to the department's ICT must be driven by the business and the business must be accountable for delivery. In this sense, ICT is an 'enabler' that should be accountable to the business, while the business must hold and exercise decision rights over it. Notably, the most common suggestion from staff in the 2012 People Survey was that in order for the department to perform more effectively it needed to improve and update the its IT systems, and the planned rollout of new systems, including the common desktop, will be a milestone in the integration of the department and more generally in service delivery. The plans for the common desktop also need to be clearly communicated to staff.

Furthermore, it is now proven that mobile devices are the single biggest factor driving change and innovation in the digital economy. This has a significant bearing on how DHS will need to transact with its customer base in the future.

While all ICT decisions are approved by the ICT governance board and the DHS Executive, there is a perception that ICT has moved ahead of the business in some areas. With the introduction of the service design map, this dynamic can change. In making such a shift, it should also be clearly articulated that the program areas of the department are the owners of the business and that the appropriate decision rights and accountabilities rest with them. Equally, the Secretary may wish to consider taking the chair of the governance board for a period of time to drive this realignment of roles while complex strategic issues relating to the legacy ICT systems are worked through with government.

The Chief Information Officer and his team have developed a clear strategy for the maintenance and sustainability of the department's existing legacy systems, based on an 'evolve to replace' philosophy. The review team considers that the approach taken is appropriate and commendable.

Existing legacy systems have significant costs in terms of customer compromise, elevated costs and reduced flexibility, all of which damage DHS's ability to deliver faithfully to government

expectations. Given the constraints the legacy systems impose when the government wishes to change or implement policy or programs and the increasing cost of both this and maintaining the systems, it is now imperative that DHS starts to build a shared understanding with central agencies and government of the need for change and how that might be managed and funded. A multi-year, sustainable funding pathway is required, built on a broad-based consensus and commitment of key actors, not least the government. This pathway will require new investment by government and contributions from DHS itself based on achievable internal efficiencies and other cost reductions.

The process of risk management around change coordination must also involve a step forward by the department along the maturity curve. The department has made positive steps in identifying a common set of strategic risks but it appears that risk management activity is often 'crowded out' by other competing priorities. Strengthened internal fraud and business integrity efforts are equally to be congratulated but the review team does not feel the department can be confident it has a satisfactory 'fix' on the issue at present. The time is right for the department to clearly define its risk appetite and to build an assurance framework, both of which should be clearly communicated throughout the organisation.

At one level the organisation as a whole needs to develop its 'nous' in managing political and reputational risks. In this sense there is a need to establish a workforce that is properly 'skilled' in reading risks and responding appropriately on sensitive matters. At the business and operational levels, there is a need to make the risk management systems that the Secretary has been championing 'real' to staff, and to embed those systems and a risk management philosophy throughout the department. Clearly communicating the department's risk appetite throughout the organisation will enable a culture that recognises how to deal professionally and proactively with 'bad news'. Similarly, adopting a stronger assurance framework, given the magnitude of the business that is conducted by DHS, will assist the department to drive this behavioural change and reduce costs while providing a stronger first line of defence. Doing so will mean that risk is seen not simply as a threat but as something that will, if managed well, actually provide an opportunity for the department to strengthen the integrity with which it operates.

## Engagement with policy partners and stakeholders

As noted in the report *Ahead of the game: Blueprint for reform of Australian Government administration* those involved in policy development and service delivery within the APS need to work together as one.

DHS can be a significant contributor to good policy outcomes given its comparative advantage in looking holistically at customers and its potential to identify synergies in implementation and flaws in design. The Blueprint for reform places the citizen at the centre of policy design, noting that their feedback is particularly important in connecting front-line service delivery to policy designers. DHS's becoming a more active contributor in policy development will potentially lead to better outcomes for both customers and government, and to more cost-efficient delivery options.

To support DHS's move to contribute more strongly to policy development, the review team suggests that the department actively develop the depth and breadth of its skills, expertise, knowledge and evidence to engage in policy processes with partner agencies and government. In doing so, the department needs to earn its place at the table by consistently demonstrating that it can add value to the process.

At present, the department gathers lots of transactional data which is used for 'performance management'. However, this data is not aggregated in a useful way for strategic decision-making nor is the department gathering outcome-related data systematically. This fundamentally limits the department's ability to contribute at the policy table and needs to be addressed through a more systematic approach to information management and end-to-end processes that link in with the data capabilities of partner agencies and that adequately incorporate feedback from the DHS Network.

While DHS needs to work up and out across the APS in the policy arena, it also needs to recognise that every Australian is effectively a stakeholder in the organisation. Ordinary citizens are engaged with the department either through the service experience or through the media. In respect of the media, the department is more than competently represented and consequentially is held in generally good regard by the public. At another level, the department's Minister, the central agencies and policy agencies are key stakeholders, as are the various non-government organisations, advocacy groups and peak agencies with which the department regularly interacts.

In terms of stakeholder engagement, the review team has seen various practices along a continuum from best practice where there is genuine co-creation, respect and understanding, through to consultation that occurs after decisions have been made.

The department can shift its stakeholder engagement practices towards best practice by displaying stronger leadership in this area and creating more consistent processes that share knowledge horizontally across the organisation. This should involve some form of regular, independent stakeholder surveying which is acted on and communicated.

Overall, the department is well placed to move forward from this point in its evolution and integration. In doing so it is important that this be done expeditiously and with purpose so that DHS can continue to deliver for government, its partner agencies and, most critically, the Australian people.

## 4 More detailed assessment of departmental capability

This section provides an assessment framed by the leadership–strategy–delivery structure of the capability review model.

Assessments were made according to the assessment criteria set out in Figure 2.





	<b>Strong</b>	<ul style="list-style-type: none"> <li>• Outstanding capability for future delivery in line with the model of capability.</li> <li>• Clear approach to monitoring and sustaining future capability with supporting evidence and metrics.</li> <li>• Evidence of learning and benchmarking against peers and other comparators.</li> </ul>
	<b>Well placed</b>	<ul style="list-style-type: none"> <li>• Capability gaps are identified and defined.</li> <li>• Is already making improvements in capability for current and future delivery, and is well placed to do so.</li> <li>• Is expected to improve further in the short term through practical actions that are planned or already underway.</li> </ul>
	<b>Development area</b>	<ul style="list-style-type: none"> <li>• Has weaknesses in capability for current and future delivery and/or has not identified all weaknesses and has no clear mechanism for doing so.</li> <li>• More action is required to close current capability gaps and deliver improvement over the medium term.</li> </ul>
	<b>Serious concerns</b>	<ul style="list-style-type: none"> <li>• Significant weaknesses in capability for current and future delivery that require urgent action.</li> <li>• Not well placed to address weaknesses in the short or medium term and needs additional action and support to secure effective delivery.</li> </ul>

Figure 2 – Rating descriptions

The review team's assessment of the Department of Human Services capability is outlined in the tables below.





### Leadership

Set direction		Development area
Motivate people		Well placed
Develop people		Well placed

### Strategy

Outcome-focused strategy		Development area
Evidence-based choices		Development area
Collaborate and build common purpose		Well placed

### Delivery

Innovative delivery		Well placed
Plan, resource and prioritise		Development area
Shared commitment and sound delivery models		Strong
Manage performance		Well placed

## 4.1 Leadership summary

### Set direction

- The DHS Executive must operate and be seen to operate as a high-performing team, working in a highly collaborative manner and demonstrating mutual trust, confidence and respect.
- DHS staff are highly committed and a major asset to the organisation. All SES officers need to explicitly act as a team and as an exemplar to staff of a leadership group working to achieve a single vision.
- The DHS Executive has done a solid job at communicating the vision and rationale for the integrated DHS. At this stage in the department's evolution, staff are ready for more detailed and open communication and direction from the Executive.
- In pursuing more open communication, it is important that the DHS Executive ensures that all areas of DHS are able to engage with, and identify themselves in, the departmental narrative.

