



Australian Government
Australian Public Service
Commission

CAPABILITY REVIEW

Department of Regional Australia, Local Government, Arts and Sport

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

Review Report: January 2013



© Commonwealth of Australia November 2012

All material produced by the Australian Public Service Commission (the Commission) constitutes Commonwealth copyright administered by the Commission. The Commission reserves the right to set out the terms and conditions for the use of such material.

Apart from any use as permitted under the Copyright Act 1968 and those explicitly granted below, all other rights are reserved.

Unless otherwise noted, all material in this publication, except the Commission logo or badge, the Commonwealth Coat of Arms, and any material protected by a trade mark, is licensed under a Creative Commons BY Attribution 3.0 Australia licence.

Details of the licence are available at <http://creativecommons.org/licenses/by/3.0/au/>.

Attributing Commission works

Use of Commission material licensed under a Creative Commons BY Attribution 3.0 Australia licence requires you to attribute the work in the manner specified by the Commission (but not in any way that suggests that the Commission endorses you or your use of the work). Almost any form of words is fine provided that you:

- provide a reference to the publication and, where practical, the relevant pages
- make clear whether or not you have changed Commission content
- make clear what permission you are relying on, by including a reference to this page or to a human-readable summary of the Creative Commons BY Attribution 3.0 Australia licence
- do not suggest that the Commission endorses you or your use of our content.

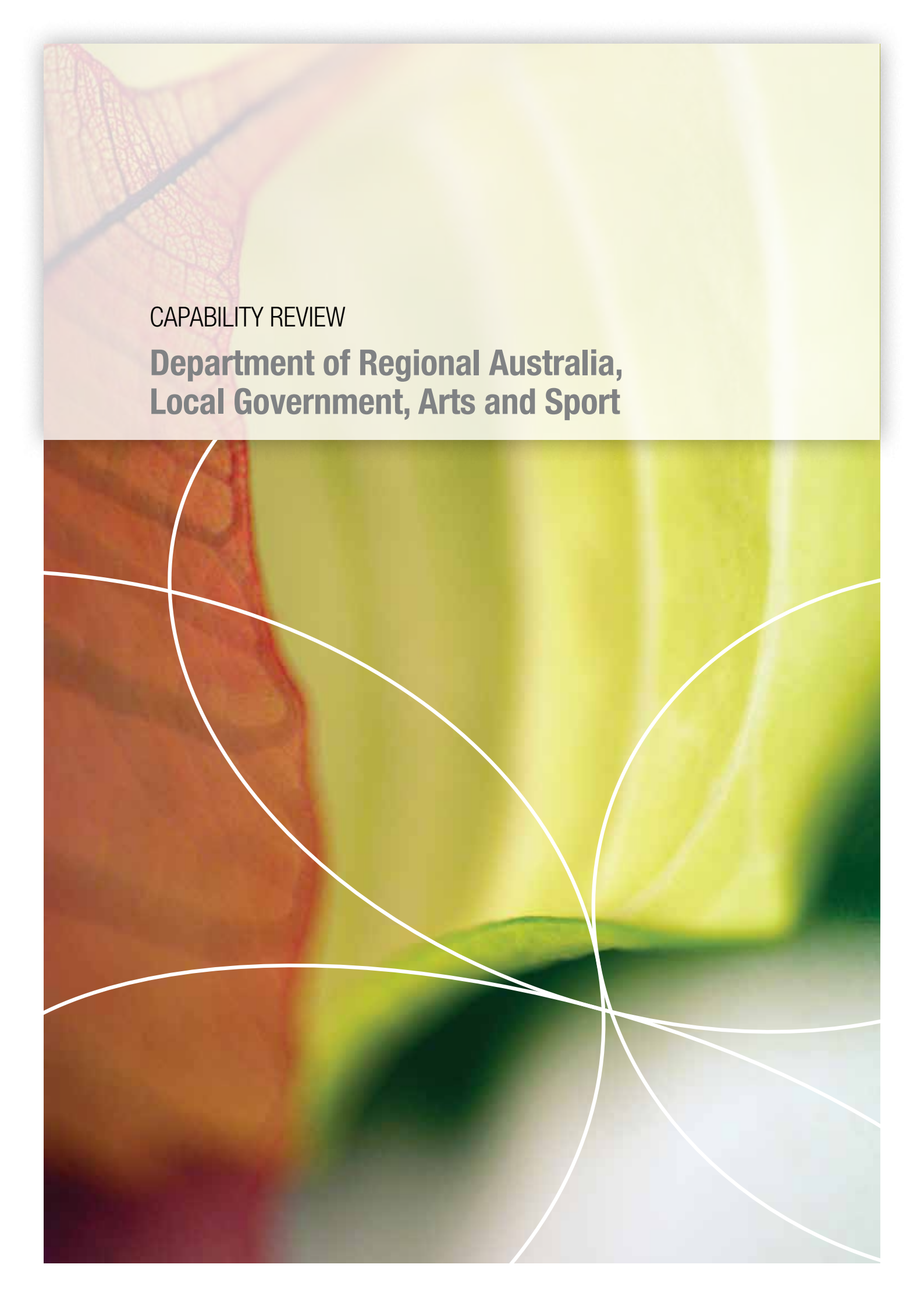
For example, if you have not changed Commission content in any way, you might state: 'Sourced from the Australian Public Service Commission publication CAPABILITY REVIEW Department of Infrastructure and Transport. This material is licensed for reuse under a Creative Commons BY Attribution 3.0 Australia licence.'

If you have made changes to Commission content, it would be more accurate to describe it as 'based on Australian Public Service Commission content' instead of 'sourced from the Australian Public Service Commission'.

Enquiries

For enquiries concerning reproduction and rights in Commission products and services, please contact: communicationsunit@apsc.gov.au.

ISBN: 978-0-9873353-9-5



CAPABILITY REVIEW

**Department of Regional Australia,
Local Government, Arts and Sport**

The first part of the paper discusses the importance of the research and the objectives of the study. It then presents a literature review of the existing research on the topic. The methodology section describes the research design and the data collection process. The results section presents the findings of the study, and the conclusion section summarizes the main findings and provides recommendations for future research.

The study was conducted in a laboratory setting. The participants were recruited from a local university and were assigned to two groups: the experimental group and the control group. The experimental group received the intervention, while the control group did not. The data was collected over a period of six weeks.

The results of the study show that the intervention had a significant positive effect on the outcome variable. The experimental group showed a significant improvement in the outcome variable compared to the control group. The findings suggest that the intervention is effective in improving the outcome variable.

The conclusion of the study is that the intervention is effective in improving the outcome variable. The findings suggest that the intervention is a promising approach for improving the outcome variable. Further research is needed to confirm the findings and to explore the long-term effects of the intervention.

Foreword

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

The methodology used to conduct these reviews drew significantly on the United Kingdom Capability Review Programme. Through the knowledge gained from the first tranche of reviews, the United Kingdom methodology has been gradually refined to more closely reflect the Australian context in which the review program is being conducted.

I thank the Department of Regional Australia, Local Government, Arts and Sport for its participation in the review. All interviewees engaged well with the review process, which underpinned their desire to help build on their agency's capability.

I would like to thank Dr Michael Vertigan AC, the chair of the review team, and the other senior members of the team, Dr Sue Vardon AO and Mr Rob Heferen. This review has demonstrated the advantages of bringing together a team of this calibre.



Stephen Sedgwick AO
Australian Public Service Commissioner





Contents

1 About the review	4
2 About the department.....	5
3 Summary assessment.....	7
4 More detailed assessment of departmental capability	13
5 The department's response	33
6 Abbreviations and acronyms	34



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 Regional Australia, Local Government, Arts and Sport. 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. These 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 strategic operations. They focus primarily on senior leadership, but are informed by the views of middle management, who attend a series of workshops.

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

The fieldwork for the capability review of DRALGAS was undertaken between 8 October 2012 and 7 December 2012.

