

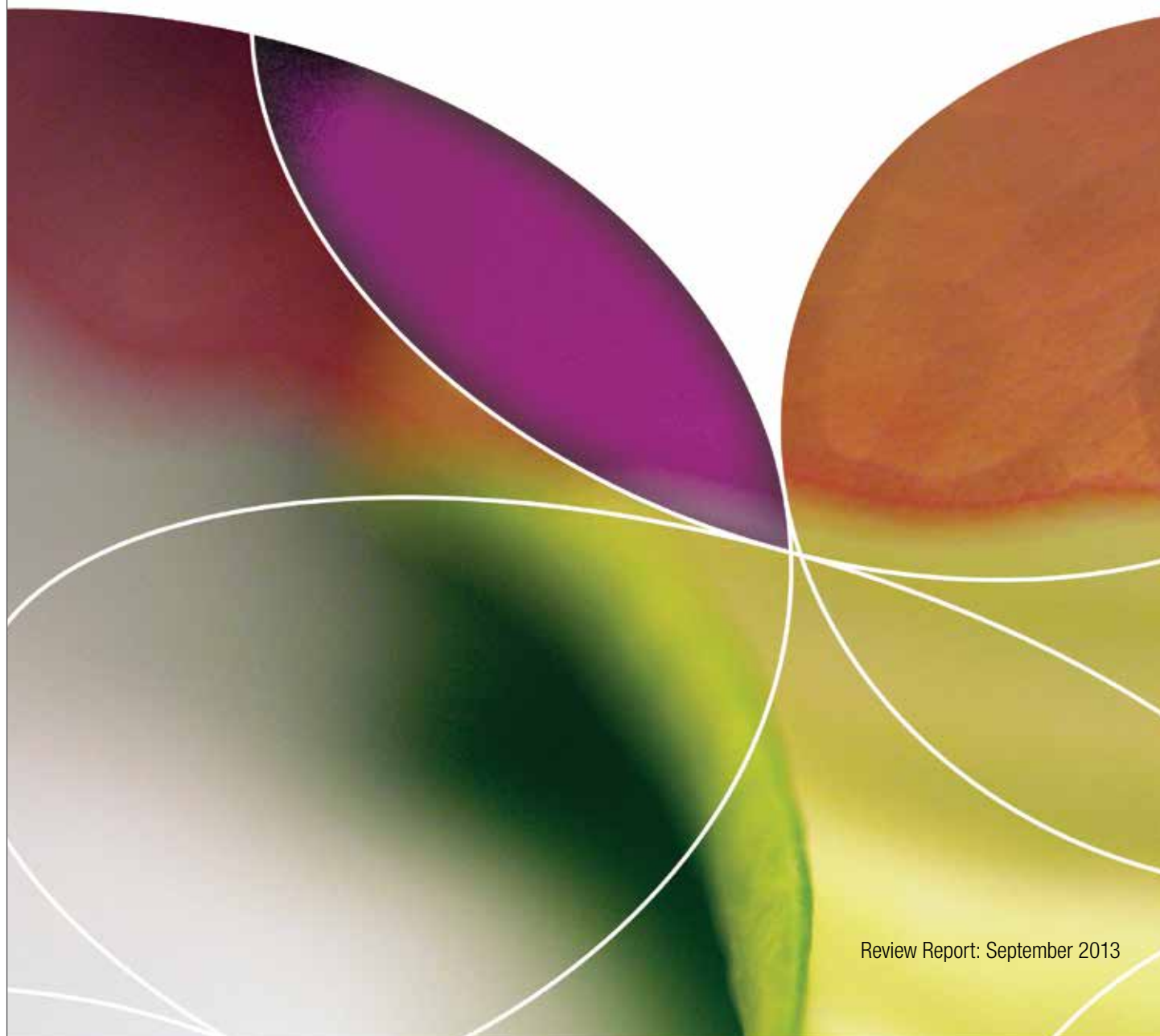


Australian Government
Australian Public Service
Commission

CAPABILITY REVIEW

The Department of Resources, Energy and Tourism

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



Review Report: September 2013



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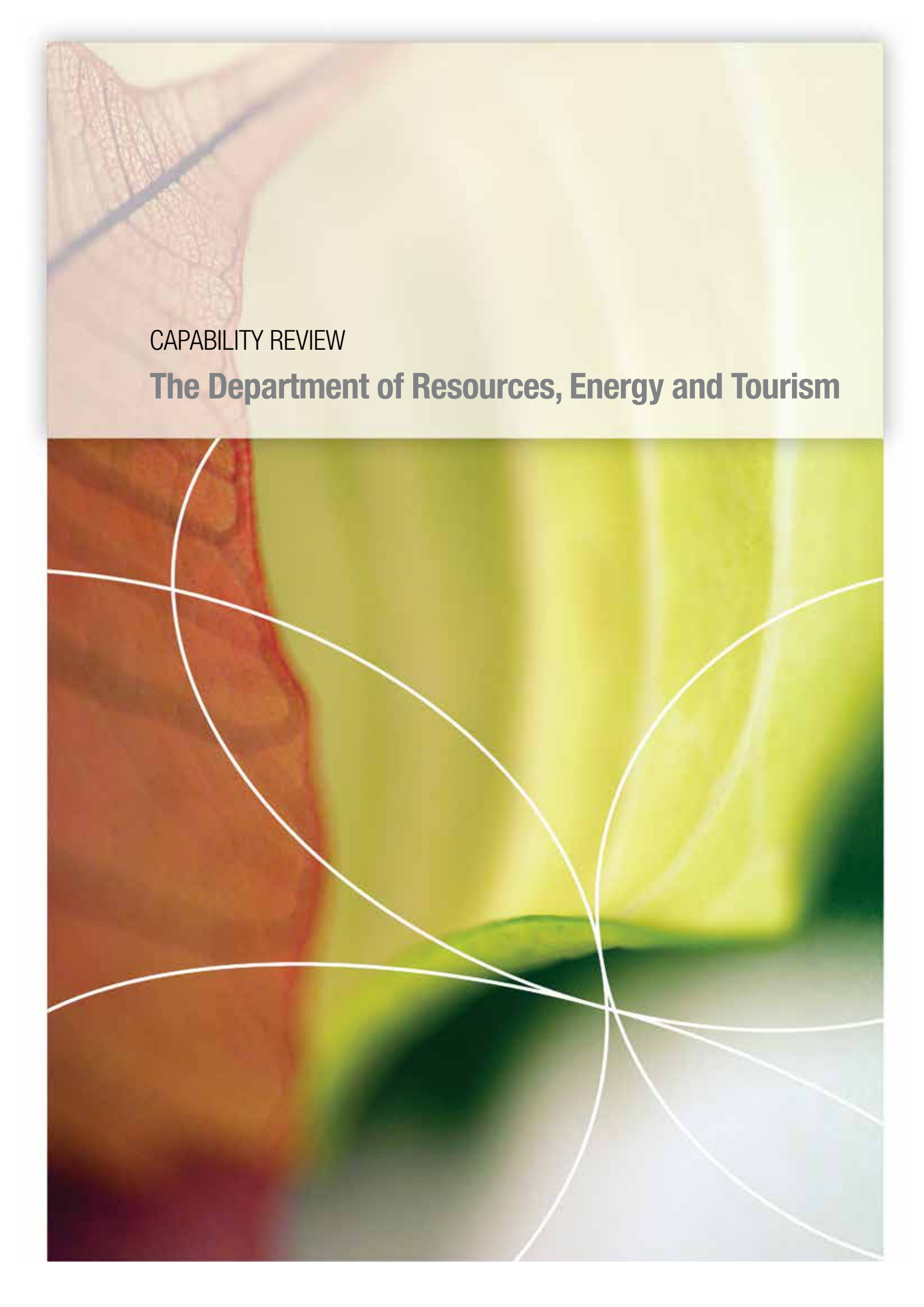
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CAPABILITY REVIEW

The Department of Resources, Energy and Tourism

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 reviews to assess capability in key agencies and to identify opportunities to raise the institutional capability of the service as a whole.

The methodology used by the APSC to conduct these reviews has been gradually refined to more closely reflect the Australian context in which the review program is being conducted.

On the occasion of this review, I would like to thank the department for its professional and enthusiastic participation. All staff who participated in interviews and workshops were generous with their time and displayed great passion for their work.

I would also like to thank Mr Graham Evans AO, the chair of the review team, other senior members of the team, Ms Rachel Hunter, Ms Rona Mellor, and my own team from the APSC who supported and advised them. Once again, this review has demonstrated the advantages of bringing together a team of this calibre.