### Motivate people


- The SES has rightly focused to date on binding the department together by leveraging the strong pre-existing cultures of service delivery in its predecessor agencies.
- The time is now right to be more proactive in establishing and articulating a unified 'DHS culture'. This can best be done by communicating, modelling and reinforcing the behaviours that are required to achieve the department's mission.

### Develop people

- The magnitude of the workforce transformation that is required to deliver on DHS's strategic vision has few parallels.
- The department has done significant planning to deliver on the transformation of its workforce and is aware of and managing the associated challenges. The next steps are contingent on the department formulating a clear and concrete service design map.
- The department's workforce transformation can be supported by giving attention to day-to-day management issues such as addressing underperformance, meeting staff learning and development needs and talent management.

Comments and ratings against the components of the 'leadership' dimension follow.

## Set direction

Guidance Questions		<ol style="list-style-type: none"> <li>1 Is there a clear, compelling and coherent vision for the future of the organisation? Is this communicated to the whole organisation on a regular basis?</li> <li>2 Does the leadership work effectively in a culture of teamwork, including working across internal boundaries, seeking out internal expertise, skills and experience?</li> <li>3 Does the leadership take tough decisions, see these through and show commitment to continuous improvement of delivery outcomes?</li> <li>4 Does the leadership lead and manage change effectively, addressing and overcoming resistance when it occurs?</li> </ol>
Rating		Development area

## Making communication a priority

The DHS Executive has largely succeeded in crafting a high-level narrative around the necessity of integrating the human services portfolio into one department to enable ‘excellence in the provision of government services to every Australian’ (Strategic Plan 2012–16, p. 5).

It is a narrative in which the best of each master program is actively encouraged to come to the fore. Carefully promoted by the DHS Executive, it is an institutional account that virtually everyone in the organisation concurs with and strives to reproduce. This is no mean feat. Few APS ‘start-ups’ or established agencies subject to machinery of government reforms can claim such buy-in.

That said, it is evident that some sections of the department, notably the Child Support Program and CRS Australia, are still not clear about their roles within the integrated department or feel that they are not valued as genuine contributors to the work of the integrated department. Moreover, communication around the high-level agenda can fail to strike a chord with people, both within and outside the department. Many stakeholders are looking for a DHS story that is more explicitly linked to realities of ‘helping people’ and the critical role that it plays across Australian communities.

There is also genuine confusion in some parts of the department about the DHS Executive’s overall message. Many messages come across as generic, and the hybrid branding formula the department has been working with (where the master programs retain an identity under a broad DHS banner) provides customers with a recognisable entity but feeds this sense of uncertainty amongst some staff.

In the opinion of the review team, the DHS Executive can now more effectively capitalise on opportunities to communicate substantive matters to staff in an open and honest manner and present the new department in clear and concrete terms taking the high-level agenda down to the next level. In this respect, the existing internal communication infrastructure (which includes regular SES forums and the use of multiple electronic channels) represents a major asset that has been developed over time and can be leveraged to provide meaningful communication to staff.



## A focus on leadership and teamwork

The Executive leadership group is fortunate to be working with highly motivated staff.

DHS employees continue to record high levels of workplace engagement in staff surveys. For example, 93 per cent of respondents in the 2012 People Survey agreed with the statement 'when required, I am willing to put in the extra effort to get a task or project completed'. Similarly, regarding loyalty and commitment, 81 per cent of respondents agreed with the statement 'I am proud to be a member of my team'. These figures are little changed from the 2011 portfolio survey conducted before integration.


Further, DHS enjoys very high levels of staff tenure (average staff tenure for ongoing employees is around 10 years) and separation rates on a par with the APS generally (around 7 per cent for employee-initiated and organisational separations in 2011–12).

However, staff satisfaction with the Executive leadership group as a 'team' is mixed at best. Overall satisfaction is sitting at 38 per cent. Staff are equally concerned when it comes to the leadership's communication of the goals, vision and direction of DHS, the quality of leadership, the degree to which leadership listens, and its transparency and fairness in decision-making. These concerns have been echoed in workshops and interviews at various levels across the organisation. Staff will be looking to see what actions are taken in response to the 2012 People Survey, and it is imperative that the Executive selects a core set of areas to proactively and visibly address and links any new initiatives undertaken to the survey feedback. There is a clear message that leadership needs to be more visible and communicate more effectively by creating opportunities for staff to contribute and actively listening to staff feedback and input.

Efforts by the Executive leadership group to overcome 'siloed behaviour and pockets of internal competition are genuine. Engagement through the department's eight senior governance committees is reportedly routine and efficient. Perceptions that the Executive is not working effectively as a team can be addressed by the Executive leadership group more actively demonstrating to the workforce that it can operate collaboratively. This can be best reflected in explicitly seeking out internal expertise, listening to and valuing diverse opinions, and paying as much regard to 'how' the Executive leadership group achieves results as to the results themselves. Engagement with all SES officers will be essential in this regard.

Finally, in respect of the DHS Executive it should be recognised that it is a new team brought together by circumstances and managing a delivery business of considerable size. The Executive is now at the point where it needs to demonstrate that it is a high-performing team. The team's members need to work together in a way that is characterised by high levels of mutual trust, confidence and respect, and they need to value the diversity of experience, skills and individual styles that each member brings to the team as a whole. The Executive needs to model those behaviours and that modelling needs to be visible to people at all levels of the organisation.

## Motivate people

Guidance Questions		<ol style="list-style-type: none"> <li>1 Does the leadership create and sustain a unifying culture and set of values and behaviours which promote energy, enthusiasm and pride in the organisation and its vision?</li> <li>2 Are the leadership visible, outward-looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?</li> <li>3 Does the leadership display integrity, confidence and self-awareness in its engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?</li> <li>4 Does the leadership display a desire for achieving ambitious results for customers, focusing on impact and outcomes, celebrating achievement and challenging the organisation to improve?</li> </ol>
Rating		Well placed

## Building a unified culture

Institutional culture plays a significant role in binding an organisation together, and all SES officers have dedicated time and energy to organisational cohesion during the integration process. In doing so, they have rightly been building on the strong pre-existing cultures of service and ‘can-do’ attitudes that characterised the predecessor agencies.

More dedicated effort is required on the culture front going forward. The time is now right to explicitly elaborate a set of model behaviours that define what is expected of all DHS staff, and empower people to identify and ‘call’ both good and bad conduct.

The early decision to adopt the current APS values (noting that at the time of writing the Public Service Amendment Bill 2012 which is before the Parliament, proposes new APS values) as a key part of the DHS cultural mix was an appropriate choice. However, to make sense to staff, the values need to be more fully operationalised. For example, while it may be easy for a Service Centre Manager to understand the importance of ‘deliver[ing] services fairly, effectively, impartially and courteously’ (Public Service Act, Section 10), what does it mean for the same manager to be ‘openly accountable for [their] actions ... to the Government, the Parliament and the Australian public’?

Work will need to be done to make values relevant and concrete for staff.

This can best be done through a focus on behaviours, and the review team suggests that all SES officers adopt a more structured process to build a new culture that includes defining the behaviours required to deliver the departmental mission, communicating and modelling those behaviours, reinforcing those behaviours at every opportunity, and aligning the organisational infrastructure to those behaviours.