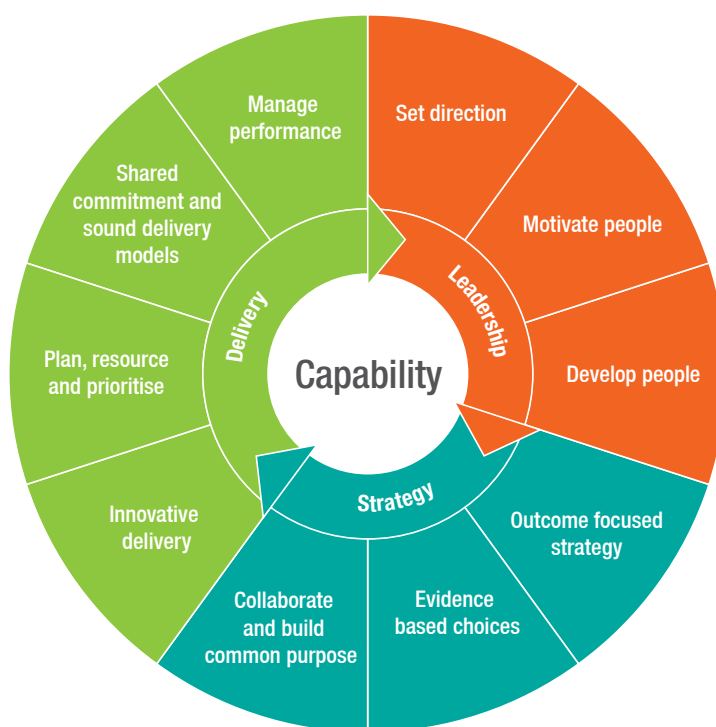


Figure 1—Model of capability

2. About the department



The Department of Regional Australia, Local Government, Arts and Sport (DRALGAS) was established from a post-election agreement between the Prime Minister and two independent members of Parliament in October 2010. Under the agreement, the new department was to have responsibility for developing regional policies, overseeing the rollout of initiatives and providing a dedicated source of advice on regional Australia to the Cabinet and other government departments.

It initially comprised staff and functions moved from the Attorney-General's Department (territories functions) and the Department of Infrastructure, Transport, Regional Development and Local Government (Regional Development and Local Government functions). Additional functions were also added: a new policy function for place-based interventions with a focus on regional development, and a coordination function, similar to a central agency role ensuring that a regional perspective is taken into account on all Cabinet submissions and budget proposals being considered across government. Arts and sports functions were subsequently moved to the department from the Department of the Prime Minister and Cabinet in December 2011.

The department's mission is 'Building a stronger, creative and liveable Australia'. This mission provides a unifying purpose for the department's functions, expanded elsewhere in its Strategic Plan 2012–15, as its commitment to 'improving Australia's regional sustainability, artistic pursuit, cultural heritage and sporting lifestyle'. It is actively working to achieve this through:

- working with communities, industry stakeholders, and all levels of government to better understand the needs and priorities of regions
- working across the Australian Government to align policies and programs to maximise benefits to regional Australia
- driving practical solutions and supporting regions in transition
- driving a coordinated approach to regional investment
- administering the territories of Ashmore and Cartier Islands, Christmas Island, Cocos (Keeling) Islands, Coral Sea Islands and Jervis Bay
- administering the Financial Assistant Grants to local government
- overseeing national interests in the Australian Capital Territory, Northern Territory and Australian Government responsibilities on Norfolk Island
- supporting excellence in cultural and sporting endeavours and creating opportunities for participation in cultural and sporting activities.

To achieve its outcomes, DRALGAS works across all Australian jurisdictions, with a range of partners including 55 Regional Development Australia Committees and 16 portfolio agencies (13 cultural agencies and three sports agencies).

It provides advice to the Minister for Regional Australia, Regional Development and Local Government, the Minister for the Arts and the Minister for Sport. It also provides continuing support to the Minister Assisting on Queensland Floods Recovery.

The department comprises five divisions:

1. Regional Strategy and Coordination division is a dedicated source of regional policy advice and ensures that policy and implementation across government takes into account the needs of regional Australia and reflects advice on local issues. It administers and supports the Regional Development Australia network, leads the department's engagement with state, local government and regional stakeholders and facilitates a range of place-based development activities to assist regions in economic transition.
 2. Local Government, Territories and Regional Programs division delivers community infrastructure programs to support growing and changing communities, as well as Financial Assistant Grants to local government. It provides policy advice to Australia's self-governing and non-self-governing territories. It also provides advice to the Australian Government on matters relating to local government.
 3. Office for the Arts division provides policy advice and administers programs to support Australia's arts and cultural sector.
 4. Office for Sport division provides policy advice to the Minister for Sport and supports the Australian Government's policy objectives to increase all Australians' participation in active recreational activities, to use sport as a means of social inclusion and to build stronger communities. It also works with a range of government and non-government stakeholders to strengthen sporting pathways, ensure Australia's continued success in international competition, and provide support for the hosting of major sporting events.
 5. Corporate Services division delivers the department's financial, information technology, human resources, legal, governance and communication services.
- The department's 586-strong workforce is well educated with 65% (2011–12) holding a bachelor's degree or higher. There is a fairly even gender distribution, with 46% male, and 54% female at senior levels, and 36% male and 64% female across the entire department.

DRALGAS maintains a regional presence with 20% of its workforce distributed across 23 locations in Australia including Christmas and Norfolk Islands. A total of 80% of its workforce is in Canberra.

In 2011–12, the department oversaw:

- \$41.18 million in administered income, which largely related to services provided to the non-self-governing territories, interest on loans to state and government territories, and royalties from the Christmas Island Phosphate Mine
- \$3.6 billion in administered programs, which included payments under the Local Government (Financial Assistance) Act 1995, services to the Australian territories, support to arts, culture and sports, and payments to portfolio agencies
- \$8.9 billion in administered assets, which included loans receivable, cultural and heritage assets, and property, plant and equipment items
- \$25.94 million in administered liabilities, which included supplier and grant payables, Indian Ocean Territories staff provisions, an asbestos removal provision, a Christmas Island Phosphate Mine rehabilitation provision and MV Tycoon removal provision
- \$115.49 million in departmental appropriation.

3. Summary assessment



DRALGAS has a strong focus on capability, having built new policy and corporate areas from scratch and continuing to refine and enhance capability in its existing work areas. Its focus on delivering outcomes, on fostering a strong internal culture and on its commitment to external collaboration provides the department with a strong base for continued capability development.

A common theme articulated to the review team, from internal and external stakeholders, is that DRALGAS, as a new department, has faced many challenges in building core organisational systems and processes. While the review team observed and discussed the impacts of these challenges, it also notes that despite them, the department's strong culture has allowed it to ably respond and move onto the next stage of its maturity, often compensating for the void created by its lack of mature systems and processes.

A feature of this portfolio is that both principal Ministers know their policy areas well, have strong reform agendas, and are very familiar with their relevant constituencies. This strong portfolio direction requires DRALGAS to be highly responsive and agile, to both respond to its Ministers' expectations and to simultaneously develop organisational capability.

The department has capability strengths in many aspects of its operations, which can largely be credited to the Executive's leadership capabilities, and the confidence, conviction and commitment of its employees.

The Secretary's leadership is highly regarded by internal and external stakeholders. The Secretary and the Executive Board have brought together functions from across government to form a new department and have developed a cohesive narrative to join these functions into a strategic whole.

The SES works well as a united group, with a real sense of collaboration and common purpose, sharing information and redirecting funds and staff as priorities change.

This commitment to collaboration extends outside DRALGAS, with many external stakeholders citing the department's approach as refreshing, genuine and supportive. The department's relationship with its closest delivery partners, its portfolio agencies and most Regional Development Australia Committees, is strong.

DRALGAS has a solid record of innovative productivity improvements across its work, some of which are in response to resource constraints. The department's strategic plan has also formalised its approach to fostering innovation, which is designed to embed innovative activity within and across the organisation.

DRALGAS is committed to developing a solid evidence-base and a strong analytical platform to support its policy arguments. Examples include its creation of the Regional Economics and Infrastructure Policy branch, creation of the Internal Economic Evidence Committee (to support policy development across the department), and funding of the Regional Australia Institute (to provide an independent source of regional information and policy advice).