Stephen Sedgwick AO
Australian Public Service Commissioner



Context

The Department of Resources, Energy and Tourism (RET) provides advice and stewardship on policies and programs which contribute significantly to the Australian economy and to the nation's wealth and wellbeing. In 2011–12, the resources, energy and tourism sectors accounted for more than 15% of Australia's gross domestic product, more than 60% of Australia's export earnings and 40% of Australia's energy use.¹ The sectors will continue to be critical for continued economic prosperity into the future. They will be major drivers of export earnings, gross domestic product growth and, consequently, have major implications for budget revenue. These industries, together with the department, are front and centre of the dynamic policy challenges facing an economy in transition, where changing demands for energy and resources and a need to address the implications of climate change, present ongoing challenges.

In addition to the department's policy and program responsibilities for the resources, energy and tourism sectors, RET is responsible for providing advice to government on cross-cutting issues which have an impact on these industries, including but not limited to productivity and competitiveness, sustainability, taxation, industrial relations, immigration, land use, infrastructure development, Indigenous engagement, and international and federal relations.

The resources, energy and tourism portfolio was established following administrative arrangements orders issued in December 2007 and January 2008. Functions largely transferred from the former Department of Industry, Tourism and Resources, but also from the former departments of Education, Science and Training, and Environment and Water Resources. The Bureau of Resources and Energy Economics (BREE) transferred to the department in July 2011 from the Australian Bureau of Agricultural and Resource Economics located in the Department of Agriculture, Fisheries and Forestry. The Australian Renewable Energy Agency (ARENA)² commenced operation in July 2012 with responsibility for administering committed projects and measures from initiatives formerly administered by the Australian Centre for Renewable Energy and RET. The most recent change to the department's role and structure occurred in March 2013 when energy efficiency functions of the former Department of Climate Change and Energy Efficiency were transferred to the department.

In addition to machinery-of-government (MoG) changes, RET has experienced a number of changes in its senior leadership group. Since its inception in 2007, the department has had four Secretaries, with the most recent, Mr Blair Comley, appointed in March 2013. A second Deputy Secretary joined the senior executive in April 2013.

The review's mandate relates to the current RET structure and responsibilities. This report is therefore written and presented to provide the current Secretary with a forward looking, high-level capability assessment of RET as it currently exists.

However, given the proximity to the federal election in September 2013, and the past history of MoG changes to the department's functions and responsibilities, the review team has considered the possibility of further changes to the department and the continued relevance of the review findings.

Given the review's focus on the high-level organisational capabilities of leadership, strategy and delivery, the review team considers that its findings are equally relevant across the department. The review team believes the future objectives, challenges, and enabling requirements needed to build capability will remain relevant to the resources, energy and tourism policy areas and programs regardless of their departmental location.

¹ RET Annual Report 2011–12, Introduction.

² ARENA draws resources from RET but operates as an independent statutory body. ARENA was considered a stakeholder for the purposes of this review.

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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 RET. It highlights the department's internal management strengths and areas for development 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 take a high-level view of the department's strategic operations. They focus primarily on its senior leadership, but are 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.

The fieldwork for the capability review of RET was undertaken between 1 July 2013 and 6 September 2013.

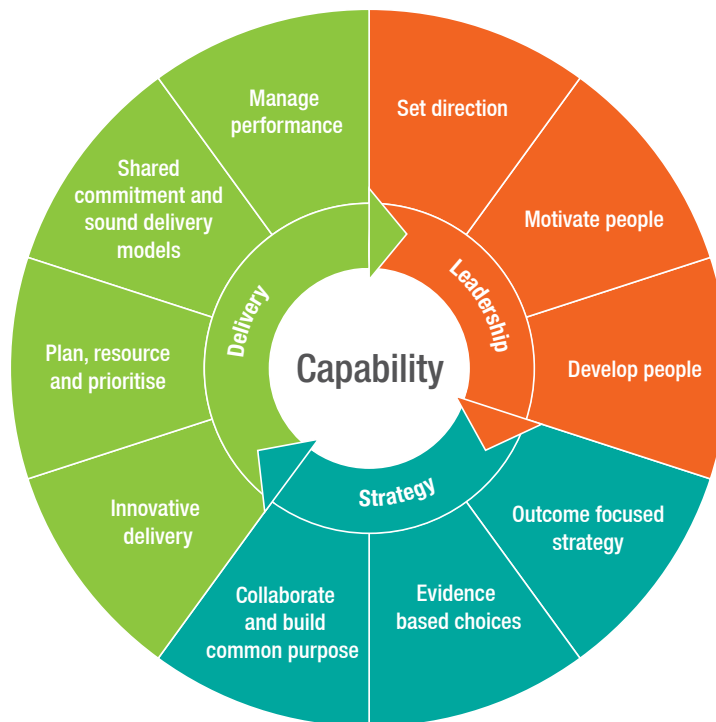


Figure 1—Model of capability

2. About the department

Resources, energy and tourism are important sectors of the Australian economy, underpinning regional development, generating wealth and national income and generating direct and indirect jobs. These sectors are at the forefront of the economic and environmental challenges facing Australia.

RET's portfolio agencies³ include:

- Geoscience Australia
- National Offshore Petroleum Safety and Environmental Management Authority
- Tourism Australia
- ARENA

The department reports to the Minister for Resources and Energy, the Minister for Tourism and the Minister Assisting on Tourism. The total appropriation to the department in 2012–13 was \$819.5 million.⁴

The department's Corporate Plan 2009–2013 describes RET's overarching objective as enhancing Australia's economic prosperity by improving the productivity, competitiveness, security and sustainability of the resources, energy and tourism sectors through the provision of high-quality policy advice and program delivery services for the Australian Government.

The department's strategic direction, as set out in the corporate plan, is structured around five key areas:

1. strategic policy development
2. enhancing productivity and international competitiveness
3. enhancing environmental and social sustainability
4. enhancing national security
5. building organisational capacity

The department has started developing a new corporate plan that will be anchored against the themes of productivity, sustainability and security.

While RET is primarily a policy agency, it has significant program management responsibilities, with approximately 20% of staff directly employed to administer 17 programs with estimated expenditure from 2013–14 to 2016–17 of \$2.4 billion.⁵

The department's policy and program activities involve a significant level of engagement with a wide range of stakeholders, including a number of other Australian Government policy departments and central agencies, industry associations and peak bodies, companies, small businesses, privately and state-owned utilities, and resources and energy regulatory bodies.

RET is actively involved in national policy discussions with the states and territories on resources, energy and tourism matters. The department contributes to national policy reform on resources and energy matters through the Council of Australian Governments (COAG),

³ This review considered the capability of the department and does not include a review of portfolio agencies.

⁴ Department of Resources, Energy and Tourism Portfolio Budget Statement 2013–14.

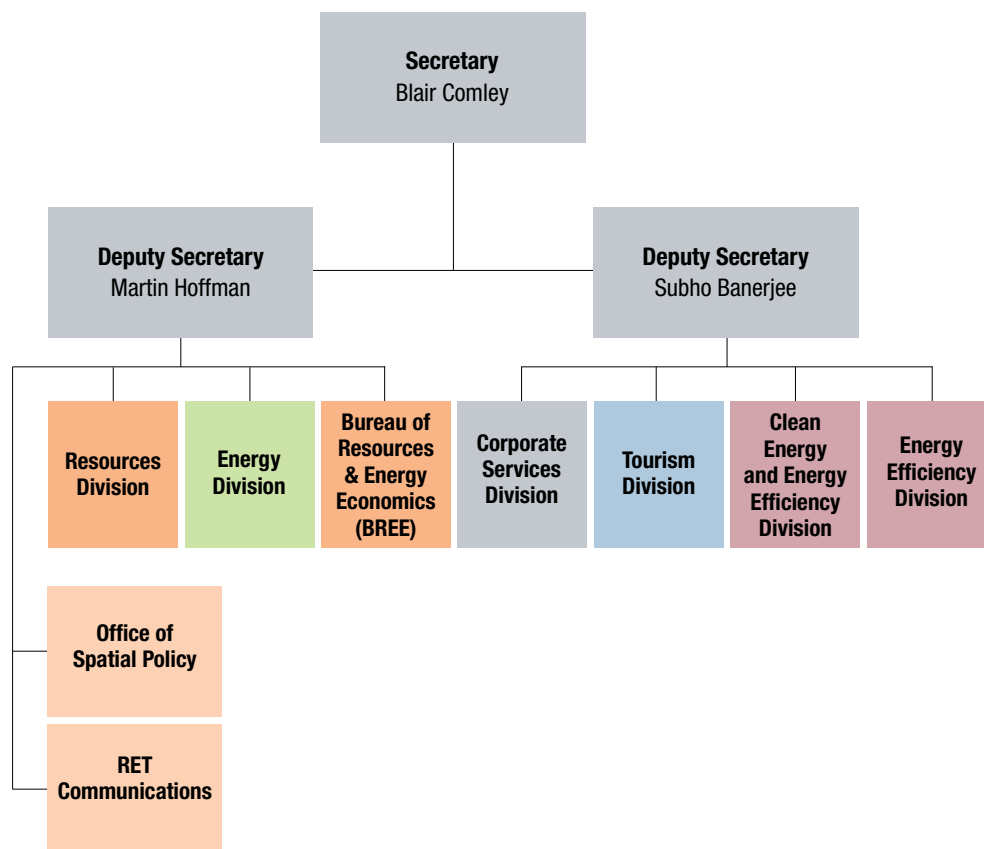
⁵ Ibid.



specifically through the Standing Council on Energy and Resources (SCER) and the Tourism Minister's Council. The department provides the secretariat functions for the SCER, leads key working groups and supports the Minister as Chair.