## Leveraging current positive behaviours

Beyond behaviours that correspond with the APS values, there are likely to be other behaviours that the SES deems important to promote.


Collaboration in policy and program development would appear to be one of these, and has already found voice in the Strategic Plan 2012–16 (pages 10–11). Other possible candidates raised in the conduct of the review included increased appreciation of workplace innovation, dedication to a unified DHS, and commitment to professionalism and excellence as public servants.

The department itself will need to consider which behaviours are most applicable to meeting its vision. In the front line of DHS, there is a strong sense of which behaviours lead to positive customer outcomes. The starting point should be to ask ‘When DHS is at its best (e.g. at times of national emergency), what characteristics does it display, and what additional behaviours does it need to demonstrate?’

Whatever the final list, these behaviours will need to have buy-in from a broad cross-section of the department, and thought will need to be given to how they are developed and socialised. In this context, the review team understands that a considerable body of internal preparatory work has already been conducted, but would counsel against a purely top-down process for the refinement of the list.

Overall, feedback from multiple quarters suggests that the time is right, one year on from integration, for the Executive to tackle a number of other critical motivational issues directly. For example, the department can look to utilise its performance management systems more fully to develop a high-performing workforce. Creating an environment in which constructive feedback is actively sought and provided would ultimately benefit all parties. Similarly, there should be less fear of causing offence when stating preferences or advocating approaches that were borne of particular master programs where based upon sound reasoning.

## Develop people

Guidance Questions		<p>Are there people with the right skills and leadership across the organisation to deliver your vision and strategy? Does the organisation demonstrate commitment to diversity and equality?</p> <p>Is individuals' performance managed transparently and consistently, rewarding good performance and tackling poor performance? Are individuals' performance objectives aligned with the strategic priorities of the organisation?</p> <p>Does the organisation identify and nurture leadership and management talent in individuals and teams to get the best from everyone? How do you plan effectively for succession in key positions?</p> <p>How do you plan to fill key capability gaps in the organisation and in the delivery system?</p>
Rating		Well placed

## Preparing for a new way of working

The Executive is managing an ambitious agenda of workforce restructuring and upgrading, with implications for virtually every area in the department.

As previously outlined, the ultimate purpose of the agenda is to transform the way DHS does business: most transactional services are to be automated, with the aspiration that the bulk of routine entitlements will be settled through self-service (typically online) customer solutions. Customers who still need to engage with the department face to face are likely to be those customers who need more intense interaction and will increasingly receive a greater level of tailored, 'wrap around' support from more specialist DHS providers.

The magnitude of change being contemplated has few parallels elsewhere in the APS, and the human resources planning work conducted to date, including the Strategic Workforce Plan 2011–2015, is highly commendable and places the department on a good footing to take its next steps.

The current workforce headcount stands at almost 37,000, around 25 per cent of the entire APS. According to the Workforce Plan, demand for staff, based on current activities and all other things being equal, is projected to decline by 10 per cent to 13 per cent by 2014–15. Meanwhile, the shape of the DHS workforce will be substantially reconfigured, with reduced staff numbers at all levels, but particularly at the lower levels, as less complex work is transferred to automated channels. Those staff reductions and organisational reshaping should be able to be achieved using natural attrition and redeployment, but clear transition paths, informed by a service design map, will be required.

The challenges to executing this transition are formidable, but the Executive recognises most of the issues.

Key challenges include finding sufficient time and resources to take staff offline to allow them to participate in necessary training and development opportunities; and finding suitably skilled and qualified candidates, either internally or externally, for the new customer service and policy officer roles expected to see increased demand. This must be done whilst maintaining a workforce that is broadly reflective of the communities it serves.

Most importantly, the move forward will be contingent on the settled service design map, which should give 'colour' and life to these people transformation efforts, which may need to be dynamic during the transition period.

## Pursuing improved day-to-day management

The review team believes that some of the more operational aspects of DHS human resources management could benefit from increased attention, given success in these areas is a precondition for broader strategic success.

Perhaps more so than other agencies, DHS cannot permit underperformance in critical pockets of the organisation, and the persistently high levels of unscheduled leave (an average of 14 days per person per year) point to a problem that the department is addressing and must resolve.

The review team has received feedback that the department could be better at 'early intervention' to deal with underperformance issues, the implication being that problems are addressed only once negative impacts on individual and team output have become obvious or

overwhelming. Demonstrating a willingness not to let performance problems go unchecked should be a priority for everyone in DHS leadership roles, both the SES and Executive Level (EL) cohorts. Strengthening performance management capability will require intensive training and reinforcement by the SES officers, individually and collectively, and modelling through their behaviours.

Further, learning and development (L&D) work arguably needs to be more targeted to the change agenda. While the department has undergone a significant rationalisation of training programs since integration, current L&D spend appears low and staff have expressed some dissatisfaction with the available offerings, noting a disconnect between the theory discussed in formal instruction and on-the-job practice. The 2011 *State of the Service Report* similarly pointed to dissatisfaction in this area.

Some L&D strategy work was undertaken by the department in mid-2011. This work attempts to prioritise the department's learning and development objectives, and to cascade these priorities (at varying levels of detail) down the organisation. The review team believes that the department's formal adoption and resourcing of a strategy of this nature would be beneficial.

Finally, talent management work to date has focused on the SES and integration has created new opportunities to expand the horizons of this cohort (of particular interest, interlocutors noted favourably a small increase in exchanges of senior personnel between the DHS and central agencies). However, there needs to be an explicit strategy for development of talent below the SES/EL2 cohort as well. Given the potential impacts from the planned restructuring of the DHS workforce, dedicated career management and support should be a priority in and around this staff cohort.

## 4.2 Strategy summary

### Outcome-focused strategy

- The department has articulated its vision for the future of service delivery. The critical next step is to develop a detailed service map. This will give staff a clear picture of how they can actively work towards the vision.
- A detailed service map will also facilitate further planning within the department and give staff on the front line a practical appreciation of where they are heading, their role in the new model of operation, and how they will collectively move to it.

### Evidence-based choices

- DHS needs to move from a transactional view of the customer to a holistic view. In the Network, zone leaders have a rounded perspective that is driven by their day-to-day contact with customers and this needs to be factored into the service design map.
- The organisation needs to further develop and leverage its extensive data holdings to build its strategic intelligence.

### Collaborate and build common purpose


- DHS has the potential to see the whole individual, family or community. This perspective means that it can contribute to better policy outcomes for government and customers.
- To earn its place at the policy table, DHS needs to strengthen its policy capability and

consistently demonstrate to partner agencies and government that it can add value.

- ICT plays a pivotal role in DHS service delivery and in the change agenda. Going forward, it is important that business areas step up to the role of driving ICT changes. As business steps up to this role, governance arrangements should evolve to reflect the new ICT arrangements.
- The department has developed an 'evolve to replace' strategy for its legacy systems to ensure that it is able to deliver for government and the community into the future. This now needs to be coupled with a strategy to engage, educate and secure the support of government and other parties.
- The ways in which DHS engages with stakeholders vary. The department can improve on the consistency and quality of its stakeholder engagement by leveraging off the good practice that happens in the department and implementing a regular stakeholder survey.

Comments and ratings against the components of the 'strategy' dimension follow.