Financial management and budgeting behaviours, at departmental level, appear strong and are well regarded externally, even as many corporate-enabling processes are still a work in progress.

In regard to business planning, DRALGAS has encouraged a line-of-sight from departmental outcomes through to divisional and individual work plans. It has also adopted a high-quality framework for individual performance management.

DRALGAS has acknowledged a number of challenges in developing its capability, including its:

- establishment as a new department, with functions transferred from other agencies without adequate assistance for start-up costs
- requirement to perform a new whole-of-government coordination role, typically found in central agencies, to ensure regional input on all Cabinet submissions, budget proposals and significant whole-of-government policies
- machinery of government additions of arts and sport functions which significantly altered its functional and staffing profile, nearly doubled its size and increased its operational complexity through additional shared services arrangements
- subsequent need to recast departmental strategy, collaboration and delivery models at a time when the department was ready to transition from its start-up phase to embed and mature its systems and processes
- loss of key expertise that remained with previous departments.

As with other government agencies, DRALGAS has been required to carefully adjust its resources in response to the constrained fiscal environment. The department achieved this during 2011–12 through a functional review and prioritisation of activity, restructures and downsizing. To achieve 2012–13 targets, this process is continuing which presents some operational challenges as Ministerial expectations grow and DRALGAS tries to balance its desired outcomes with its reduced resources.

The review team observed capability challenges for the department resulting from machinery of government changes:

- When a new department is established, there are high expectations of policy and program reform in the early days. The very act of creating a department carries with it huge management challenges in meeting the government expectations while building the new organisation.
- As a newly established department, DRALGAS did not have accumulated capital reserves on which it could draw to address necessary process and systems compatibility issues and integration. This has resulted in the department operating across multiple platforms and systems. The lack of a single information and communications technology (ICT) platform presents significant costs and risks for DRALGAS, as it now uses systems located on the ICT platforms of four external departments. Communications, reporting, human resources and financial management are less than satisfactory and result in decision making based on imperfect or unavailable information and time wasted on workarounds. ICT resources are focused on workarounds, consuming time and resources which could be devoted to innovation and service improvement.
- Sometimes, there is a reluctance to transfer high-performing staff who would be of benefit to the new department and some staff transferred may not always have requisite skills.
- There has also been a loss of critical functionality, such as the inability to transfer the asset management system for the territories function, created by the Attorney-General's Department at some expense, due to systems incompatibility.
- The true financial and productivity costs of Machinery of government changes need to be recognised.



Despite these challenges, DRALGAS is achieving results because of the commitment of its staff to deliver outcomes for its Ministers, partners and stakeholders. The department has also reconsidered the way it operates and staff are focused on approaching their work in innovative ways. However, relying on dedicated staff and incremental business improvement alone may come at the cost of sustainable long-term operations.

The overall impression of the review team is that DRALGAS is operating effectively under challenging circumstances. However, given the current stage in the department's development and its continuing challenge to match expectations with capacity, there are opportunities to further develop capability to enhance future performance. It is evident that the department is already aware of most of these opportunities but that its capacity to implement them has been affected by available time and resources.

With this in mind, the review team observed the following areas for capability improvement, for the department's consideration:

Clarity of focus

Vision and purpose

The department's new mission statement 'Building a stronger, creative and liveable Australia' is deliberately broad, to encompass all of its aspirations. However, it was reported to the review team that this breadth does not always provide those outside DRALGAS with a clear understanding of the department's focus, particularly with its role in regional Australia. Similarly, standing alone, the mission statement does not provide staff internally with a galvanising call to arms to drive their decisions and behaviour.

One suggested approach, which may help foster greater internal alignment between divisional and departmental outcomes and provide greater relevance to key customers/stakeholders, could be to develop subsidiary strategic purpose statements to bridge the gap between the high-level mission and divisional plans.

As resources continue to be constrained, the capacity for staff to maintain existing activities at current levels will become increasingly difficult. While some commented that DRALGAS may benefit from narrowing its focus to match its constrained resources, the department nonetheless has a wide brief from the Government and a demanding schedule from its Ministers, so any significant narrowing appears problematic. Notwithstanding these challenges, improved clarity of vision and strategic priorities, as well as devolution of decision making, should assist staff to understand what success looks like and make choices about how to deploy time and resources on activities of higher value.

This could be assisted by introducing a greater level of precision in what and how departmental success is measured. Current measures are not highly specific and the process for measurement appears subjective. Clarification of outcomes to be measured and a system for measuring these would give confidence to internal and external parties that DRALGAS is achieving its objectives.

Customer service delivery

It is evident that the department's first priority is to deliver the Ministers' policy agenda, which it does through various channels. DRALGAS leverages its relationships with partners and others to achieve the purpose of 'Building a stronger, creative, and liveable Australia'.

DRALGAS needs to define its customers—are they partners, stakeholders, citizens? If partners are one customer group, the review team observed various ways the department engages—through specialist desk officers; specialist branches; support officers in the field; meetings with senior staff; and regular access at many levels inside the department. While all staff who engage with partners share a common approach, such as openness, responsiveness, brokerage and providing practical assistance, the service delivery model is intuitive, modelled on the Secretary's behaviour. This approach is widely regarded as a strength of the department. To ensure it continues, DRALGAS would benefit from formalising its customer service delivery strategy.

While it is unlikely that a one-size-fits-all delivery model will suit the unique demands of the department's customers and operating environments, there are likely to be aspects of its approaches that represent better practice and could be adopted across divisions. Key considerations in this process would be the link between strategic objectives and values, as well as customer expectations, relationships between service elements and key performance measures.

Focus on future workforce capabilities

Employee motivation and morale

While there is a strong sense of commitment across all levels within DRALGAS, some employees below the Senior Executive Service (SES) have suggested that morale is diminishing, a result of the expectation to work longer, harder and under significant pressure to maintain the current level of output with little opportunity for respite. This presents a significant risk for sustained productivity in the longer term.

Some SES are concerned about the current expectations on staff becoming 'business as usual' and also about maintaining staff morale and the potential negative impacts of change fatigue on particular staff. Other SES feel that staff motivation and morale is generally high in most divisions and that the workforce, having previously and consistently demonstrated resilience, has a continued capacity to deliver priority outputs. This was not confirmed by feedback to the review team or data from the 2012 State of the Service employee census (refer to page 20). Responses to the census also show a considerable divergence between more positive SES ratings and lower Executive Level (EL) and Australian Public Service (APS)-level ratings.

While some SES Band 1s have acknowledged their critical and constant requirement to maintain morale within their branches, there is an opportunity to do more. EL staff spoke to the review team about the need for better communication: 'knowing what is going on, and being listened to'. The early work that is underway to improve internal communications should continue, with a particular focus on improving the flow of information from senior levels to the rest of the department. Other strategies already in place in pockets of the department could be leveraged throughout. These include providing employees with a mix of short and long-term projects as well as ensuring they are given adequate opportunities for leave and genuine recognition for their efforts.

As departmental systems and processes mature, human resources metrics may be able to assist outside the staff survey cycle in identifying particular areas or patterns of concern to present more opportunities to tailor staff management strategies.

Skills to deliver



Some internal comment suggests that, in its early days, DRALGAS was able to recruit experienced staff and develop capability in key areas such as policy development and coordination. Other feedback suggests that some staff received through machinery of government changes may not always have the requisite skills to meet the requirements of the department.

There has also been significant comment that the department's policy development capability is variable and resides within a few key senior staff. Feedback from Ministers indicates that DRALGAS is progressing their agendas. The Ministers, and others inside and outside, consider that at this point in the department's development it needs to further strengthen its policy advising functions in all areas. This will include improving influencing skills, which will involve some areas transitioning from a program delivery to a policy development focus, and may involve transferring some program functions to portfolio agencies.

DRALGAS is aware of the need for this transition and acknowledges the need to reshape the role of its regional staff from a program management focus to a higher-order engagement, negotiation and policy development role. Such reshaping will be complex given the starting point and when completed there will need to be a capability assessment of staff in these areas against the new role definitions.