As of July 2013, the department employed 731 staff, across seven divisions. The department also provides staff and support services to ARENA.⁶

RET's organisational structure and divisional responsibilities are illustrated below.



The role of each of area is listed here:

- **Resources Division:** provides policy and legislative advice, administers legislation and provides administrative support to the government on issues related to the resources sector.
- **Energy Division:** provides policy advice and supports activities in relation to the ongoing development of Australia's liquid fuel, electricity and gas markets and energy security issues. This includes providing secretariat support for the SCER under the COAG.
- **Bureau of Resources and Energy Economics:** an economic research unit which provides independent, high-quality economic research, data, analysis and advice to government, industry and other stakeholders on issues affecting Australia's energy and resource sectors.

⁶ ARENA is an independent Commonwealth authority and a portfolio agency of RET, and staff numbers are included as part of the departmental total.

- **Corporate Services Division:** provides a range of essential services, policy and advice across the department.
- **Tourism Division:** works on a range of tourism policies, projects, programs and research to strengthen Australia's tourism industry, and to grow Australia's tourism market share in a volatile and competitive global market.
- **Clean Energy and Energy Efficiency Division:** provides policy advice and program delivery to support significant reductions in greenhouse gas emissions through enhanced uptake of emerging energy technologies and industrial-scale energy efficiency.
- **Energy Efficiency Division:** develops and promotes energy efficiency policies, programs and regulations, focusing on activities at community and consumer level where there are barriers to cost-effective abatement measures.
- **Office of Spatial Policy:** established within the department in July 2011 and is responsible for facilitating and coordinating spatial data management across government agencies.

The majority of departmental staff are located in Canberra, with 43 staff located elsewhere around Australia (Perth, Melbourne and Newcastle) and three posted internationally (China, India and France). The gender balance is 57% female (APS average is 58%). Of the Senior Executive Service (SES) ranks, 34% are female (APS average is 40%). The average age of the department's staff is 39 years (APS average is 43 years) and the average length of APS service is 8.5 years (APS average is 9 years).⁷

⁷ APSC Australian Public Service Employee Database.

3. Summary assessment



Challenges facing the department

RET is regarded as solid and technically competent. It has been respected by successive ministers, and is effectively engaged with stakeholders, who consider the department to be approachable and informed. While there are some concerns about avoiding ‘industry capture’, most key industry bodies and central agencies generally regard the department as cooperative, engaged in policy issues and able to think analytically. Its recent legacy has been significant, and the department has effectively supported the contribution that the resources, energy and tourism sectors have made to the Australian economy.

However, as these are all sectors in transition, RET or its component parts need to address a number of key issues (irrespective of further MoG changes).

The first is to develop a sense of identity against the background of the frequent changes to structure and senior staff that RET has experienced. The Secretary and the senior executive are working towards a more integrated department, including through a refreshed corporate planning process, but there remain significant challenges to effective integration. There are overlaps in the current departmental structure which reflect how RET has been put together, and these compound a silo approach to the department’s work. For example, the energy supply and demand groups do not work together in a holistic way, noting that the energy efficiency functions are a new addition to the department.

The second is to be more innovative and influential in both policy development and program design, particularly when resources are constrained. This includes influencing policies and programs that have an impact on the resources, energy and tourism sectors but where primary responsibility is with other departments; taking a stronger leadership role with the states and territories in the COAG, especially through the SCER; being less risk averse, more proactive and forward looking to better anticipate challenges and risks; and recognising that RET stakeholders are broader than previously acknowledged, and need to be engaged to ensure their views are taken into account when developing policies and programs.

The third is to build a more effective capability to develop the people, processes and systems which support RET’s work to make the resources, energy and tourism sectors more productive and sustainable. There have been serious shortcomings in some of these sectors, which are only now being addressed. In addition to making improvements to RET’s basic operating model, specific measures are needed, including bedding down governance structures; using the corporate planning process to inform priority setting and resource allocation; integrating the economic research and analytical capability with policy development; sharing learnings, including across policy and program delivery divisions; and embedding a performance management system that is informed by the department’s intended policy and program outcomes, and that rewards innovation.

These challenges are recognised by RET’s senior leadership, which is tackling them on a number of fronts. At some levels there is resistance to the required change, including because the department has been regularly required to manage reorganisation and resource constraints. But these provide a context within which the department can review how best to deliver on its mandate.

The department in 2013—a snapshot

RET is involved with sectors that are central to the performance of the Australian economy. It works closely with a range of external stakeholders and is widely regarded as having a high level of industry knowledge and awareness, which enables it to provide input into policy issues, both sectoral and whole of government. RET plays an important role in the COAG process, in particular through the SCER and Tourism Minister's Council. The department's relationships with its ministers have been strong, and through these relationships, RET aligns its work program with the government's policy agenda. This has been achieved in the context of significant MoG changes and fiscal constraints.

The department has been a key player in a number of policy reforms principally related to energy, and has had primary carriage on programs relating to energy efficiency. RET led the development of the *Energy White Paper 2012* and *Tourism 2020* strategies, which are well regarded by stakeholders as broad direction-setting documents outlining the state of industry sectors and describing major policy issues. The department has strong and well-respected research and analytical capabilities, which have been strengthened over the last two years by incorporating BREE and Tourism Research Australia. RET manages a number of programs related to its industry sectors, including the administration of significant grant programs across the energy and tourism sectors, with \$2.4 billion⁸ in funding allocated for 2013–17.

The department is regarded by central agencies as approachable, well informed on its sectors, and analytical on policy issues, although there is a challenge in avoiding the appearance of 'industry capture'. It is also highly regarded by its external stakeholders, although some are concerned that RET has limited influence on policies that have a significant impact on them, for example tax, industrial relations, immigration and the environment. Energy regulators and some external stakeholders in the energy sector regard the SCER process as too slow, and as having contributed to the problems with electricity pricing.

While stakeholders generally give RET a positive mark on its current handling of policy issues and its administration of programs, there is concern that the department has a focus on short-term issues and is too reactive. Stakeholders believe this contributed to the lack of public awareness of emerging issues in electricity pricing and to delays in addressing concerns about East Coast gas supply and access to coal seam gas. Clearly there are issues around accountability more broadly in this area, with multiple players including the SCER and independent agencies. The department needs to work to resolve these.

Some significant policy challenges facing RET that will require agility and rapid response include changes in the international demand for resources, shifts in the economic outlook in the Asia Pacific region (especially China), the changing patterns of energy demand in Australia and the impact of coal seam gas and renewables on the energy market.

RET's capacity to be more proactive and forward looking will be constrained by the need to rebuild its systems and processes. It does not have a unified and effective operating model, and corporate services were significantly reduced through the RET 2012⁹ process. These are only now beginning to be restored.

The MoG changes in March 2013 transferred additional corporate services capability from the former Department of Climate Change and Energy Efficiency. It also transferred the former department's Energy Efficiency Division, giving RET a sharper focus on program design and delivery. This should facilitate improvement in the department's systems and processes, though this may be an issue in the event of further MoG changes.

⁸ Department of Resources, Energy and Tourism Portfolio Budget Statement 2013–14.

⁹ RET 2012 refers to a project with oversight of costcutting measures resulting from a budget shortfall in 2011–12.



The Secretary and his senior executive acknowledge the need for change and have commenced steps to this end. These initiatives include a review of the 2009–13 corporate plan and related business planning processes; the introduction of new governance committees; the upgrade of a number of corporate service arrangements; a review of performance management; and a stronger focus on communications.