#### Outcome-focused strategy

Guidance Questions		<p>Does the organisation have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and measures of success?</p> <p>Is the strategy clear about what success looks like and focused on improving the overall quality of life for customers and benefiting the nation?</p> <p>Is the strategy kept up to date, seizing opportunities when circumstances change?</p> <p>Does the organisation work with political leadership to develop strategy and ensure appropriate trade-offs between priority outcomes?</p>
Rating		Development area

#### Developing a service design map

It is important to distinguish between the 'setting' of an organisational vision and a strategy that can 'deliver' on that vision. The Strategic Plan 2012–16 explicitly articulates DHS's vision for the future of the department. This is a valuable piece of communication within the department and the next step should be to develop a service design map and an implementation pathway for the delivery of the strategic vision. While staff have embraced the vision, they have yet to see it translated into a clear picture of what the future looks like, or to understand how their roles will change.

This has been consistent in feedback from staff. For example, in the December 2010 Staff as Customers consultations, many participants had the view that SDR would impact more on the organisation than on them as individuals, and many felt that their jobs would remain largely the same regardless of what happened organisationally.

More recently, in the 2012 People Survey, only 52 per cent of participants agreed that they were kept informed on how the delivery reform agenda would impact on their work. Staff also spoke to the review team of the different customer bases of the master programs and their

concern over how a co-location strategy would work on the ground. For staff this uncertainty can create a sense of there being ‘light on the hill and fog in the valley’.

The review team noted that the Strategic Plan 2012–16 points to four complementary strategies that focus on specific areas in greater detail. They are the Operating Model, Portfolio People Strategy, Internal Budget and the ICT Strategic Plan. While the Operating Model provides some additional detail around the vision of the future, its generic and high-level nature means that it is not an adequate substitute for the service design map.


A service design map should provide a vivid description of what the future looks like, detailing everything from job roles and office layout, to what the IT system looks like. Doing so will give staff something to hold on to and a clear understanding of where they, as well as the organisation, are heading.

Further, the framework described in the Strategic Plan 2012-16 places the Operating Model on the same level as the People Strategy, Internal Budget and ICT Strategic Plan. A well-constructed and articulated service design map would drive workforce planning, ICT and internal budgeting and, in fact, should prove to be an integrating force for this planning.

The absence of a service design map, as well as making it difficult for staff to engage meaningfully in reforms, also creates the risk that management choices and resource allocation are not optimal. The establishment of a clearly articulated and widely understood process for managing all the change in the organisation would allow for the transparent allocation of resources against organisational priorities. This would also facilitate strategic decision-making about what the department stops resourcing.

In summary, the review team is of the view that, in the absence of the service design map, a critical piece of the puzzle is effectively missing and much that DHS wants to achieve is being stifled. As a consequence, the department will increasingly struggle to fulfil its change agenda and realise the benefits, financial and otherwise, that are fundamental to its future long-term viability.

### Evidence-based choices

Guidance Questions		<p>Are policies and programs customer focused and developed with customer involvement and insight from the earliest stages? Does the organisation understand and respond to customers' needs and opinions?</p> <p>Does the organisation ensure that vision and strategy are informed by sound use of timely evidence and analysis?</p> <p>Does the organisation identify future trends, plan for them and choose among the range of options available?</p> <p>Does the organisation evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process?</p>
Rating		Development area



## Placing the customer at the centre

Traditionally, DHS has had a 'transactional' view of customers; that is, customers are understood by the transactions they have with the department, in the main what master program they are accessing and what income support payment they receive. However, customers need to be placed firmly at the centre of service design and viewed holistically, not simply through the prism of existing transactions.

DHS customers are as varied as the Australian population itself, with large differences across and between the service zones based on age, location, linguistic and cultural background, socioeconomic status, work skills, familial circumstances and personal security. At one and the same time a Service Centre may be helping a pregnant mother making a Medicare claim, dealing with a homeless and disaffected benefit recipient seeking a crisis payment, registering a student for income support or serving a migrant from a non-English speaking background who is starting to look for employment.

The review team's investigations have shown that the comprehensive, holistic understanding of the customer base is most evident and accessible through the Network, although building the complete picture needs to be appropriately considerate of established privacy provisions.

Zone managers have a view of their customers that goes beyond the transactional character of the DHS services they provide—in effect, they 'own' their customers. Because of this, Zone leaders can clearly describe the dominant characteristics of their principal customer cohorts, whether aged, young, from a non-English speaking background, poorly educated or facing multiple disadvantages. This was confirmed by review team site visits to Bankstown, Campsie, Sunshine, Broadmeadows, Batemans Bay, Fortitude Valley and CSP Operations, Melbourne.

However, because this understanding is informed by front-line engagement with customers over time, it does not easily aggregate into a common DHS perspective. While many people in the organisation spoke of the depth of information that DHS holds on customers, at a national level there is a lack of focus on customer segmentation and the development of holistic customer profiles.

Customer segmentation, based on input from the Network, should not only inform the service design map, but also subsequently guide workforce and ICT planning efforts. Greater appreciation of the Network's perspective should also translate into a sense of 'ownership' at national office level and ensure that the department fully realises the relative advantage it has when it comes to serving the community.

## Translating data into strategic information

In 2011, DHS commissioned advice on strategic information management arrangements in the department. The advice was that 'Strategic information management is not a well defined or integrated function across the department. The department's information capabilities are currently focussed on the collection and storage of transactional data and the production of operational and workload related information for senior management ... There are pockets of strategic research and analytical capability ... though these resources have not traditionally been applied to strategic business intelligence ...'

Several stakeholders referenced the extensive information that DHS holds, and the inherent

value of that data. This was echoed in the advice: ‘DHS has access to an unparalleled data base on the health and social well-being of the Australian population and on emerging needs across Australia.’

This data, subject to privacy requirements, can be marshalled to inform the development of forward-looking evidenced-based policy advice and service delivery reform. However, as the advice noted, this will require a stronger focus on strategic information management and the development of appropriate institutional support.

As the department pursues this agenda, it will be critical that it is driven by an explicit information management strategy, and that one member of the Executive has responsibility for that strategy. Developing the analytical capability within the department may require targeted recruitment, staff development, and identification and coordination of existing staff with those skills who may be operating in pockets within the department.


## Leveraging the strength of the Network

The Network includes face-to-face services, smart centres (call and processing) and self-managed services. The Network contains a wealth of knowledge and operational intelligence, broader than their knowledge of the customer base, which the department could better capitalise on.

Indeed, as the organisation moves to fulfil the role of a department of state with a seat at the policy table, there is a risk that the organisation will become too ‘Canberra-centric’, with a disconnect between the front line and those in the policy and program areas of the department.

In addition to their intimate knowledge of the customer base, staff in the network can provide insights into programs and policy design. As previously stated, the knowledge and power of the Network represents a ‘comparative advantage’ for the department and establishing a framework to harness that knowledge, or at a minimum strengthening feedback loops, will enable the department to utilise that strength to improve service delivery, influence policy and plan for the future.

### Collaborate and build common purpose

Guidance Questions		<ol style="list-style-type: none"> <li>1. Does the organisation work with others in government and beyond to develop strategy and policy collectively to address cross-cutting issues?</li> <li>2. Does the organisation involve partners and stakeholders from the earliest stages of policy development and learn from their experience?</li> <li>3. Does the organisation ensure the agency’s strategies and policies are consistent with those of other agencies?</li> <li>4. Does the organisation develop and generate common ownership of the strategy with political leadership, delivery partners and citizens?</li> </ol>
Rating		Well placed

## Developing a policy capability

DHS is in the unique position, both within government and outside government, of seeing the whole individual, family and community and the impacts of policy on the ground. This integrated view can contribute to better policy outcomes.

Feedback about the extent of DHS involvement in policy development was variable, and a single joined-up process where DHS can contribute appropriately and work in partnership with policy agencies would allow the full benefits to citizens and government to be realised.