Reliance on key staff was a regularly raised concern, in the context of policy development (specifically a handful of solid policy developers at SES level) and in relation to some key EL2s with subject-matter expertise. More work is needed to develop a solid base of EL1s who can fill EL2 roles. This is of particular concern in a time of downsizing, where it is difficult to recruit from outside the department.

Some external stakeholders commented on the impact of movement within the SES on relationships and business continuity. There is a sense that workforce agility is not supported by adequate measures to manage and transfer corporate knowledge and to enable seamless business continuity.

DRALGAS has taken some early steps in formalising its process for skills development with the introduction of the new Learning and Development Framework. This framework has been well received, but it is too early to tell if it will be enough to bridge all capability gaps. The department would benefit from formalising its understanding of skill gaps as part of the individual performance management process to ensure staff are provided with relevant development opportunities.

Workforce planning

The workforce challenges described above will have significant implications for the department's workforce planning. To date, workforce planning has largely been ad hoc and managed within divisions. The review team notes that DRALGAS has recently prioritised the development of a formal departmental workforce plan, with planning stages due to commence in the concluding stages of this review. The review team notes the critical importance of this work to help address the department's range of workforce planning and reporting challenges.

Departmental management systems

ICT and decision-support improvements

The efficiency of the operation of DRALGAS since its inception has been affected by having multiple ICT systems inherited as a consequence of machinery of government changes. While there is no evidence that these inefficiencies have materially affected the customer-facing activities of the department, it is highly desirable that a more efficient ICT solution, consistent with available resources, be determined and implemented.

Strengthening and embedding corporate strategies

The Corporate Services division has progressively been developing and introducing a suite of corporate strategies and processes. There is still some work to be done to ensure consistent implementation and application of completed strategies, such as individual performance management and business planning. Other corporate strategies are a work in progress, such as the recently launched initiative to improve internal communications. The importance of appropriate change management activities to ensure strategy implementation, including making all managers accountable for their success or failure rather than reverting to the corporate area being made accountable, will be critical to success. Those strategies that are yet to be developed, but should be given priority status, are the workforce plan and customer service delivery.

Innovation and risk

The department's risk management policy is comparable to those of many other agencies. It calls for the identification and mitigation of enterprise, divisional, branch, section and project risks through formal planning, overseen by an internal Risk and Audit Committee. Audits are prioritised based on risk and resources. Internal comments suggest that as workloads increase, and resources decrease, introduction of revamped work practices may be resulting in the implicit acceptance of a greater level of operating risks. DRALGAS may benefit from strengthening its risk framework to more firmly embed risk management into the departmental culture and to ensure that risks are adequately identified, documented, reported and mitigated.

Conclusion

As a new department, DRALGAS has faced significant challenges in building capability. These challenges have been compounded by limited resources due to the current fiscal environment, which is likely to continue. However, by addressing the improvement areas identified in this report, the department will be well placed to build its capability to support the future delivery of its business objectives. The level of dedication, innovation and outcomes focus demonstrated by the Executive Board and staff, will assist DRALGAS to identify, implement and manage the changes required to ensure it operates sustainably into the future.

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.





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

Figure 2 – Rating descriptions

The review team's assessment of the Department of Regional Australia, Local Government, Arts and Sport's capability is outlined in the tables below.





Leadership

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

Strategy

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

Delivery

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



4.1 Leadership summary

Set direction

- The SES works well as a united group, with a real sense of collaboration and common purpose.
- The Secretary's leadership is highly regarded, both internally and externally.
- The Secretary and the Executive Board have succeeded in integrating a disparate range of functions into a single department with a coherent strategic narrative.
- The Executive Board has demonstrated an ability and willingness to make tough decisions.
- The department may benefit from further articulation of its strategic intent to stakeholders.
- The Executive Board has acknowledged and responded to challenges related to internal communications. There is still room for significant improvement.

Motivate people


- Staff exhibit commendable levels of confidence, conviction and commitment to their work.
- Some staff appreciate the opportunities afforded by this department to perform a diverse range of challenging work and are encouraged by seeing how they influence the delivery of government outcomes.
- There is some evidence that non-SES staff are under considerable pressure and, while committed to the purpose of DRALGAS, are showing signs of low morale.
- A key challenge will be to maintain current levels of commitment and enthusiasm through uncertainty of the department's future and any resource tightening.

Develop people

- DRALGAS faces a range of workforce challenges related to its broad remit and the relevant skills and expertise it requires, exhibiting a heavy reliance on some staff, a lack of succession planning options and a need for greater staff development.
- The department has a lack of processes to ensure corporate knowledge is adequately transferred, which may affect relationships and business continuity.
- Policy development expertise is variable and resides within a few key senior staff.
- DRALGAS is cognisant of most of its workforce challenges and has taken steps to plan for, and develop, its capability in this area.
- The department's performance management framework is comprehensive, although it would benefit from better consistency of application across divisions, including a commitment to specific and tailored key performance indicators, to ensure accountability.

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

Set direction

Guidance Questions		<p>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?</p> <p>2 Does the leadership work effectively in a culture of teamwork, including working across internal boundaries, seeking out internal expertise, skills and experience?</p> <p>3 Does the leadership take tough decisions, see these through and show commitment to continuous improvement of delivery outcomes?</p> <p>4 Does the leadership lead and manage change effectively, addressing and overcoming resistance when it occurs?</p>
Rating		Well placed

The Secretary's leadership is highly regarded internally and externally. The Secretary has created a highly collaborative SES culture, through regular all-SES meetings, and other avenues, on which the department prides itself. The SES works well as a united group, with a real sense of shared commitment.

The leadership team has taken great efforts to welcome and integrate all areas of DRALGAS, which includes the creation of a single, high-level, mission statement 'Building a stronger, creative and liveable Australia' that encompasses what were previously disparate areas of government. The department's regional Australia, local government and arts and sports functions have come together under the banner of empowering communities to achieve social, cultural, sporting and economic dividends.

There are some disadvantages to relying on the mission statement alone and DRALGAS may need to define more clearly the purpose of each of its key areas, with additional subsidiary strategic purpose statements to embrace the regional, arts, sports, local government and territories functions. This additional detail would help to align the department's internal focus, be more inclusive of partner interests, and inform partner perceptions of the department's intent. While some staff can articulate and clearly identify with the department's mission, others feel it lacks meaning, is too broad and that there is a notable absence of a reference to regions.

Many external sources were positive about the department's regional aims or priorities, however some perceive DRALGAS to only be reactive to emerging issues. Further articulation of the departmental mission and strategic intent may reinforce the department's purpose in government and the outcomes it strives to achieve. The release of the foreshadowed regional policy statement may be particularly helpful in this regard.


There may be some benefit in DRALGAS considering the addition of subsidiary strategic purpose statements to provide a clearer and more practical sense of purpose and to improve the current line-of-sight for staff to see how their work is contributing to departmental goals.

Since the department's inception, the Executive Board has demonstrated its ability and willingness to make tough decisions. Examples range from the department's restructures to its rounds of downsizing. Some evidence suggests that it has been difficult for a number of these decisions to be followed through in the context of reducing activities, and there may come a point where DRALGAS is asked to deliver beyond its capacity.



In response to staff survey feedback, there have been improvements to internal communication mechanisms, such as the Secretary's regular all-SES meetings. DRALGAS is also formalising an internal communication strategy, which aims to strengthen communication between the SES and other levels. Currently, communication from the SES to the rest of the organisation relies upon regular written communications (for example the Secretary's weekly emails) and a cascading model from SES to their staff. Feedback suggests that this model is more successful in some divisions than in others. These observations are supported by the responses to the question in the 2012 State of the Service employee census—'Internal communication within my agency is effective'—where 63% of the SES answered in the affirmative, only 28% of EL respondents and 34% of APS respondents (DRALGAS average 32%; APS-wide average 39%).

Motivate people

Guidance Questions		<ol style="list-style-type: none"> 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? 2 Are the leadership visible, outward-looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders? 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? 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?
Rating		Development area

The confidence, conviction and commitment of the staff within DRALGAS are evident. Despite experiencing many changes and increasing work pressures, staff dedication remains high, a result of the workforce's passion to achieve positive outcomes for communities. The Secretary is an exemplar of a way of relating to others, which is received very positively by those who come in contact with the department. Staff in DRALGAS seek to emulate the Secretary's approach, which encompasses the elements of respectfulness, integrity, openness, fairness, equal relationships, collaboration and meeting the department's mission.