Noting that these initiatives are in their early stages, the review team encourages the department to give a high priority to progressing them. A more detailed discussion of each initiative follows:

Identity and purpose

RET has evolved through a series of MoG changes, which has made it difficult to have a common identity or purpose. This is compounded by what was already a predisposition for divisions to work in silos. The department has three separate energy divisions and there is less interaction than there should be between those responsible for the supply and demand side of energy. Six years on, the tourism division is still regarded as a ‘bolt-on’.

The Corporate Plan 2009–2013 was developed in the context of a different policy and economic environment, and it is currently being refreshed, with an initial focus on common themes across all areas of responsibility. For the new corporate plan to be effective in unifying RET and driving performance, senior leadership needs to effectively communicate a cohesive, forward-looking vision to all staff and see that it is embedded into the department’s day-to-day work, through a clear line of sight to business planning processes and individual performance management.

The review team encourages RET to complete its work on the corporate plan, and ensure that the results flow through to divisional business units and performance planning. It is important that the corporate plan is used to drive identity and purpose, and inform priority setting and resource allocation within the department. This work should be reinforced by a rationalisation of RET’s current structure.

Policy development and program design

RET has been involved in some key policy and regulatory decisions affecting the Australian economy for a number of years. These include the resource super profits tax and carbon emissions abatement. The resources, energy and tourism sectors have been key drivers of the Australian economy for many years, but particularly through the last decade. The Australian public has been the beneficiary of the strong performance of these sectors, but there have also been flow-on consequences for aspects of living standards, particularly with energy prices.

This is the context in which RET has been an important player in decision making. It has needed to work with central agencies, especially Treasury, but increasingly with other departments with primary carriage of policy and regulatory issues which have an impact on these sectors. RET is generally well regarded for its contribution to policy matters, for being approachable and engaged, and for bringing sound, comprehensive knowledge of the industries for which it is responsible. The department has continued to enhance its research and analytical capabilities with the addition of BREE and Tourism Research Australia, but these could be used more effectively to support its policy work.

RET faces three important challenges if it is to remain an effective player in policy development and program design. These were all put to the review team by central agencies and external stakeholders, and are recognised by the Secretary and senior executive team. The department needs to address them and further develop capabilities in these areas to achieve the outcomes required.

The first challenge is that in an economic environment, domestically and internationally, that is changing and bringing new challenges, RET not only has to be able to address short-term issues, it has to have greater capability to understand longer-term challenges and opportunities. External stakeholders have views on this, as do central agencies and other departments. RET, however, should take the lead on aspects of such 'horizon scanning' so it can anticipate and be ready for emerging issues. This inevitably raises questions about resourcing, and the department will need to address how its priorities are set. The review team did not look at this in detail, but at a time of resource constraints, the effort that is currently devoted to information briefs should be further reviewed.

The second challenge is to work more effectively with states and territories in the COAG process, especially through the SCER. Many key decisions affecting RET's responsibilities require the cooperation of the states and territories, which inevitably bring different perspectives to some issues. But stakeholders have a clear view that this work does not have sufficient leadership and has become bogged down in process. The negative impact on attempts to improve Australia's productivity should focus all parties on addressing this effectiveness issue.

The third challenge is to exert more influence on decisions that have an impact on the resources, energy and tourism sectors, but where RET does not have primary carriage. These include tax, industrial relations, immigration and the environment. In this context, the department needs to enhance its capacity as a policy maker, rather than a policy taker, while avoiding claims of 'industry capture'. The Secretary has acknowledged that to be successful at the negotiating table, RET requires a level of empathy with other agendas, a capacity to 'walk in the shoes' of others, and to effectively work to resolve tensions. The department needs to be able to measure success in terms of broader policy impacts and the government agenda. An extension of RET's stakeholder base would better position it to understand the breadth of views on policy and regulatory issues, and better equip it to internalise some of the issues relating to its policies and programs.

With all three challenges, especially since they involve extending the work that RET has previously undertaken, there are opportunities to leverage better practice, capture lessons learned and stimulate more lateral thinking on policy and program design. This has not been a departmental strength, and it requires encouragement from the Secretary and senior executive. The review team found strong support for this proposal at all levels of RET.

The department has significant program, project and grant responsibilities, and is bringing these under common systems to improve RET's capacity to monitor progress and outcomes. Stakeholders provided mixed feedback on their experiences with the energy efficiency divisions of the department, and indicated they had difficulty in understanding where responsibilities lie in this area.

People, processes and systems

While RET has begun to address a number of shortcomings in its capabilities relating to people, processes, and systems, and there is a good level of understanding among the SES in corporate services about the issues to be addressed, RET faces major challenges in this area. Recent changes to the governance structure, comprising the Executive Board, Finance and Administration Committee, Audit and Risk Committee, and Human Resources and Operations Committee, have the potential to improve oversight of planning and decision making, as well as systems and processes.

RET does not have an effective department-wide operating model—a 'RET way of doing things'. Instead, the department has a number of delivery processes and systems in Human Resources (HR), financial management, information, communications and technology (ICT), procurement, and workforce planning. With financial management, detailed aspects of budgets are controlled and managed at senior levels, making the process unresponsive and inefficient.



The ICT delivery platform, which has been hosted by other departments, has improved, but risks remain. Procurement systems are largely paper-based, ad hoc and inconsistent. RET does not have a consistent or corporate approach to workforce planning and development of human capital at all levels. While the Workforce Development and Leadership Program (WDLP) assists in recognising talent at the Executive Level (EL), learning and development opportunities have been limited and individual performance management inconsistent and not linked to corporate goals. Feedback from within the department suggests a need for greater transparency.

The effective management of programs is a continuing challenge for RET, as it is responsible for a number of programs (notably in energy efficiency) which are complex, risky and have ambitious targets. Despite the introduction of a Project Management Framework (PM RET) and the establishment of a Program Management and Delivery Committee (PMDC) these vehicles are yet to achieve their full potential and there remain inconsistencies in project management. Projects tend to be monitored more against completion of tasks and milestones, rather than measured against success in achieving outcomes. More broadly, there is an absence of robust performance reporting against agreed outcomes. RET would benefit from a rigorous approach to managing projects, including an agreed approach to establishing measures of success. The PMDC monitors and disseminates learnings from projects, but the learning process is not extended to policy areas, for example, the *Energy White Paper 2012*.

Risk is not a phrase that came up in the review team's discussions on policy options, although it is better understood in the context of grant administration and the provision of corporate services. Risk management is too often seen as a compliance requirement. In light of the RET 2012 experience, it is acknowledged that financial risk needs to be better managed by the department. RET faces substantial risks associated with the lack of an effective performance management system in the context of a changing policy environment and with ongoing fiscal constraints. This needs to be addressed urgently by the department.

Leadership to enable change

The Secretary is recognised as a strong champion for the department, with an understanding of the issues at hand, effective negotiating skills and a broad, forward-looking vision encompassing departmental and government imperatives. The review team canvassed the potential areas for improvement set out in this report with the senior executive and SES, and there was generally good support for change. This is important because, as a group, RET leaders will need to display leadership behaviours based on shared values, and be proactive and engaging in their interactions with the workforce and external stakeholders if progress is to be made on change.

It is crucial to the success of this process that the department fully comprehends and supports the vehicles it has at its disposal. A good start has been made with a new corporate planning process, changes to governance structures and specific improvements to some systems and processes. Workforce planning and performance management are crucial aspects of this change, as well as using RET's communications capability. The Secretary and senior executive need to make a judgment about the appropriate pace of change in the context of the department's ongoing responsibilities and fiscal constraints, but it is important that these constraints are not used as reasons to defer required actions.

It is commendable that the Secretary brings a high level of enthusiasm and passion to tackling the issues set out in this report. The challenge now is implementation. In this regard, the department may find it useful to discuss with the APSC significant change programs successfully implemented by APS agencies, including following the findings of capability reviews, to draw on lessons learned.

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 rating descriptions 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 RET's capability is outlined below.







Leadership

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

Strategy

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

Delivery

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

4.1 Leadership summary

Set direction

- Work is underway to develop a new corporate plan for RET that will drive business planning. This process is being driven by the Secretary and all SES will need to communicate the new direction.
- SES have traditionally focused on their own outputs in a siloed approach that lacks collegiate discussion across business lines. This has an impact on enterprise decision making and prioritisation.
- The department would benefit from enhanced internal communication to promote greater awareness of its identity and relevance of all business areas to its purpose.
- Transition of the department to realise its full potential will require a change management strategy, to ensure staff are engaged, informed and aligned towards common goals.