The Executive is aware of the potential for DHS to contribute to policy development where it has something of value to offer, and has gone some way to building the capability of the department in that sphere, including through actively recruiting policy skills. However, overall, the policy capability of the department is patchy and not well harnessed. As the Strategic Workforce Plan 2011–2015 notes: ‘Currently there are experienced shortfalls in policy development and delivery, and in program design. Therefore the department needs to

equip employees with policy capabilities through targeted recruitment and developmental opportunities.’

DHS needs to consistently demonstrate that it can contribute to achieving better outcomes through its participation in the policy development process. Continuing to strengthen the policy capability of the department, and using the data resources referred to in the section above, will enable DHS to fulfil this role.

## Business taking the lead on ICT

ICT has played a pivotal role in the DHS change agenda. All ICT decisions are approved by the ICT governance board and the DHS Executive. However, this does not appear to be understood by the business or communicated effectively and, because of this, in some ways ICT is perceived as moving in front of business. The review team considers it appropriate for all levels of the business to step up to drive further ICT changes and development.

A practical manifestation of the consequences of such a discord is that the customer service transformation and push to online servicing being pursued by the department has to date failed to properly cater for those cohorts (such as non-English speakers) who cannot easily take up automated self-service options (e.g. where they are structured on systems limited to a single language). This is despite the fact that, according to census data, a significant proportion of the likely DHS customer base lacks competence in English but is technology literate. In addition to improving customer satisfaction this capability will also reduce operating costs for DHS.

Given the relative newness of the integrated organisation, the importance of ICT to the delivery of its mission and the need to continue work already begun on realigning the ICT–business relationship, the Secretary may wish to consider whether there is advantage in her taking the chair of the ICT governance board for a period of time.

Creating a service design map (as discussed above) will support business to step up to this role and bring about better coordination between business and ICT. This coordination will also be facilitated by further developing ICT governance arrangements that ensure all requests are considered together and assessed against consistent criteria (e.g. benefits realisation, budget), with priorities set and understood by ICT and business areas.

## Future-proofing ICT capability

‘Getting to go’ for ICT as part of integration has meant bringing legacy systems together as one integrated system onto sustainable platforms, within a standard architecture and a common suite of applications. Staff spoke to the review team of an ICT system that is reliable and stable, but which is increasingly costly and time consuming to adapt to implement government decisions and maintain. To be able to continue to deliver for government and partner agencies, the department has developed a strategy of ‘evolve to replace’ for the legacy systems.

This is an appropriate approach for the department to take given the criticality of the system and the severity of the consequences if the system were to fail in the future. However, while the review team considers that the approach is appropriate, it is imperative that DHS starts to build a common understanding with central agencies, partner agencies and government generally of the need for change. Moreover, the ‘evolve to replace’ strategy requires a genuine multi-year sustainable funding pathway that is supported by a broad-based consensus

amongst relevant parties, not least governments across current and future terms. To achieve this DHS leadership needs to start the dialogue as a matter of priority.

### Strategically managing stakeholders

DHS operates in a complex stakeholder environment. Many stakeholders spoke about the quality of the service that DHS provides to the community and of its focus on customer service. However, for community organisations representing sections of the population, there was a sense that DHS had a tendency to provide information in the guise of consultation, and therefore that the promises of co-design had not yet been realised.

Some stakeholders also spoke to the strength in DHS delivery not being matched by strong business governance, with stakeholders having multiple, and at times changing, contacts within the organisation. A stakeholder management strategy which segments stakeholders and establishes associated appropriate arrangements will build on the already good relationships that DHS has established and improve the consistency of the engagement. The responsibility for the stakeholder engagement strategy should be anchored at a particular point in the organisation. Further, the review team considers that, for an organisation operating in a stakeholder environment of this nature, it would be appropriate for DHS to conduct a regular independent stakeholder survey, including client organisations.

## 4.3 Delivery summary

### Innovative delivery

- The DHS Network is innovative, and driven by the desire to make people's lives better and the pressure to become more efficient. This innovation in the Network will benefit from the formal framework and guidelines which the department has indicated it will introduce.
- Innovation within the department would also be fostered by the establishment of a service design map to guide innovative efforts and a greater tolerance for mistakes, which are a natural part of the trial and error process of innovation.

### Plan, resource and prioritise

- Given the extensive amount of change that is happening in the organisation, the department should establish an enterprise-wide change control mechanism that ensures that all change is sequenced and managed against departmental resources.
- During the initial integration of the department it was natural and appropriate that some decision-making was centralised and elevated within the department. Given the stage that integration is now at, it is appropriate to review that process and seek to devolve functions where appropriate.
- Positive steps have started to be taken by the department in relation to risk management. The risk-management approach can be further strengthened by a broader understanding of reputational and political risks and a culture that encourages proper escalation of risk and strengthening of the assurance framework.

### Shared commitment and sound delivery models


- The department consistently delivers on an extraordinary range of activities, to the satisfaction of customers, the community and government.
- The department is trialling positive new models of service delivery based on good practice, which position the department well for the future.

### Manage performance

- The department has a strong record of monitoring and managing its operations and commissioning reviews around operational and business performance.
- This approach needs to move towards an outcomes-focused model of managing performance.

Comments and ratings against the components of the 'delivery' dimension follow.

## Innovative delivery

Guidance Questions		<ol style="list-style-type: none"> <li>1. Does the organisation have the structures, people capacity and enabling systems required to support appropriate innovation and manage it effectively?</li> <li>2. Does the leadership empower and incentivise the organisation and its partners to innovate and learn from each other, and the front line, to improve delivery?</li> <li>3. Is innovation explicitly linked to core business, underpinned by a coherent innovation strategy and an effective approach towards risk management?</li> <li>4. Does the organisation evaluate the success and added value of innovation, using the results to make resource prioritisation decisions and inform future innovation?</li> </ol>
Rating		Well placed

## Harnessing internal innovation

The department currently does not have an innovation framework or a coordinated approach to supporting innovation and it is perhaps understandable, given the nature and scale of the services it provides, that the department has a fairly risk-averse culture.

In the Strategic Plan 2012–16 the department has demonstrated an awareness of the issue by stating that it will introduce a support framework and guidelines to encourage and embrace innovation in service delivery as one of its outcomes. The review team agrees that a formal framework and guidelines would help create a culture that acknowledges the trial and error of the innovation process. Equally, the introduction of a service design map will provide a focus for innovative ideas and efforts.


Formal processes notwithstanding, there is evidence of significant innovation occurring. For instance, innovations within the Network (some of which have rolled out nationally) have created major efficiencies in work flows, to the benefit of customers. For example, the Customer Liaison Officer (CLO) role was borne out of necessity in one split-level office. Wireless technology was introduced to enable the CLO to communicate to staff in the back office or on both levels of the office, resulting in quicker resolution of customers' needs. The success of the model is evident in its broader adoption across the DHS Network and the department is open to trialling new approaches and systems through study within its 'concept labs'.

Regardless, It seems that much innovation happens 'under the radar' in the regions and that the closer the staff is to the customer the greater the level of innovation, which is driven either by cost or by the desire to make people's lives better. Although the CLO role is one example of a positive innovation that has been recognised and held up by the DHS Executive, feedback from staff is that, in order to foster local innovative action, they would benefit from greater support in progressing their ideas and an organisational culture of greater tolerance for mistakes. They also suggested that the spread of innovative practices across the department is difficult due to the disjointed nature of the organisation and the absence of a clear service design map against which to measure the worth of innovations. Specifically



workshop participants noted that while a lot of innovation is underway in the Network and other areas it may at times be misdirected and prove neither sustainable nor desirable. The generation of innovative ideas at the local level must be encouraged, within a framework of sharing best practice and meeting existing government requirements.