All areas of DRALGAS are unified in their desire to deliver the results intended by their Ministers and the Government's agenda. Separately and, as a result of their history, both the Office for the Arts and the Office for Sport have strong individual identities embodied by staff. This does not seem to be at the expense of, or preclude, the development of a shared departmental identity. While it is possible to craft persuasive rationales to locate these offices in other departments, staff in these areas can see how their work has the ability to strengthen regional Australia. Staff appreciate being involved in a department where they have the opportunity to help shape departmental narrative while delivering positive outcomes together on behalf of the Government.

Some staff appreciate the opportunity to perform a diverse range of challenging work and are encouraged by seeing how they influence the delivery of government outcomes. A challenge

will be to maintain the current level of enthusiasm with tightening resources and staff uncertainty about the department's future. As departmental systems and processes mature, human resources metrics may be able to assist in identifying particular areas or patterns of concern.

While there is a strong sense of commitment across all levels within DRALGAS, some employees below the SES level have suggested that morale is diminishing, a result of the expectation to work longer, harder and under significant pressure to maintain the current level of output, with little opportunity for respite. This presents a significant risk for sustained productivity in the longer term. While some SES are concerned about morale, others consider that staff motivation and morale is generally high in most divisions and that the workforce, having previously and consistently demonstrated resilience, has a continued capacity to deliver priority outputs. Both internal comments and responses to the 2012 State of the Service census show that there is a significant gap between perceptions of SES and other staff. Some examples include:

	APS-wide average	DRALGAS average	DRALGAS APS 1-6	DRALGAS EL	DRALGAS SES
	%	%	%	%	%
My agency motivates me to help it achieve its objectives	47	35	36	30	63
In general, employees feel they are valued for their contribution	45	35	35	31	75
In my agency, senior leaders engage with staff on how to respond to future challenges	40	37	38	31	75
In my agency, communication between senior leaders and other employees is effective	38	37	37	33	88

Given this disparity, urgent remedial action is required, including to identify areas where these problems are most acute.

The Executive Board and enabling areas of DRALGAS actively seek feedback from staff through staff surveys and informal channels, and respond to this feedback. This has been demonstrated by their willingness to address the issues raised by SES Band 1s regarding information flow from the Executive, and was rectified by introducing regular stand-up sessions with the Secretary. More work, however, is needed to improve communication to non-SES employees. The corporate area has also demonstrated its commitment to improving services by changing the performance management process to make managers more accountable for outcomes and increase transparency for staff.

Successes and achievements are celebrated in various ways. Some examples include the Secretary's regular praise for positive outcomes in formal and informal communications with all staff, managers acknowledging good practice in their staff in a timely manner, the recent annual report highlighting many personal and team achievements, and the Australia Day awards. There is potential for more to be done in this regard.

Develop people



Guidance Questions		<p>1 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>2 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>3 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>4 How do you plan to fill key capability gaps in the organisation and in the delivery system?</p>
Rating		Development area

The strategic plan notes the department's continuing focus on staff development to meet its current and future business needs. DRALGAS has acted in response to the learning and development skills gaps identified through its staff survey and is rolling out its Learning and Development Framework, targeted at developing course offerings across leadership, core public service and technical skills.

DRALGAS currently faces a range of workforce challenges. Its broad remit requires both strong generalist staff skills and deep expertise; these skills are variable across the department with key expertise often residing with key senior staff. Accordingly, DRALGAS has both to increase its generalist policy skills to a high level and to increase the number of staff with high level of knowledge of specific areas.

Staff received through machinery of government changes, or moved internally between restructured areas, do not always have the appropriate skill sets for their current roles. The presence of staff in regional areas is a positive, but with the higher expectations of the department's regional engagement these positions are critical to future capability. In addition, the department is partially managing a reduction in its budget through careful monitoring, at the highest level, of recruitment activities, and an overall reduction in staff numbers, which has required existing staff to be across a broader range of work.

The result has been a heavy reliance on staff with key expertise, a lack of succession planning options, and the need for greater staff development. DRALGAS aspires to manage these challenges through greater emphasis on on-the-job training, centralisation of learning and development functions, significant restructures and strategic staff movements.

Internal comments noted that staff reductions, restructures and lack of developed knowledge management systems have hampered the department's ability to seamlessly transfer corporate knowledge and have created significant key staff risks. The development of appropriate knowledge and client management processes, including warm handover to successors, may assist DRALGAS to mitigate these risks and support business continuity, stakeholder management and continuous improvement initiatives.

The department's performance management framework is comprehensive, with performance ratings based upon behaviour and outcomes. It is intended that individual performance agreements maintain a clear line-of-sight to the relevant divisional plan and strategic plan, but it is not evident that all staff have found this to be the case. There is evidence that the effectiveness of performance management was affected by the variable application of the framework across different work areas and by the quality of communication with staff generally.

Results from the State of the Service employee census 2012 indicate more work is needed to consistently embed individual performance management processes. For example, the DRALGAS response to the question 'To what extent do you agree that your most recent performance review will help you improve your performance?' was 40% positive (APS average 48%), and there may be a need for more support for supervisors, particularly those at lower levels.

The department's corporate area has recently developed a new performance management process. The next step will be to ensure this change is appropriately managed and the new process is uniformly applied across DRALGAS.

Internal comments often mentioned the strength DRALGAS gains from having a mix of staff with diverse backgrounds (from central agencies, federal, state and private sector). This has helped to bring different perspectives to the department and helped to build and maintain relationships with various stakeholder groups.

Internal comments suggested that EL1 capability needs to be bolstered across the board, as skill gaps at this level have a significant flow-on impact on work undertaken by EL2 and SES staff. There were also frequent comments about a gap in internal staff who are ready to transition into EL2 roles.

DRALGAS is keenly aware of its need to do more to develop and plan for its future workforce. As such, the Executive Board has moved forward its schedule to consider the development of a workforce plan. The workforce plan will be a critical document to help the department consider and mitigate its workforce capability risks.

The department recognises the need for succession planning, talent management and other elements of effective workforce planning and has already initiated action to put the appropriate building blocks in place to address this challenge. These initiatives are in their infancy but, if implemented effectively, DRALGAS will be well placed to improve its capability in this area.



4.2 Strategy summary

Outcome-focused strategy

- The department's Strategic Plan 2012–15 reflects the needs of a maturing organisation and links enterprise strategies with work areas.
- Development of separate regional, arts, sports, local government and territories subsidiary strategic purpose statements—to sit beneath the broad, inclusive departmental mission statement—could help foster stronger internal alignment with outcomes and provide greater relevance to key customers/clients.
- Discretionary branch and section planning across DRALGAS may inhibit line-of-sight. The department may wish to consider formalising branch planning processes.
- Some corporate strategies are works in progress or not in place. DRALGAS should continue to develop and strengthen these strategies to assist with day-to-day operations. The workforce plan and customer service strategies should be given priority.
- Some measures of success are not highly specific or easily measurable. The process for measuring these could be strengthened or made more transparent as it is unclear and appears subjective.

Evidence-based choices

- DRALGAS has articulated a clear commitment to develop a solid evidence-base and a strong analytical platform to support its policy arguments.
- Stakeholders have complimented the department's use of external research results and data sources, and indicated DRALGAS has improved in this area, but needs to continue to develop its capability.
- The department has supported the development of policy advice through other areas, for example by funding the Regional Australia Institute.
- DRALGAS has established the Regional Economics and Infrastructure Policy branch and internal Economic Evidence Committee to lead the department's internal approach to gathering and using data.
- DRALGAS is aware it needs to expand its pool of policy expertise and is focused on developing capability through on-the-job training and a new internal policy training course.