Motivate people


- RET has highly knowledgeable staff who enjoy the challenge and satisfaction of their individual work. However, staff are not motivated by leadership initiatives and many do not identify with the broader department.
- Relatively low levels of staff pride in the department, as compared to their own work, needs to be addressed.
- Senior leaders are respected for their technical knowledge and integrity, but a more visible, cohesive and corporately aligned SES is required, valuing more than technical expertise, and exploring more outward-looking opportunities.
- The Secretary has set a clear leadership stamp on the department and his visibility and availability are seen by staff and stakeholders as a positive early step toward a more integrated culture. The challenge is to build on the Secretary's initiatives.

Develop people

- RET nurtures and values technical skills and experience.
- The emphasis on technical development has not been balanced with considerations of broader corporate stewardship skills.
- There is no enterprise approach to workforce planning, although the WDLP performs some aspects of this for SES and EL2 staff. Rather than recognising the importance of a flexible workforce with fewer resources and different tasks, the department has tended to focus on retaining technical skills.
- Individual performance management is inconsistent and requires alignment to the corporate plan and departmental outcomes to contribute to an embedded performance driven culture.

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

Set direction

Guidance Questions		<ol style="list-style-type: none"> 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? 2 Does the leadership work effectively in a culture of teamwork, including working across internal boundaries, seeking out internal expertise, skills and experience? 3 Does the leadership take tough decisions, see these through and show commitment to continuous improvement of delivery outcomes? 4 Does the leadership lead and manage change effectively, addressing and overcoming resistance when it occurs?
Rating		Well placed



Until recently, RET's strategic vision has been set through its Corporate Plan 2009–2013. This one-page document has become outdated and has limited impact on the department's day-to-day work. It does not provide a shared view of success through a strategic statement that is relevant to RET's collective and individual workplace functions and the value it brings to Australia. This is recognised and work has begun to develop a new corporate plan to drive effective business planning. This will be of particular benefit to the department as it considers its identity and direction in a changing policy environment.

The Secretary has recently brought together the leadership to consider the challenges confronting the department. Successfully embedding a new direction will depend on the alignment and support of the SES. There is a requirement for whole-of-department leadership. The arrival of new leadership has been of benefit in changing behaviour, but it will require ongoing commitment and sustained effort from all leaders.

While the department's senior leaders are respected for their intellectual technical knowledge and integrity¹⁰, with in-depth understanding of relevant industry sectors, historically RET has not been viewed as a cohesive, integrated team. This review identified a prevailing opinion that the SES have traditionally focused on their own outputs in a siloed approach that restricts collegiate discussion across business lines. This has an impact on enterprise decision making and prioritisation of strategic outcomes. While recent MoG changes have contributed to improvements in collegiate discussions across business lines, the current departmental structure is not viewed as conducive to a cohesive culture.

In addition to building a more effective culture of teamwork at the SES level, RET would benefit from enhanced communication across the department to promote greater awareness of its identity and the relevance of all business areas and external stakeholders. The recent post-MoG establishment of a dedicated communication branch has been welcomed as an important first step to address this need.

The department is in a period of transition. With the arrival of a new Secretary and several new SES, including an additional Deputy Secretary, have come a refresh of the approach to work, enhanced capabilities and a new direction. RET will require a change management strategy,


¹⁰ 2012 State of the Service Report (SOSR) survey results well above the APS average (+20%).

including enhanced internal communications, to ensure staff are engaged, informed and aligned to deliver on opportunities before it. As part of this process, the department has recognised the need to develop a shared leadership model with SES feeling empowered to make decisions and to lead and manage change in line with the new direction.

Transition will require tough decisions on priorities and changes to past activities. This aspect of leadership has not been evidenced as strong in the past. Failure to make tough decisions on business priorities in part contributed to the need for RET 2012 downsizing. Similarly, with the recent MoG change, the department simply added a division resulting in three energy-related divisions, rather than taking the opportunity to restructure the energy function.

Strong leadership and commitment to continuous improvement will be critical to driving successful change. The department's leadership will require a decision-making process that enables and supports tough decisions to be made and understood. A review of the RET 2012 decision making and subsequent consequences would be beneficial in identifying lessons that can be learned from this experience and avoiding any recurrence.

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

RET has highly knowledgeable staff who enjoy the challenge and satisfaction of their work in their industry sectors, which they see as contributing to the prosperity of Australia. While loyalty and commitment toward their individual roles is strong, many staff do not see themselves as part of the broader department¹¹ or the APS as a whole.¹²

Senior leaders are respected for their technical knowledge and integrity¹³, but a more visible, cohesive and corporately aligned SES is required, valuing more than technical expertise, and exploring more outward-looking opportunities. The Secretary has set a clear leadership stamp on the department. His visibility and availability are seen as a positive early step towards building a more integrated culture.

¹¹ Only 53% of respondents to a 2013 internal RET survey indicated they would recommend RET as a good place to work.

¹² Only 59% of department respondents to the 2013 SOSR survey indicated they were proud to work in the department (15% below APS average).

¹³ 84% of department respondents to the 2013 SOSR survey indicated senior leaders (SES) act in accordance with the APS Values (15% above the APS average).



RET has been traditionally fragmented and siloed with a set of cultures and values aligned to divisions (resources, energy and tourism) rather than to the department as a whole. This in part reflects RET's structure, but equally its decentralised approach to core business enablers. As RET moves towards an integrated one-team culture, there will be a need for a cohesive senior executive and SES group with greater understanding of cross-divisional governance and corporate business. This group will need to drive, through individual and collective example, the values and behaviours that support enthusiasm and pride in the department and its vision.


The RET 2012 downsizing had an adverse impact on morale and enthusiasm, with a requirement to do the same with significantly less, without the implementation of a business improvement process and significant reprioritisation of work. The March 2013 MoG changes, coupled with changes in senior leadership and increased corporate resourcing, are seen as strengthening the department by presenting an opportunity to move towards a more cohesive RET culture. The department is encouraged to continue to work towards a unified culture that supports development of best-practice approaches, collaboration on cross-cutting issues, and a position of program and policy leadership and influence within stakeholder sectors and across government.

Internally, RET's rewards and recognition framework recognises and celebrates staff achievements in weekly bulletins and annual awards. However motivation has been affected by the department's recent history which led to, among other things, a lack of development opportunities which are disappointingly low.¹⁴ There are signs that this has been recognised and the new leadership is giving greater focus to learning and development and mobility. For example, the Executive is considering a recently prepared learning and development strategy.

The department has experienced a significant amount of change during its relatively short life of six years, with four Secretaries, two MoG changes and the RET 2012 downsizing. As a result, there is an underlying belief that further change is inevitable. A key challenge in influencing culture for the SES and the leaders at other levels will be to consistently and collectively communicate a single, positive narrative about the department's future direction. The department also needs to actively encourage and act on feedback.

¹⁴ In the 2012 SOSR, 51% of respondents indicated they had access to effective learning and development (for example, formal training and learning on the job). In the 2013 SOSR, this figure had fallen to 48%.

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

RET's development strategies have tended to focus on building a technically skilled and experienced workforce. The department does not, however, have an enterprise-wide approach to workforce planning. To maintain and develop a capable workforce, it is essential that staff develop across a broad range of skills, including leadership and management, communication, change management and corporate stewardship. Leadership and management skills need to include the capacity to work more effectively with others and exercise more strategic foresight about RET's operating environment. Corporate stewardship skills need to include financial management and business planning. There is scope to also make greater use of the APSC Integrated Leadership System capability descriptors to build flexibility into the workforce, in addition to the traditional emphasis on technical knowledge.

RET needs to use its performance management framework to more effectively build capability. Staff generally believe that individual performance management is applied inconsistently across the department, and a disproportionately large number of staff are highly rated.¹⁵ Many view the performance process as a compliance exercise as opposed to a valuable process for the development of staff and the overall departmental skill base. Performance feedback is varied and poor performance not well managed. Reasons provided to the review team included limited corporate (HR) support and coordination of the process due to resource constraints and the siloed nature of the department's structure. Recent increases in HR resourcing (post MoG) and the implementation of the findings of a recent review of corporate support services will help address these contributing factors.

The Secretary has identified the importance of 'an effective, well embedded performance management culture' as a priority for RET and has started a review of the department's individual performance management framework. The review team strongly supports this initiative. A more streamlined process, focused around staff development and closely linked to the refreshed corporate plan, business planning and departmental performance is required.

¹⁵ The department reports that 40% of staff are rated as superior or above in annual performance reviews.