### Plan, resource and prioritise

Guidance Questions		<ol style="list-style-type: none"> <li>1. Do business planning processes effectively prioritise and sequence deliverables to focus on delivery of strategic outcomes? Are tough decisions made on trade-offs between priority outcomes when appropriate?</li> <li>2. Are delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of the strategic outcomes?</li> <li>3. Is effective control of the organisation's resources maintained? Do delivery plans include key drivers of cost, with financial implications clearly considered and suitable levels of financial flexibility within the organisation?</li> <li>4. Are delivery plans and programs effectively managed and regularly reviewed?</li> </ol>
Rating		Development area

### Introducing an enterprise wide change control mechanism

The department's documented governance arrangements accord with good practice and, as a result, the department is well positioned relative to other agencies. However, the situation of DHS is complicated by the particular demands of integration and the significant amount of change occurring simultaneously with critical, uninterruptable business as usual demands.

There are many excellent examples of change managed effectively by the leadership team. The negotiation of a unified DHS enterprise agreement, the roll-out of the SAP system for all DHS employees, the integration of disparate financial management systems, and the streamlining of budget and business planning processes are all significant leadership achievements.

Nevertheless, the review team feels that the existing arrangements, while effective within their individual streams, are currently lacking an enterprise-wide perspective that brings together all change at a high level to ensure that work efforts and resources are aligned, sequenced and managed against the capacity of the department. This is important given the criticality of successful change to benefits realisation and the early evidence of change fatigue among lower level staff. Staff will have a deeper commitment to change if the reason behind it is clearly communicated.

### Broadening input to management processes

Indirectly related to the challenge of change coordination, it was evident to the team during the review that many current management processes are highly directive and are determined from the top-down, which creates an issue of EL staff having limited visibility of planning

and how trade-offs between priority outcomes are being made. Furthermore, feedback from EL staff indicates that although there is line of sight between the division and branch plans they are largely dictated and developed in isolation from other areas of the department, resulting in missing interdependencies. In some cases plans are not truly reflective of business as usual or on-the-ground resourcing. This likely contributes to the feelings of staff, expressed in the staff survey that they do not feel valued through opportunities to contribute and be listened to. The EL cohort also reflected this to the review team, as a feeling of being disempowered and removed from decision-making.

The review team suggests that, while it was necessary and appropriate to escalate and centralise these processes during the initial stages of integration, over time the process may benefit from the greater involvement of EL staff and the devolution of functions where it is appropriate to keep a 'looser grip' as opposed to a tight one.

### Identifying and mitigating risks

A recent risk review of Australian business, conducted by KPMG, established that Australian businesses are underestimating the security risks posed by the increased use of consumer technology devices and downplaying their own IT security problems to avoid public relations disasters. Given the size of DHS's business, the department is not immune from this risk and must continue to create a dynamic risk and assurance framework, building on the progress it has already made.

The department has made positive steps in identifying a common set of strategic risks. The review team encourages the Executive Committee to continue its practice of having scheduled quarterly discussions of strategic risks and regular consideration of top operational risks, and intervening where required. Given the stage that DHS is now at, the time is right for the department to clearly define its risk appetite and to communicate this throughout the organisation.

Clearly articulating the department's risk appetite will enable staff at all levels to identify and manage risk more appropriately. The identification of potential risks could be further enhanced by introducing clearer processes below the DHS Executive for bringing potential risks to attention outside the formal Division, Branch and Service Zone business processes and actively encouraging staff to do so.


Moreover, the identified strategic risks appear quite generic and are not couched in the day-to-day realities of the department. There have also been some indications that risk management activity is often crowded out by competing priorities.

At this point in the department's evolution, the review team believes there is merit in a senior executive conversation aimed at identifying the real 'game changers' for the organisation. These are the handful of risk factors that warrant close management. Deeper discussion of these issues at a senior level is warranted given that the organisation is about to head into another period of accelerated change driven by the financial demands of benefits realisation. The department should also develop a stronger assurance framework, given the quantum of funding and the breadth of business it is responsible for.

Matters would also be improved by a broader understanding within the department of political and reputational sensitivities and risks. A culture that encourages the appropriate escalation of risk will assist in creating a risk-aware, as opposed to risk-averse, business. In this respect, the review team is particularly concerned that customer-facing staff are building

up a resistance to identifying and reporting risks such as customer aggression, which, anecdotal evidence suggests, may be under-reported by staff.

### Shared commitment and sound delivery models

Guidance Questions		<ol style="list-style-type: none"> <li>1. Does the organisation have clear and well understood delivery models which will deliver the agency's strategic outcomes across boundaries?</li> <li>2. Does the organisation identify and agree roles, responsibilities and accountabilities for delivery within those models including with third parties? Are they well understood and supported by appropriate rewards, incentives and governance arrangements?</li> <li>3. Does the organisation engage, align and enthuse partners in other agencies and across the delivery model to work together to deliver? Is there shared commitment among them to remove obstacles to effective joint working?</li> <li>4. Does the organisation ensure the effectiveness of delivery agents?</li> </ol>
Rating		Strong

### Recognising achievements

As much as the department is held in high regard by the public, the extraordinary scope of the work that DHS does is often not well recognised within the APS and throughout the broader community. Yet the department delivers on a consistent basis an extraordinary range of payments, services and activities, and any breakdown in this regard would soon manifest itself in social disruption. This is generally done out in the Network by relatively junior staff who occupy leadership roles in regional offices.

Furthermore, as previously noted, the department possesses a significant crisis response capability which has been particularly evident over the last few years, and deserves acknowledgment. Indeed, staff through interviews and workshops noted with pride their performance at such times, and this was matched by the comments of many external stakeholders.

Customer metrics, while they can be more outcomes-focused, nevertheless provide good data on service satisfaction levels and the department's relationships with its partner agencies are well defined and documented through various memoranda of understanding and service level agreements.

The department is also taking its first steps towards the adoption of new co-creation/co-design methodologies in a logical and positive fashion.

### Acknowledging progressive steps

DHS is also trialling positive new modes of service delivery (e.g. Local Connections to Work; Case Coordination; and the 'BayLink' service centre model in Batemans Bay, New South Wales—a one-stop shop for state, federal and community services). Those approaches are based on good practice principles and are in line with the vision for the department.

Indeed, Organization of Economic Cooperation and Development best practice generally supports the integration of employment services and welfare support, and the department is working to test ways to better connect services to customers with diverse needs.

In light of the strong impression the current trials have made on the review team, it is considered important to provide readers with a sense of their impact by reproducing just two customer case-study experiences below.

### Case Coordination

Mary\* presented to a DHS office and asked if 'Centrelink' provided travel vouchers and, if not, could she be advanced \$20 from her next payment. Upon further exploration of her needs, it was identified that she was in the process of fleeing from her partner due to domestic violence. She was offered the opportunity to receive some more support and was referred to the Case Coordination team.

When Mary was referred to Case Coordination, a Customer Service Advisor and Social Worker worked together to assist Mary. Mary was given additional professional support and counselling by the social worker to help her deal with the grief, loss and trauma she had experienced during the course of her relationship. Mary, the Case Coordination Customer Service Advisor and Social Worker worked together to establish a plan to achieve her goal of safety. Mary's key strengths of resilience and courage, as she took steps to be safe, were identified and included in the case plan.