Collaborate and build common purpose

- The department has built impressive capability to engage and work with its partners across jurisdictions, particularly in relation to regional matters. Its approach has been described by some external sources as genuine, refreshing and supportive.
- DRALGAS is vigorous in pursuing its Ministers' policy objectives, particularly with respect to regional policy issues, but needs to improve capability to be considered fully effective in all Australian Government forums.
- Relationships with portfolio agencies are open, trusting and productive, although there is an appetite for more information about whole-of-government developments.
- The department's service delivery model is strong, albeit informal, and modelled on the Secretary's behaviour. To retain this strength, DRALGAS needs to define its customers and formalise its service delivery model.

- The department has not yet succeeded in gaining unqualified acceptance across government of its whole-of-government policy role or of the effectiveness of its execution of that role.

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

Outcome-focused strategy

Guidance Questions		<p>1 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>2 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>3 Is the strategy kept up to date, seizing opportunities when circumstances change?</p> <p>4 Does the organisation work with political leadership to develop strategy and ensure appropriate trade-offs between priority outcomes?</p>
Rating		Development area

The department's Strategic Plan 2012–15 was released on 14 September 2012. This plan evolved from the agency's inaugural Strategic Plan 2011–12 to reflect the needs of a maturing organisation, encompass additional functions transferred into DRALGAS through a machinery of government change, and to more clearly link enterprise strategies with functional areas.

The current strategic plan outlines common aspects that encompass all of the department's work, with a broad purpose statement that links its work across arts, sports, territories, local government, and regional policy areas. While annual divisional plans provide a further level of aligned strategic detail, with key deliverables included in attached action plans, there remains a gap between divisional plans and the department's mission statement. The development of separate regional, arts, sports, local government and territories strategic purpose statements, to link and cascade the department's current mission statement, could help to foster stronger internal alignment with outcomes and provide key customers/clients with greater relevance. The release of the foreshadowed regional and cultural policy statements may be particularly helpful in this regard.

A clear line-of-sight is intended between individual staff roles and both the divisional and strategic plans. Managers have discretion to develop branch and/or section plans, which are only used in some areas. The addition of mandatory branch plans would further assist line-of-sight, by providing staff with greater detail of how their work contributes to divisional and ultimately departmental goals.

Corporate strategies (such as, workforce planning, customer service delivery, internal communication) are in some instances immature, a work in progress or not in place. DRALGAS is systematically working towards delivering these strategies to assist with day-to-day operations.




Measures of success in the strategic plan are high-level and linked to Portfolio Budget Statement outcomes (which are also included in the strategic plan). Similar to the department's key performance indicators, some measures of success are not highly specific or easily measurable; the process for measuring these is unclear and appears subjective. DRALGAS could enhance its ability to accurately measure and report on outcomes through making its process for tracking measures of success more specific and transparent where possible.

The department's current strategic plan notes the importance of 'exemplary service delivery for our customers'. The review team notes that while many of these are informally in place, DRALGAS has yet to define its customer service delivery strategies. These may describe the way it engages with its various classes of customers, one of which is likely to be its partners. The department's approach to partner engagement is widely regarded as a strength, and it needs to be formalised to ensure it continues.

The agency works closely with its Ministers to identify and provide them with updates on priority areas and relevant strategies, including resource allocation. DRALGAS is aware of its Ministers' focus and is responsive to their agendas.

Evidence-based choices

Guidance Questions		<ol style="list-style-type: none"> 1 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? 2 Does the organisation ensure that vision and strategy are informed by sound use of timely evidence and analysis? 3 Does the organisation identify future trends, plan for them and choose among the range of options available? 4 Does the organisation evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process?
Rating		Well placed

DRALGAS has articulated a clear commitment in its strategic plan to developing a solid evidence-base and strong analytical platform to support policy arguments. Stakeholders noted that the department has improved its capability to support policy proposals with evidence, though these and internal comments noted there is still some work to be done.

The department's Regional Economics and Infrastructure Policy branch aims to support evidence-based policy. The branch's main role is to assist internal clients to identify, access and use external information to support policy development and decision making. It has also developed and published some initial datasets based on Australian Bureau of Statistics data for the *myregion* website.

Some external stakeholders complimented the department's approach to utilising external organisations to provide research to assist in internal policy development. Stakeholders also noted that the department's data analysis varies greatly depending on the staff involved and can range from a strength to an area for improvement.

A number of internal comments noted that the Regional Economics and Infrastructure Policy branch's resources are not sufficient to meet all of the department's policy needs. This matter has been explicitly recognised as the brief for the branch and includes the provision of advice and support for other parts of DRALGAS to engage specialist external organisations to meet specific evidence requirements. To further address these concerns, the department has recently formed an internal Economic Evidence Committee to help coordinate data use across the agency and to support consistent use. Additionally, DRALGAS has funded the establishment of the Regional Australia Institute to provide an independent source of regional information and policy advice.

Externally, DRALGAS has provided its perspectives into a range of notable whole-of-government policies, across arts, sports and regional areas. External stakeholders have commented that the quality of the department's input can be a product of individuals' ability to advise on policy and influence others, and the time they are able to dedicate to the particular task. Some external comments noted that DRALGAS may be able to have more influence over other agencies' Cabinet submissions if it engaged earlier in the development of the Cabinet submission.

It was generally noted that the department has a small pool of quality policy advisers. The department is aware of its need to expand this pool and is focused on developing staff policy expertise through on-the-job training and a new internal policy training course. Collaboration with other federal government agencies, to identify how they develop policy skills, may help the department to identify additional policy development approaches.

A number of government agencies suggested that DRALGAS may be better placed, with existing resources, to narrow its focus to a smaller number of key policy areas in order to achieve a greater level of impact. Although this approach may help the department to sharpen its focus, such narrowing does not appear to be consistent with Ministers' intentions, where they are both interested in a broad and inclusive policy program.

DRALGAS has strongly promoted local knowledge at the regional level to improve service delivery and set priorities for the relevant government expenditure. At the Ministers' request, the department is focused on strengthening internal policy linkages across arts, sports and regional policy areas.

Internal comment noted that the department's short and long-term policy development is balanced, though long-term strategies are still being developed. In the absence of knowledge of long-term policy directions, external stakeholders regularly questioned if DRALGAS is too focused on short-term policy. More targeted stakeholder engagement from the department regarding its policy priorities and commitment to long-term policy development may help clarify its position externally.

DRALGAS has been responsive to adapt its approach based on feedback—examples include changes that arose from audit findings and staff survey results. Some internal comments have mentioned that the SES communicates the importance of learning lessons to ensure that work approaches continuously improve.

Collaborate and build common purpose



Guidance Questions		<p>1 Does the organisation work with others in government and beyond to develop strategy and policy collectively to address cross-cutting issues?</p> <p>2 Does the organisation involve partners and stakeholders from the earliest stages of policy development and learn from their experience?</p> <p>3 Does the organisation ensure the agency's strategies and policies are consistent with those of other agencies?</p> <p>4 Does the organisation develop and generate common ownership of the strategy with political leadership, delivery partners and citizens?</p>
Rating		Well placed

External comments have noted the department's skill in being able to engage and work with stakeholders across government jurisdictions (federal, state, local). Stakeholders are starting to engage proactively with DRALGAS, as evidenced by the requests by the governments of New South Wales and Victoria for the department's representation at their regional development forums, and other examples of collaborative work in the Pilbara, Tasmania and North Queensland.

External comments noted that the department's approach to collaboration is refreshing, genuine and supportive, which is crucial given its wide remit, similar to a central agency without the additional authority. The exception to this was the territories function, where a number of stakeholders requested greater collaboration and responsiveness.

Most of the department's stakeholder relationships are maturing and becoming more productive. A number of other departments said that while DRALGAS's role is gaining greater acceptance from other departments, some hold the view that it is stepping into the policy responsibility areas of others and that the execution of the whole-of-government role is not yet fully effective. These views will likely change over time provided DRALGAS is able to demonstrate its policy value-add and more clearly and consistently explain its purpose in these policy spaces. There were external comments that DRALGAS has improved the quality of its Cabinet submissions and, on occasion, brings a fresh perspective to discussions in inter-departmental committees.