RET's WDLP program is designed to assist the department in identifying and nurturing leadership talent at SES and EL2 levels and to facilitate discussions on career needs. The department's senior leaders speak highly of this program and its potential. They report it is yielding noticeable benefits by facilitating increased mobility and training, particularly at SES Band 1 level. However this view is not broadly shared, and a view held by a significant number of staff is that a more effective performance management process would negate the need for the program. It is fair to say that RET has a longer term goal to formally integrate the WDLP with performance management and learning and development strategies, however this was affected by RET 2012. The review team encourages the department to include consideration of the WDLP in the review of the individual performance management framework, with a view to developing a single framework to support individual performance and development, and contribute to workforce planning and development.

A consequence of the past emphasis on technical skills and related retention strategy within the department has been the development of a relatively high EL2-to-other-staff ratio.¹⁶ This is not necessarily of benefit to individual staff or the department as a whole. RET 2012 saw the loss of considerable experience and significantly reduced funding available for training and travel, which has had a direct impact on opportunities to rebuild lost skills through staff development and talent nurturing. The department is working through its recruitment strategies to re-balance its staff profile, and the results of this approach should be incorporated into an overall workforce planning framework. The review team notes that during a recent bulk recruitment exercise, individuals who took voluntary redundancies during RET 2012 were recruited back to the department.

Staff view the department's approach to learning and development as limited, inconsistent and significantly below the APS average.¹⁷ RET's current learning and development framework was prepared in early 2008 shortly after the department's creation. The department is reconsidering its learning and development strategy, however staff development is currently managed by divisions and not coordinated as an overall departmental development strategy that can grow the department and ensure its resilience.

¹⁶ The EL2 cohort is 19.7% of total staff, compared to the APS average of 8.1%. Source: 2013 Australian Public Service Employment Database.

¹⁷ In the 2013 SOSR, 48% of respondents indicated they had access to effective learning and development (for example, formal training and learning on the job). This is 13% below the APS average.

4.2 Strategy summary

Outcome-focused strategy

- RET is developing a new corporate plan with the strategic direction anchored on the themes of sustainability, productivity and security.
- The department has had a strong working relationship with its ministers and, through these relationships, works to align its work program with the government's policy agenda.
- The department has tended to be driven by short-term policy and program issues and focuses on outputs rather than outcomes. It needs to better understand long-term market trends and the challenges and opportunities for the resources, energy and tourism sectors.
- The *Energy White Paper 2012* and *Tourism 2020* strategies are well regarded as documents that consolidate the state of the industry sectors and major policy issues.
- The department has primarily focused its policy attention on supply-side issues in energy. It would benefit by better integrating energy efficiency into the demand side of the energy outlook, comprehending demand-side market issues for resources.

Evidence-based choices

- RET brings in-depth knowledge of the resources, energy and tourism sectors to policy and regulatory issues, but its primary emphasis is short term.
- The department has a strong and well-respected research and analytical capability through BREE and Tourism Research Australia, and would benefit from better integrating this with its policy development activities.
- There is scope for the department to improve its evidence base to better anticipate emerging issues and understand market considerations.
- The department has demonstrated its capacity to undertake iterative policy development and program design during implementation as evidence emerges.
- The department would benefit from a more systematic review of policy and program outcomes which could then be shared with others.

Collaborate and build common purpose


- RET enjoys a high level of respect and trust from external stakeholders.
- Central agencies acknowledge that the department engages constructively in policy discussions and brings knowledge and understanding of the resources, energy and tourism sectors to such discussions.
- The department needs to avoid the perception of being too close to industry.
- External stakeholders would like to see the department take a stronger lead in resolving crucial national issues, such as electricity pricing and domestic gas market developments, including in the context of the SCER. They would also like to see the department become more generally alert to emerging issues.

- External stakeholders would like to see the department strengthen its influence on cross-cutting policy issues by being engaged on issues that are critical to investment decisions by industry and productivity improvements that have an impact on existing operations.
- The department should broaden its stakeholder base to ensure the views of consumers, small businesses, community groups, environmental organisations and industry are adequately canvassed.

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



Outcome-focused strategy

Guidance Questions		<ol style="list-style-type: none"> 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? 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? 3 Is the strategy kept up to date, seizing opportunities when circumstances change? 4 Does the organisation work with political leadership to develop strategy and ensure appropriate trade-offs between priority outcomes?
Rating		Well placed

The operating environment for the resources, energy and tourism sectors is constantly changing. How well this is managed, including by RET, is crucial to the performance of the Australian economy. Key factors include: changes in the international demand for resources; shifts in the outlook of the Asia Pacific region, especially China; changes in the patterns of energy demand in Australia; and the impact of coal seam gas and renewables on the energy market.

These factors and other developments will require RET to be proactive, forward looking and prepared to lead the agenda on national reform, including through the COAG SCER forum. The department needs to operate within a strategic framework that addresses short-term issues, provides for regular horizon scanning and recognises emerging and longer-term challenges and opportunities.

It is evident from stakeholder and internal interviews that RET has enjoyed a good working relationship with successive ministers, and this has been underpinned by the provision of a large amount of information briefing on issues and regular reporting against the work program outlined in the *Strategic Priorities Status Report*.

While the capacity to deliver against the *Strategic Priorities Status Report* is considered to be one of the department's strengths, emphasis on delivery against this report has constrained RET from developing its awareness of emerging and longer-term issues and engaging on cross-cutting matters.


The department's primary strategic direction-setting document has been its Corporate Plan 2009–2013 which represents RET's policy and program focus for the resources, energy and tourism sectors. RET led the development of more specific strategies for the Australian Government, including the *Energy White Paper 2012* and *Tourism 2020*. These are well regarded by industry as strategic frameworks. The *Energy White Paper 2012* recognises the interplay between domestic and international gas markets and *Tourism 2020* leads to an effective action plan.

During the period of this review, RET has been developing a new corporate plan. This strategic direction is to be anchored on the three themes of sustainability, productivity and security. The review team encourages the department to ensure that these themes are translated into business

plans that reflect both the government's current priorities and emerging issues for the resources, energy and tourism sectors. This would also establish a framework for allocating resources and measuring outcomes within an increasingly resource-constrained environment.

The refreshed corporate plan should also provide scope to better integrate the household and community energy-efficiency responsibilities recently transferred to the department into its overall strategy. RET's energy work would be strengthened by placing more emphasis on demand-side considerations. For example, with electricity market issues, the department has historically tended to focus policy attention on supply side issues relevant to generation, transmission and distribution issues with little focus and engagement on the needs of retail energy users. This focus is shifting, as signalled by the *Energy White Paper 2012* and progress within the SCER, towards the creation of an energy consumer advocacy body.

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

External stakeholders and central agencies respect the supporting evidence and strong level of industry knowledge and awareness RET brings to policy issues. Its research and analytical capabilities have been strengthened over the last two years by bringing BREE and Tourism Research Australia into the department. Furthermore, the department has sought to strengthen and use existing expertise by ensuring work on the current Gas Market Taskforce is undertaken in-house, complemented by expertise seconded from external agencies.

The department has a strong evidence base relating to the resources, energy and tourism sectors because of its regular interactions with industry associations, companies and other stakeholders. Some stakeholders described this as cutting edge for such interactions. RET also maintains strong links with key national and international institutions to ensure policy options are informed by up-to-date information and policy analysis. In the energy sector, such institutions include: the Australian Energy Market Operator, Australian Energy Market Commission, Australian Energy Regulator and International Energy Agency.


The department has scope to improve its evidence base to better anticipate emerging issues and understand market considerations. For example, stakeholders suggest that RET should have better knowledge of cost and price issues for energy networks and investment drivers for resources and tourism projects. This would enable it to assess the impact that specific policies have on industry and consumers and help explain the rationale of government policy.

More specifically, the department would benefit from better integration of the research and analytical capabilities in BREE and Tourism Research Australia with its policy development activities so RET can undertake whole-of-market economic analysis for the resources, energy and tourism sectors. This could include information and trends on global demand for energy and resources, and planned supply capacity domestically and for Australia's competitors. RET acknowledges this and is progressing better integration. An example of results in this area is the collaboration between BREE and Tourism Research Australia on a China review publication.¹⁸ Resourcing and capabilities will be an issue in the extent of such changes.

Consultation with stakeholders early in the policy and program design process is a departmental strength. The *Energy White Paper 2012* and *Tourism 2020* strategies are examples of consultative and evidence-based processes which drew on in-house research and analysis. Under the Equipment Energy Efficiency Program, products such as air conditioners and refrigerators are considered for regulation on the basis that the community will benefit from their regulation. RET draws on world's best practice to set energy efficiency targets for regulated products.

The department has demonstrated its capacity to undertake iterative policy development and program design. For example, it improved the design of programs such as the Carbon Capture and Storage and the Solar Flagships Programs during implementation. RET has an institutionalised feedback mechanism for program evaluation and related learning through the PMDC. There would be benefit in the department extending its evaluation process and dissemination of learnings to include policy work.