The Social Worker was able to grant a crisis payment to ensure that Mary's relocation did not result in further financial hardship. The Case Coordination team worked with Mary's probation and parole case worker on changes to her probation conditions, including an amendment of the address she was required to reside at. The Case Coordination team was able to advocate for a police escort for Mary to her sister's home to minimise the risk of an incident on public transport. The police were also able to enact an interim apprehended violence order, and assist Mary with the process of making a statement. Mary was provided with referral options to pursue counselling and support once she was settled in her new area. The case worker also advised that once Mary was transferred to the probation and parole office in her new location, the case worker would work with her colleague to ensure that Mary was linked with support as part of their ongoing case plan.

### Local Connections to Work

George\* came into a DHS office. He was 27 years old, unemployed and at risk of homelessness. He had some substance abuse and anger issues and was likely to go to prison. He knew he needed help, but didn't really know where to start.


The Customer Service Advisor, Karin\*, first found that George was entitled to the Newstart Allowance. While registering the claim she asked George if he had thought about asking his mother whether he could stay with her. While the Customer Service Advisor was photocopying some papers, George called his mother. Although they hadn't spoken for ages, his mum said yes. After Karin finished off the Newstart claim and booked George into a Job Capacity Assessment, they had a conversation about what to do next.

George agreed to speak to a counsellor about his drug and anger issues, so Karin walked over to set it up on the spot. When George had finished with the counsellor they went over to talk to the Local Connections to Work partner operating at the site to talk through some study options. George decided he could commit to a program that would lead to a range of vocational qualifications.

George had money to go on with, a place to stay and a support network, had committed to improving his skills, and, most importantly, had a new sense of hope. As Karin said later 'We were able to deliver a full complement of supports and services to a person in crisis and, *best of all, I saw the outcome*. This has personally given me such a sense of accomplishment.'

\*Not his/her real name.

### Manage performance

Guidance Questions		<ol style="list-style-type: none"> <li>1. Is the organisation delivering against performance targets to ensure achievement of outcomes set out in the strategy and business plans?</li> <li>2. Does the organisation drive performance and strive for excellence across the organisation and delivery system in pursuit of strategic outcomes?</li> <li>3. Does the organisation have high-quality, timely and well-understood performance information, supported by analytical capability, which allows you to track and manage performance and risk across the delivery system? Does the organisation take action when not meeting (or not on target to meet) all of its key delivery objectives?</li> </ol>
		Well placed

## Driving the shift to an outcomes paradigm

Maintaining the department's performance record is dependent on sustaining strength in delivery across an expanding range of services.

Because of the size and volume of the organisation's operations, even 1 per cent non-aligned performance means that there is a big problem. Thankfully DHS has a strong record and experience in delivering payments and other services to a consistently high standard and is relied on by government to continue doing this. Typically master program performance is measured daily, weekly and monthly against customer satisfaction, complaint levels, response times and volumes.

The department is also proactive in commissioning reviews around operational and business performance, indicating a commendable level of interest and awareness in always driving for excellence and improving business operations further.

This is matched by increased attention on the part of the Secretary to the appropriate use of internal audit capacity and proper financial oversight, including the development of the new funding model. The review team favourably notes the recent structural changes that have brought these functions under the Secretary's direct control.

Having said this, there are some opportunities to refine and retune, with the future firmly in mind.

For example, organisational performance management remains driven in many areas of the department by transactional metrics that are not well aligned to outcomes-focused reform objectives. For example, key performance indicators in business plans and the 2012–13 Portfolio Budget Statements are not consistently SMART (i.e. specific, measurable, attainable, realistic and timeframed)—some are specific, some very general. The review team has also heard that some of these metrics are set externally and involve cross-agency agreements that add to the complexity in shifting the basis of operational performance management in the department.

The systems and infrastructure supporting the transactional paradigm—and associated reporting—will be increasingly out of step with the vision that is articulated in the Strategic Plan 2012-16. Traditional performance management is already causing problems for teams operating in more outcomes-focussed modes of service delivery.

The review team suggests that an increased focus on measuring outcomes for citizens and evaluation more broadly across the department (beyond delivery-service metrics such as call waiting times) would be useful in conducting the various trials referred to above, and would assist the department in influencing future delivery policy and making a case for expansion of these approaches.

## 5 The department's response

The department welcomes the Capability Review report.

The department chose to be an early participant in the Capability Review Program, at a time when it was itself just over one year old, because it saw an opportunity to gain valuable insights into where and how it should focus its future efforts in order to translate the Government's service delivery reform agenda into a day-to-day business reality.

It is pleasing that the review recognised the department's strengths, particularly its exceptional performance and reliability in delivering activities of extraordinary scope and scale, and the conviction, commitment and resilience of its workforce. These are people for whom public service has special meaning, reflective of their personal exposure to the needs, aspirations and hopes of the department's customers.

The department is committed to building on what the review describes as a 'very strong footing to perform both now and into the future' to achieve its strategic vision of excellence in the provision of government services to every Australian. Our action plan will provide the focus.

The department would like to thank the chair of the review team, Professor Peter Hughes CNZM, and the other senior members of the team, Christine McLoughlin and Ewen McDonald, and the officers from the Australian Public Service Commission who supported their efforts, for the engaged, constructive and collaborative way in which they approached the review.

### Leadership

The department welcomes the review's finding that it has done a solid job in communicating the vision and rationale for the integrated department, 'crafting an institutional account that virtually everyone in the organisation concurs with and strives to reproduce'. It also welcomes the recognition of the considerable work done in establishing the department's vision, along with the complementary next level planning in the areas of ICT, human resource management, financial management and governance, culminating in the release of the Strategic Plan 2012–16.

The department accepts the corollary that it must now translate the vision into concrete form, and develop a narrative of how and why the department is changing, in a way that strikes a chord with both frontline staff and people outside the department. In communicating this, the DHS Executive is acutely conscious that it must operate, and be seen to operate, as a high performing team, and commits itself to working in a highly collaborative way, where relationships are characterised by mutual trust, confidence and respect.

While noting that the department's SES has rightly focused to date on binding the department together by leveraging the strong pre-existing cultures of service delivery in its predecessor agencies, the review suggests that the time is now right to be more proactive in establishing and articulating a unified 'DHS culture', by communicating, modelling and reinforcing the behaviours that are required to achieve the department's vision.

The department has already undertaken the groundwork for this task, examining the leadership behaviours needed and developing a set of service commitments that inform interactions with our customers and each other. Once enacted, the smaller set of core APS Values, with its emphasis on respect and commitment to service, will also assist in articulating and modelling the shared behaviours that will be needed going forward.

Observing that the future shift in skills and approach required of the workforce is arguably without precedent in the APS, the review commends the planning work done to date for transitioning the workforce from one that manually processes transactions on a large scale to one that is focused on developing relationships with clients and within the community and using those relationships to make connections and achieve outcomes for people. While this is pleasing, the department acknowledges that there is considerable work in store to ensure that the planning work flows through the organisation at all levels, including into customer facing roles.

## Strategy

The review notes that, having articulated its vision for the future of service delivery, the critical next step for the department is the development of a detailed ‘service design map’ and implementation pathway for delivery of the strategic vision. The department supports this suggestion, while acknowledging that this is a challenging task in a complex and constantly changing service delivery environment. Clearly though our people are seeking a clearer picture of how they can actively work towards the department’s vision and the process of communicating this to staff has already begun. The Service Delivery Operating Model, for example, is a good starting point.

The department is cognisant that it must move from a transactional view of the customer to a holistic one, and is already moving in that direction. For example, service offers are a personalised selection of products and services best matching the needs of individual customers, delivered in a manner that is tailored to the individual’s capabilities and situation. The current service offer design program is a significant component of the Service Design Map suggested in the review findings. The department also recognises that the Network—which includes face-to-face-services, smart centres (call and processing) and self-managed services—is one of its key assets, and will introduce the necessary measures to ensure that it is better able to capitalise on the wealth of knowledge and operational intelligence it holds.