Federal stakeholders indicated the department's presence in the whole-of-government space is noticeable. This referred to its role in the Cabinet submission process, relevant inter-departmental committees and a range of other relevant forums. DRALGAS is vigorous in pursuing its Ministers' policy objectives, particularly with respect to regional policy issues, but needs to improve capability to be considered fully effective in all Australian Government forums. Some noted that DRALGAS may benefit from taking a more proactive, though still considered and collaborative, approach to convey its policy value. This may help to gain traction, deliver results and increase perceptions of the agency as a key whole-of-government player.

The Office for the Arts and the Office for Sport have mature, collaborative and trusting relationships with stakeholders. These relationships have developed over a long period and stakeholders noted that these offices usually plan and engage early with them.

DRALGAS is aware that it needs a better definition of the role of its regional employees. When this is completed there will need to be a capability assessment of staff in these areas against the new criteria. More communication may also be needed with areas that are not the focus of a current place-based transition initiative, where engagement with the department is less regular. This will help to ensure that value, relationships and perceptions are maintained.

Relationships with portfolio agencies are described as open, trusting and productive. Portfolio agencies all commented that they can contact the Secretary when they need to and meet quarterly as a group. Portfolio agencies broadly commented that they would welcome the opportunity to provide greater input into policy and program development processes, and that their involvement would lead to better outcomes. They also commented that they would like to receive a broader pipeline of information about developments in the whole-of-government space, to fill the information void between their quarterly meetings.

The review team observed that the relationship between the portfolio Secretary and the portfolio agencies is not clearly defined. Improved clarity would be beneficial, particularly on when it is appropriate for the Secretary to be clearer with portfolio agencies about pursuing government policy (for example, regionalisation and setting key performance indicators). The review team notes and supports the proposals contained in the Department of Finance and Deregulation's review, *Is Less More? Towards Better Commonwealth Performance*. This report recommends that 'financial framework legislation could be updated to better support the role of departmental secretaries in assisting responsible ministers with the oversight of portfolio entities'.

The Ministers are highly engaged in the department's work and drive it to achieve greater outcomes, which often touch on many areas of government. The Secretary works closely with the Ministers to identify priorities and manage expectations. DRALGAS has protocols for managing requests from the Ministers' Offices, however, internal comments noted that some areas of the department manage this better than others, and some further work may be needed.



4.3 Delivery summary

Innovative delivery

- There is evidence of widespread innovation across the department's activities.
- Creativity and innovation across disparate areas of DRALGAS have been stimulated through staff coming together from a range of agencies, bringing diverse perspectives.
- The Executive Board is currently driving a concerted effort to put in place a range of formal structures and systems to support the flow of innovative ideas into the future.

Plan, resource and prioritise

- The department has demonstrated a capacity to be agile and use its resources flexibly and has transferred some program delivery functions to portfolio agencies to support this.
- DRALGAS is becoming more strategic in its support of its ministers and their offices, with policy areas becoming more discerning about their policy interventions to have the greatest effect with available resources.
- The financial management and budgeting behaviours at departmental level appear strong and are well regarded externally.
- It has been widely stated that output has not significantly diminished despite substantial resource cuts. DRALGAS needs to ensure that this represents genuine efficiency gains and not just staff working longer hours.

Shared commitment and sound delivery models


- DRALGAS employs a range of delivery models that reflect the needs of diverse business areas. Some are well defined, while others are less structured.
- While, appropriately, a variety of delivery models has developed over time, these are informal and supported by the culture of the department. To ensure sustainability, a formalised service delivery strategy is required.
- The lack of an interoperable ICT platform has impacted on the efficiency of management operations, but does not appear to be impacting on the department's customer-facing activities.

Manage performance

- DRALGAS has the basis of a performance culture and delivers results.
- There is not yet a commitment to hard targets; instead, the department employs a range of mainly generic, qualitative and subjective statements as the basis of its key performance indicators.
- Internal and external audits have not delivered any major concerns or surprises and the department has been responsive in addressing recommendations and sharing lessons across its divisions.
- There is a need to better embed risk management into departmental culture to ensure risks are adequately identified, documented, reported and mitigated and managed at the appropriate level.

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

Innovative delivery

Guidance Questions		<ol style="list-style-type: none"> 1 Does the organisation have the structures, people capacity and enabling systems required to support appropriate innovation and manage it effectively? 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? 3 Is innovation explicitly linked to core business, underpinned by a coherent innovation strategy and an effective approach towards risk management? 4 Does the organisation evaluate the success and added value of innovation, using the results to make resource prioritisation decisions and inform future innovation?
Rating		Strong

There is evidence of widespread innovation across the department's activities. The culture of innovation appears to be strongest in parts of the Regional Strategy and Coordination Division, the Office for the Arts and in Regional Development Programs branch where innovative and incremental process improvements have led to productivity gains.

There is evidence that internal staff movement has helped stimulate creativity and innovation across disparate areas of DRALGAS, particularly as staff have come together from a range of agencies and bring diverse perspectives.

One significant example of the department's innovation is streamlining the delivery model for the Regional Development Australia Fund grants process. This involved a large reduction in staff, and significant program redesign to shift the cost structure to the Regional Development Australia network. The outcome was far greater community engagement in prioritisation and decision making, significant cost savings for funding applicants and positive stakeholder feedback.

DRALGAS has formalised its approach to fostering innovation in its strategic plan by way of its Innovation Champion and Innovation Action Plan. These are designed to embed innovative activity within and across the organisation to address employee perceptions that innovation is something separate from their day-to-day business. To date many staff have not specifically acknowledged their own innovative efforts as such and therefore may not have prioritised sharing, and therefore leveraging ideas across the department.

It has been widely reported that resource constraints and pressures to engage in rapidly evolving policy agendas have necessitated innovative approaches. In particular, the intensifying of Commonwealth involvement in regional activity has led the department to be creative in how it designs its response. DRALGAS needs to be constantly vigilant to ensure the appropriate expertise is available to maintain the emphasis on innovation.

Plan, resource and prioritise



Guidance Questions		<p>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?</p> <p>2 Are delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of the strategic outcomes?</p> <p>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?</p> <p>4 Are delivery plans and programs effectively managed and regularly reviewed?</p>
Rating		Well placed

DRALGAS has done a remarkably effective job of delivering the Ministers' agenda while establishing a new department, managing the subsequent machinery of government changes, and operating within a resource-constrained environment.

DRALGAS has moved on from start-up to its next phase of maturation and now faces the obligation to expand its policy capability. It has already shifted responsibility for some service delivery functions to portfolio agencies and should continue this process, where appropriate, to continue to expand its policy function. Within the department and portfolio agencies there are many examples of good practice (for example, grants, asset and partner management) that could be leveraged to increase the portfolio's capabilities.

A functional review undertaken in the fourth quarter of 2011–12 sought to match departmental objectives with allocated resources. It demonstrated capacity to closely manage resources and take tough decisions. More communication of the outcomes of this functional review is needed, particularly to APS and EL levels, because perceptions exist that changes in resourcing have not always been accompanied by commensurate changes to workloads, deliverables and priorities. It has been stated that output across DRALGAS has not been greatly diminished despite substantial cuts to resources. This reflects efficiency gains resulting from innovative activity, and staff taking on greater workloads and working longer hours. This may be appropriate for short periods, such as during the department's establishment or through periods of substantial change, but it is not sustainable and should not be maintained in a business-as-usual state.


DRALGAS has demonstrated a capacity to be agile and use its resources flexibly, allocating staff to where they are needed most. This has been most clearly demonstrated in the Regional Development Programs branch where resources have been directed from across the agency to manage peak workloads in line with the life cycle of various grants programs.

The department is closely monitoring resourcing and prioritising its push to meet budgets this financial year in a number of ways, including the use of staffing targets which are reliant on natural attrition and judicious recruitment. Associated impacts on branch and section-level planning need to be carefully managed.

There is evidence that DRALGAS is becoming more strategic in its support of its ministers and their offices, with indications that policy areas are becoming more discerning about their policy interventions, to have the greatest impact with available resources. The Secretary has been supportive where there has been a need to engage with Ministers on managing resources and departmental priorities, and conversations have been held to establish priorities, risks and milestones around existing and proposed activities.