Collaborate and build common purpose

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

RET engages with an important and influential stakeholder base. These include central agencies and a number of other Australian Government departments, state and territory departments, industry associations, companies and small businesses, privately and state-owned utilities, and resources and energy regulatory bodies. The department's stakeholder survey and interviews for this review indicate that stakeholders are overwhelmingly positive about their interactions with RET officers. External stakeholders are willing to share information and views to support the department's policy development and program management activities.¹⁹ The respect and trust of these stakeholders is a critical asset for the department.

¹⁸ *Resources, Energy and Tourism China Review 2013*.

¹⁹ Department of Resources, Energy and Tourism Stakeholder Survey 2011.

Central agencies describe the department as approachable, well informed on its sectors, and analytical on policy issues, although there were some concerns that the department's prosecution of industry issues was not always balanced with whole-of-government objectives. To remain influential at the negotiating table, particularly in matters where it does not have primary carriage, the department needs to avoid perceptions that it is too close to industry.

Resources and energy developments can have an impact on the broader community through issues such as coal seam gas development, uranium mining, radioactive waste and rising electricity prices. In this regard, the consultation process to develop the *Energy White Paper 2012* is held up as a good example of engaging a broad cross section of stakeholders. The department and stakeholders acknowledge that RET would benefit by broadening its stakeholder base to better incorporate the views of consumers, small businesses, community groups and environmental organisations into its policy development activities. This would enable the department to more effectively take account of the issues arising from stakeholder engagement before they are considered by government.

RET engages in policy discussions with states and territories in COAG forums such as the SCER and the Tourism Minister's Council. It manages the SCER Secretariat and is responsible for developing papers and submissions and ensuring the reform process maintains momentum. State and territory government stakeholders report that the department engages constructively in these policy discussions, and brings knowledge and understanding of the resources, energy and tourism sectors to the table. But stakeholders, including other Australian Government line departments, also reported the need to move the energy agenda forward more quickly. This will be challenging because the agreement of states and territories is required, but progress on this agenda is a crucial productivity issue for Australia.

The majority of stakeholders would like to see RET increase its influence in whole-of-government debates on cross-cutting policy issues such as tax, industrial relations, immigration and the environment. These issues have an impact on the productivity of the resources, energy and tourism sectors. BREE has already published a study on productivity in the mining sector and could expand on this work to provide a sound evidence base on cross-cutting issues.

A number of stakeholders, including energy regulators and state government agencies raised the issue of the electricity price spikes of recent years as an example of how RET engages in policy issues. Based on these discussions, it is evident that the department and others could have identified this as an issue that required attention sooner than it did. The primary focus for this work has been, and remains, the COAG energy market reform process, which RET is progressing with the states and territories through the SCER. Stakeholders are of the view that this process is too slow and, while acknowledging the complexity and political issues inherent in COAG reform processes, they would like to see the department take a stronger leadership role within the SCER to tackle vested interests, and speed up the pace of reform. In this regard, RET has the opportunity to leverage its carriage of the SCER agenda through its provision of the SCER Secretariat, leadership of key working groups and support for its Minister as Chair of the SCER.

The department would benefit from a more systematic approach to stakeholder management to ensure that engagement activities are strategic and that information on stakeholder engagement is shared across the department and with portfolio agencies where appropriate. In this regard, the department recently formed a discrete portfolio communications branch which is expected to improve external engagement and better targeting of outcomes.

4.3 Delivery summary

Innovative delivery

- RET has pockets of innovation in research, policy, program development and delivery but they are adhoc. A more structured approach is required to achieve the department's innovation potential.
- The department's cautious, risk averse culture does not encourage thinking 'outside the square'.
- Development of innovative thinking on policy and program design and on business improvement requires encouragement and empowerment from leadership.
- Opportunities for innovation and business process re-engineering were missed during RET 2012 and the MoG changes pre-2013. This has been recognised by the department.

Plan, resource and prioritise

- RET recognises that its corporate planning and financial management systems are priority areas for improvement.
- *Tourism 2020* provides a sound strategic framework, with well-defined deliverables and outcome measures.
- The refreshed corporate plan should establish top-down departmental priorities and inform business planning to establish a clear line of sight between strategy, delivery and outcome measures.
- The department lacks a whole-of-department financial accountability, management and reporting framework.

Shared commitment and sound delivery models

- There is no departmental business operating model or consistent 'RET way of doing things'. The siloed structure is acting as a blocker to the development of a clear and well-understood corporate structure and systems.
- The recent establishment of a new governance model with committees for operations, finance and HR provides a platform for enterprise thinking and decision making.
- There are internal tensions about the value of investing in corporate services. As a result, the range of disparate ICT, finance, HR and procurement systems and processes creates duplication, inefficiency and risk. Work is underway to address some of these issues.
- Program, project and grant management are largely monitored through the PMDC, however there is little evidence of shared systems, learnings or reprioritisation of resources.


Manage performance

- Previous ministers and key stakeholders acknowledge RET's success in managing projects and short-term issues.
- There is no evidence of a corporate performance management framework against which to report on delivery of Portfolio Budget Statement outcomes (other than *Tourism 2020*) and financial performance, capital investment, risk, and people management.
- RET monitors risk at program level, with a compliance focus. However there is no evidence of an integrated approach to risk management from a strategic or enterprise perspective.
- Work is in progress on corporate performance management. The department has previously experienced difficulty in accurately forecasting and managing its financial position, which required it to downsize in 2011–12. It was indicated that RET would require supplementation in future years, and that decisions on funding for ongoing work in the out years would be subject to joint review with the Department of Finance and Deregulation

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		Development area

RET recognises the importance of innovation for the future success of the industry sectors it supports. The *Energy White Paper 2012* outlines the department's role in driving innovation and technological advancement in Australia's energy markets and supporting business innovation towards improved energy services and lower costs. The department has also been at the forefront of exploring innovative options for improving the way it supports the development of clean energy technologies. In a transitioning economy, commitment to innovation and continuous business improvement will be critical to the productivity and sustainability of the resources, energy and tourism sectors.

This commitment to industry innovation is equally applicable to RET. Pockets of innovation operate within the department's research, policy, and program areas. For example, the Energy Efficiency Division's section called 'program development and evolution' works with industry to establish better ways to implement innovative programs to achieve greater energy efficiency.

The department acknowledges that while it demonstrates good examples of innovation, this is an area where greater attention is needed to cultivate and embed a culture of innovation. Staff describe RET as cautious and risk averse. This stifles innovative thinking. There is no departmental mechanism to provide incentives for innovation or to capture business improvements, other than the PMDC with its mandate to share best practice for programs. The review team notes that the recent Annual Secretary's Awards included recognition of a staff member who developed an application to enable industry to leverage specific information held by RET.²⁰ It would be helpful if innovation was an ongoing and specific category of the Secretary's Awards, and the department would further benefit from consideration of a framework to help foster and encourage new ideas and innovative thinking.

RET has shown little progress in terms of business improvement, evidenced by the static nature of its corporate templates, systems and processes. Throughout the review many staff expressed frustration at the lack of attention to internal business improvement. Data from the 2013 SOSR supports this view with only 37% of respondents indicating they felt their work group had implemented an innovation.²¹ This figure was 12% below the APS average.


²⁰ The application provides an important compendium of previously unavailable data on buildings' energy efficiency.

²¹ 2013 SOSR.

Interviews with staff revealed a business-as-usual culture within the department. There is potential for the leadership team to encourage innovative thinking across RET. The current refresh of the corporate plan presents an opportunity to integrate innovation as part of the department's mode of operation, encouraging thinking 'outside the square' and contributing to business improvement.

RET 2012 was a missed opportunity for innovation and business process re-engineering within the department. It was approached as a cost-reduction exercise, with the primary goal to reduce departmental spending quickly. Notwithstanding this goal, RET 2012 still presented an opportunity to re-engineer more effective, department-wide processes and systems. In the event of further structural changes to the department and additional resource constraints, the opportunity for efficiency gains needs to be realised.

Plan, resource and prioritise

Guidance Questions		<ol style="list-style-type: none"> 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? 2 Are delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of the strategic outcomes? 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? 4 Are delivery plans and programs effectively managed and regularly reviewed?
Rating		Development area

RET has recognised that its corporate planning and financial management systems are a priority area for development. Work has started on refreshing the corporate plan against the key themes of productivity, sustainability and security. Subsequent work on divisional business plans (templates, processes and content) will be based on these themes and be a principal vehicle to inform priority setting and strategies for departmental engagement. This work is being led by RET's senior executive.