The department agrees that its ‘whole of life-cycle’ perspective means that it is strongly placed to work with its partner agencies to contribute to better policy outcomes for government and customers. The department will draw on its extensive data holdings to build greater strategic intelligence, and strengthen its policy capability, so that it can add even greater value in the policy development cycle.

ICT plays a pivotal role in the department’s service delivery and change agenda and supports the review’s finding that changes to ICT must be, and must be seen to be, driven by the business, and the business must be accountable for delivery. The department welcomes acknowledgment of the strategy developed for the maintenance and sustainability of its existing legacy systems, based on an “‘evolve to replace’ philosophy”, as an ‘appropriate and commendable’ approach. Given the constraints the legacy systems impose when the government wishes to change or implement policy or programs and the increasing cost of both this and maintaining the systems, the department agrees it is now imperative to build a shared understanding with central agencies and government of the need for change and how that might be managed and funded.

The review notes that the time is right for the department to clearly define its risk appetite and to build an assurance framework, both of which should be clearly communicated throughout the organisation. This finding is supported and the department is already moving in this direction. For example, to heighten the attention paid to the issue, it was recently



decided to add risk to the Business Continuity and Security Committee's responsibilities and to appoint an independent Chair of the committee.

## Delivery

The department welcomes the finding that it consistently delivers on an extraordinary range of activities to the satisfaction of customers, the community and government, and recognition that it is trialling positive new modes of service delivery that align with OECD best practice.

Recognition of the DHS Network as innovative, driven by the desire to make people's lives better and to become more efficient, is also pleasing. The department supports the review's suggestion that this innovation in the Network would benefit from a formal framework and guidelines. The department is already moving to put such a framework in place.

While welcoming the acknowledgement of the many excellent examples of change managed effectively within their own streams, the department also supports the review's finding that there is a need to establish an enterprise-wide change-control mechanism that ensures that all change is sequenced and managed against departmental resources.

## Next steps

The review found that a key requirement of success going forward is a cohesive leadership group that shares the department's strategic vision and communicates it in a meaningful way to all staff. Recognising this, the department's action plan will be developed through an inclusive, collaborative process, inviting input from all SES employees, as well as selected executive level staff.

After discussing the key issues in the report and the actions that flow from them, the Executive group (Secretary, SES Band 3s and SES Band 2s) has grouped the 10 recommendations into eight projects to be progressed simultaneously, and around which the action plan will be built. Each project will be sponsored by a member of the Executive and led by an SES Band 2, supported by small groups of SES Band 1s and several of our talented EL2s.

The action plan will give the department a focal point around which to draw together work already underway to form a cohesive picture of what is happening across the organisation, against which progress can be tracked and reported.



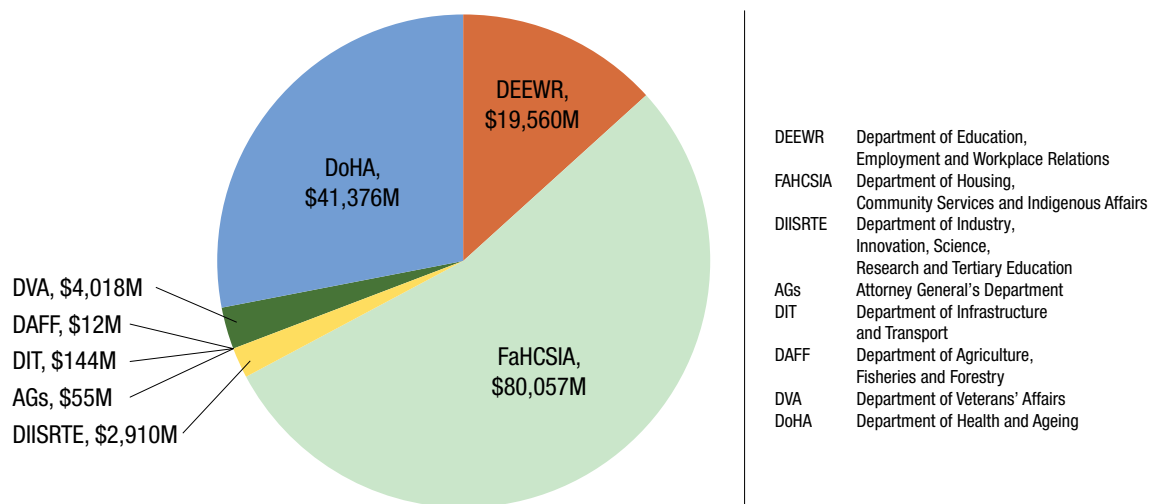
Kathryn Campbell, CSC

Secretary

Department of Human Services

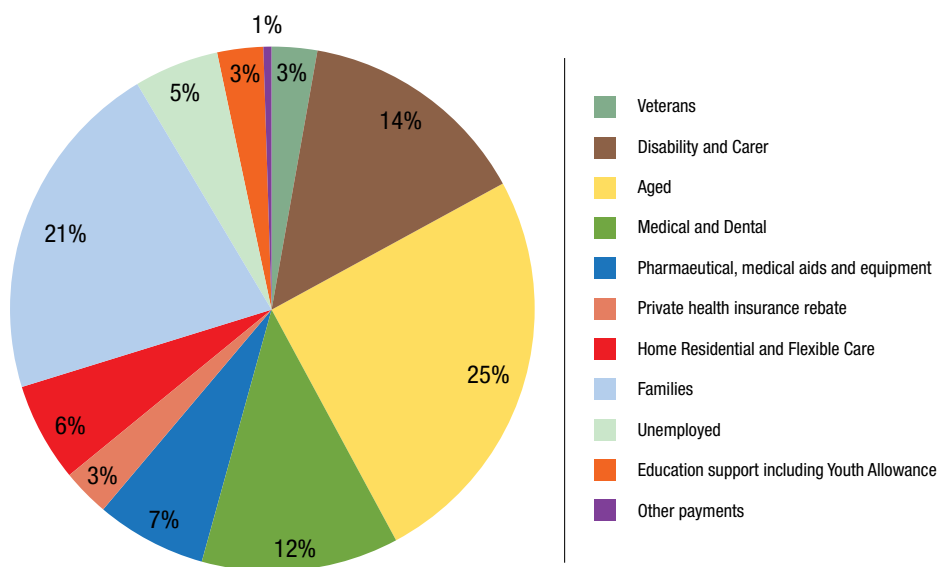
## Appendix A

DHS payments made on behalf of other agencies (2012–13).



Source 2012–13 DHS Portfolio Budget Statements

DHS payments to customer groups as a percentage of total payments.



Source 2012–13 DHS Portfolio Budget Statements

## Abbreviations and acronyms

Abbreviation or acronym	Description
APS	Australian Public Service
APSC	Australian Public Service Commission
CLO	Customer Liaison Officer
DHS Executive	Secretary, Associate Secretary and Deputy Secretaries
Executive Committee	Secretary, Associate Secretary, Deputy Secretaries, Chief Financial Officer and General Manager Audit
Executive leadership group	Secretary, Associate Secretary, Deputy Secretaries and General Managers (SES Band 2)
EL	Executive Level
ICT	Information and communications technology
L&D	Learning and Development
Network	The DHS customer service delivery network, including face-to-face services, smart centres (call and processing) and self-managed services
Master programs	Major programs offered by the predecessor agencies—Centrelink, Medicare Australia and the Child Support Program
SAP	IT system for managing financial, personnel and other corporate systems and processes
SES	Senior Executive Service
SMART	Specific, measurable, attainable, realistic and time framed