Internal and external stakeholders have commented that finances are managed well at departmental level. However, the current dual corporate ICT systems make it difficult to manage resources efficiently.

Shared commitment and sound delivery models

Guidance Questions		<ol style="list-style-type: none"> 1 Does the organisation have clear and well understood delivery models which will deliver the agency's strategic outcomes across boundaries? 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? 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? 4 Does the organisation ensure the effectiveness of delivery agents?
Rating		Well placed

DRALGAS maintains strong relationships with its closest delivery partners, its 16 portfolio agencies and 55 Regional Development Australia Committees. Stakeholders provided positive feedback regarding the department's collaboration and engagement with delivery partners and its support for regional initiatives, especially in areas of regional transition. Staff who engage with partners share a common approach, such as openness, responsiveness, brokerage and providing practical assistance.

DRALGAS has a range of mechanisms in place to support portfolio agencies as delivery agents. These include departmental representation at portfolio agency board meetings, regular meetings between the Secretary and portfolio agency heads and the provision of the Chief Financial Officer's guidance. Some portfolio agencies asked for greater communication from DRALGAS to fill the information gap between their quarterly meetings, particularly on key departmental interactions and APS-wide issues. There has also been general agreement that formal induction processes for chairs and board members across the portfolio would be constructive.

The department employs a diverse range of delivery models to reflect its diverse business needs. Some of these models are well structured, others less so. The Office for the Arts has adopted a customer-focused model, clearly identifying the various cultural institutions comprising the broader portfolio as its customers. The Office for Sport maintains good

relationships with relevant portfolio agencies, through effective engagement at all levels. Delivery across the territories function appears to be variable. It was particularly highlighted that the division is slow to respond to whole-of-government needs in the Indian Ocean Territories, and is the one area of the department where stakeholders requested greater consultation and engagement.

Some external comments noted that Regional Development Australia Committees vary in quality, which presents DRALGAS with a substantial delivery risk. Similar comments also noted the variability of Regional Development Australia Committees to represent the interests of local government and questioned if other local government engagement strategies are required to ensure its input into the department's regional policy advice. Relationships with areas where there are no current place-based initiatives may be better supported by increasing communication and expectation management to ensure positive relationships are maintained.

In supporting external service delivery, DRALGAS uses systems located on the ICT platforms of four external departments. This presents costs and information risks for the department and creates some inefficiency in corporate operations, especially in human resources, financial management, communication and ICT.


The department's initial ICT strategy—including the implementation of modular solutions to be easily transportable to other departments if necessary—was deferred owing to a lack of funding. Consequently, systems are currently operating across four external platforms. A prevalent theme throughout this capability review was the impact of multiple ICT systems on managing corporate information. Examples provided include:

- compromises in the quality of communications, productivity, reporting, effective management and business continuity
- creation and maintenance of local systems, outside corporate solutions, to become immune to machinery of government changes and to improve the quality and availability of their management information
- double-handling of information and difficulty in extracting critical management data where systems are incompatible
- constant negotiations with two departments for the majority of ICT services
- overall departmental needs become a lower priority than the provider's own when competing for service
- inability for departmental ICT staff to focus on value-add activities, as their time is spent on troubleshooting problems associated with systems' incompatibility.

Although the inefficiencies of the ICT systems have impacted on the efficiency of the department's management operations and needs to be addressed, there is no evidence that this has impacted on the customer-facing activities of DRALGAS.

In the current financial environment, any investment in an enterprise solution for the department is unlikely. However, the impact of the above issues, combined with ongoing resource constraints, presents a risk to future capability. The review team considers that the resolution to this problem does not rest solely with this department, but highlights a wider issue for government in ensuring interoperability of essential systems across the APS and the ability to use ICT for service improvement.

Manage performance

Guidance Questions		<ol style="list-style-type: none"> 1 Is the organisation delivering against performance targets to ensure achievement of outcomes set out in the strategy and business plans? 2 Does the organisation drive performance and strive for excellence across the organisation and delivery system in pursuit of strategic outcomes? 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? 4 Does the organisation take action when not meeting (or not on target to meet) all of its key delivery objectives?
Rating		Well placed

External feedback, and the department's annual report, provides evidence that DRALGAS delivers results and has the basis of a performance culture. The annual report shows that the department has met, or is on its way to meeting, all of its targets. However, many of these are qualitative, generic and subjective statements. While there are inherent difficulties in measuring the impacts of some of its business areas, such as policy efficacy, DRALGAS would benefit from strengthening its capability to gauge its own performance by developing more robust indicators to inform decision making and improve outcomes as it matures.

The strategic plan identifies high-level measures of success linked to Portfolio Budget Statement outcomes. Monitoring of progress towards achieving strategic and divisional plans is undertaken by the Executive Board with reporting that tracks key deliverables, key performance indicators and risks by division.

A number of targeted audits on program delivery, financial processes and machinery of government changes have been completed. Most have been supportive, and DRALGAS appears responsive to implementing recommendations. The Australian National Audit Office and other stakeholders have commented positively on the department's response to areas of concern and improvements in the quality of grants management practices.

The internal audit program is clear, well-defined and prioritised. Audits do not appear to have delivered major surprises or concerns. The Corporate Services division is working to ensure that findings from each audit are 'meaningful'—shared across divisions—and incorporated into future work.

DRALGAS has a standard organisational risk management framework in place, which identifies and mitigates enterprise, divisional, branch, section and project risks through formal planning and the oversight of an internal Risk and Audit Committee. Risks are reviewed quarterly and audits prioritised based on risk. Internal comments suggest that as workloads increase and resources decrease, introduction of revamped work practices may be resulting in the implicit acceptance of a greater level of operating risks. While the department's risk management guide provides a process for the consistent management of risk, more work is needed to embed risk management into departmental culture and to ensure that all risks are adequately identified, documented, reported and mitigated and therefore managed at the appropriate level.

5. The department's response



Thank you for the opportunity to participate in the Capability Review process. This has been a valuable opportunity for the new department to take stock and assess our strengths and those areas to direct our attention to as we continue the establishment of the portfolio after a substantial Machinery of Government change in December 2011.

I would like to thank the Senior Review team and acknowledge the collective depth and understanding of the public service administrative experience they were able to bring to the project. This was particularly important to me given the breadth of the portfolio's responsibilities.

Since the Department's commencement in September 2010, we have been able to draw on better practice examples of leadership, governance and strategic planning from other public sector agencies. This presented a unique opportunity to ensure from the start that processes, people and systems would be aligned as much as possible to develop a sustainable, high performing agency with a strong and resilient culture. I am pleased the report acknowledged our ability to put in place, and to continue to develop, those key elements.

Developing innovative ways of doing business has been necessary for us with the Government's revamped focus on regionalism, localism and place-based initiatives. We have taken on a lead co-ordination role for the Commonwealth in this area. Collaboration and engaging with stakeholders was seen as a strength of the Department and the report notes the excellent relationships we have with our partners who cover Commonwealth agencies, all state and territory governments, local government, Regional Development Australia Committees and key stakeholders in the arts and sports areas. This collaboration was seen as refreshing, genuine and supportive and has contributed to the innovative nature of our business.

The Department's executive acknowledges the areas the report highlighted as requiring further capability development, particularly around continuing to keep our people motivated. I'm proud of the confidence, conviction and commitment of staff, as highlighted in the report. I am also keenly aware of the demands that have been placed on staff who have experienced significant set-up and Machinery of Government changes while delivering a substantial agenda for Government. Our Learning and Development Framework, released in late 2012, and the workforce plan, which is currently under development, will be central to continuing to motivate our staff.

Initiatives to address capability development opportunities highlighted in the report will be articulated in our action plan, and progress against this will be reported to the Australian Public Service Commission (APSC).

Glenys Beauchamp PSM

Secretary

Department of Regional Australia, Local Government, Arts and Sport

6. Abbreviations and acronyms

Abbreviation or acronym	Description
APS	Australian Public Service
DRALGAS	Department of Regional Australia, Local Government, Arts and Sport
Executive Board	Secretary, Deputy Secretaries and First Assistant Secretaries
EL	Executive Level employees
ICT	Information and Communication Technology
SES	Senior Executive Service