This initiative has strong support within the department. Almost without exception, it was asserted that planning across RET is poor, and that business plans had been developed as a compliance exercise. Other than in the *Tourism 2020* strategy, business plans are primarily lists of projects and generally lack budget detail. The department's view is that priority setting and resource allocation reflects its Charter Letter and its Minister's list of priorities, which are regularly updated. However, apart from these, no operational framework exists against which to establish priorities, allocate resources, drive performance and establish measures of effectiveness. There is a 'set and forget' mentality with regard to business planning. A stronger line of sight between the corporate plan, business planning, financial planning and individual performance

planning needs to be a top priority. Budget details are controlled and managed at a senior level, which often makes the process unresponsive and inefficient. For example, travel approval requires SES sign-off.

The financial shortfall (and subsequent actions) that RET experienced in 2012 was consistently described by staff as a traumatic experience for the department. Central agencies considered that the shortfall should have been identified and acted upon earlier. Views are mixed on how well this was managed to mitigate the loss of required skills and experience, and ensure that outcomes were equitable. This had a significant impact on the department's financial management capabilities.

RET has learned from the experience and is rebuilding its financial capabilities and taking a more centralised approach to budgeting. A consequence of RET 2012 was to devolve significant corporate work to divisional business support units. This resulted in duplication and inefficiencies and increased aggregate corporate costs for the department. Recent MoG changes, with an influx of key corporate skills, have provided RET with an opportunity to address this issue, particularly with financial management systems and more centralised accountability in an environment of fiscal constraint.

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		Development area

RET does not have a clear, effective operating model—a 'RET way of doing things'. There is no department-wide approach to the provision of internal corporate services, or common enterprise systems and processes for program delivery. A grants management system has recently been installed and is being progressively implemented.

Contributing to a lack of commonality of approach to enterprise systems is the existence of rigid divisional siloes. This has made it operationally and culturally difficult to develop an operating model which enables cross divisional policy, program, and corporate systems' design and delivery. By way of example, since the MoG changes of March 2013, the department has operated with three energy divisions. Staff and stakeholders have commented on the confusion and inefficiency this creates. After six years in the portfolio, the Tourism Division was still seen as a 'bolt-on'. While the nature of its industries may vary significantly from those in energy and resources, the nature of its functions—planning, program management, grants administration

and economic policy, together with its need for enabling corporate services—provide a sufficient foundation to work across divisional lines.



Corporate services

There is a shared view in RET that corporate services were not adequately funded when the department was established in 2007. As a consequence, there has been growth in individual business support units within each division, leaving a legacy of disparate ICT, finance, procurement and HR systems and processes.

This problem was exacerbated by disproportionate cuts to corporate services during the RET 2012 downsizing. Notably, a number of government stakeholders expressed the view that the reduction in centralised corporate services following RET 2012, left the department even more exposed with regard to its ability to forecast its financial position and manage its budget.

Without the arrival of additional corporate services staff following the March 2013 MoG changes, the review team would have had serious concerns with regard to the risks to the department arising from resourcing of core corporate functions.

There is currently no shared enterprise view of the department to guide decisions about priorities, resources, systems and processes. Budgeting is incremental and generally based on the previous year's allocation. This leaves little capacity for RET to determine and resource corporate priorities beyond business-as-usual. The ICT delivery platform provided to RET has improved, but risks to the department remain from a collection of outdated legacy systems. Procurement systems are largely paper based, ad-hoc and inconsistent. Many HR processes, including recruitment and workforce planning, are conducted at the divisional level.

The general assessment of managers and staff is that the devolved model of corporate services is more expensive, less efficient and less effective; however there is tension in the department about the need for, and value of, centralised corporate services. The review team encourages RET to give urgent consideration to developing the most efficient and appropriate model for the department, in light of the findings of the review of current corporate services.

Grants and program management

RET administers a significant number of substantial grants with tight timeframes. In 2011–12, this included administration of \$13.1 million in T-QUAL Tourism Quality Projects grants and \$333.6 million in clean energy grants. From 2013–14 to 2016–17, the department will manage programs with estimated expenditure of \$2.4 billion²², including \$48.5 million of the Asia Marketing Fund and \$48.4 million through the new Tourism Industry Regional Development Fund.²³

The Chief Financial Officer is working with the Chief Information Officer to develop an e-grants management system that will operate in a single financial control environment. The grants management system is being integrated with the financial management system, to improve overall performance management and reporting.

Grants management is largely overseen by the PMDC. However, it has not mandated the use of enterprise systems for program, projects or grants management, nor has it fully exploited its authority to share best practice across the department.

²² Department of Resources, Energy and Tourism Portfolio Budget Statement 2013–14.


²³ RET's *Annual Report 2011–12*, p. 15.

The PMDC also oversees program project and grants delivery specific to the projects listed in the *Strategic Priorities Status Report*. The department has developed a project management methodology known as PM RET, with accompanying e-training for project managers. Accountability for grants and programs lies with the respective divisions. The PM RET methodology needs to be applied consistently across the department to ensure divisions are best supported to deliver on their accountabilities. In addition, the Energy Efficiency Division—which entered the department following the 2013 MoG change—has its own projects and grants systems, including a separate governance body. RET would benefit by consolidating projects and grants management systems.

ARENA employs innovative practice in grant administration, through its use of a globally recognised benchmarking tool—the Technology Readiness Level. ARENA is seeking to adapt this tool and its potential applications to structure funding to optimise the success of the grants program. This tool has the potential to be used across RET more widely.

The review team acknowledges that the Secretary has commissioned a refresh of the department’s corporate systems, its Chief Executive Instructions and its business planning processes. RET’s governance structures have recently been reviewed and streamlined to create greater accountability in key areas. The addition of staff through some key appointments and the MoG in early 2013 provided the department with the expertise it required to re-engineer its corporate services platform. Some good work has occurred to date in the IT, finance and HR areas. The review team encourages RET to continue with this work, informed by the independent review of corporate services that is underway.

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? Does the organisation take action when not meeting (or not on target to meet) all of its key delivery objectives?
Rating		Development area

RET has traditionally measured its performance in terms of the satisfaction level of the Minister and its reputation with industry stakeholders. The department has reported to successive ministers through the *Strategic Priorities Status Report*, known as the ‘Traffic Light Report’. This comprises a list of priority issues, projects and initiatives across RET, which are tracked for progress against milestones. However, this report is stand alone and not linked to other reports which track performance.

Current key performance indicators, as listed in the Portfolio Budget Statement, do not drive departmental performance. Other than *Tourism 2020*, the indicators are a mix of outputs and activities as opposed to measures of effectiveness. There is a lack of clarity about the way in which the Portfolio Budget Statement and corporate plan are used by RET to drive performance in pursuit of strategic outcomes. Generally, planning processes and documents are not well-linked to budget allocation and priority setting.

A key aspect of RET's work, and the funds it is allocated, is how effectively the department performs its responsibilities for managing projects. The key forum for doing so is the PMDC which regularly reviews all projects and disseminates learnings from them to others engaged in project management. The PMDC continues to exercise leadership on the alignment between delivering outcomes within a budget framework.

The department struggles with cost-benefit analysis, a central aspect of regulatory impact statements. The review team understands that responsibility for some delays in finalising these statements may have been caused externally. RET has scope to build improved capability by drawing on existing resources, for example the economic analytical skills within BREE.

The 2013 MoG changes brought additional corporate resources to the department. RET has commissioned an independent review of corporate functions which is likely to inform future design of corporate systems capability. The review team had access to a preliminary draft of this review in preparing this report.

Work is in progress on corporate performance management. The department has had difficulty in accurately forecasting its financial position, resulting in the urgent action on downsizing in 2011–12 under the RET 2012 project, as well as significant supplementation required in 2013–14 and 2014–15. An improved financial management capability is a 'must have' for RET.

The Chief Financial Officer is working with divisions to streamline financial management reporting. Previous reporting was data rich but lacked the level of performance analytics required by the Executive. The Secretary has committed to position the Executive as a driver of departmental performance through six-monthly reviews of performance against business plans. This, coupled with the intent to align the new corporate plan to business plans and then down to individual performance plans, will work to create greater clarity of role, line-of-sight and better alignment of effort.

From a strategic and enterprise perspective there is no evidence of an integrated approach to the management of risk that goes beyond programs. Given the transitioning nature of the environment in which the department operates, identifying, actively considering and managing strategic and enterprise risks will be crucial to the department's decision making.

RET has a compliance culture in relation to risk management. The department conducts internal audits, overseen by the Audit and Risk Committee, which reflects this approach. Findings from Comcover audits, while recognising the appropriateness of the department's risk management policy and procedures, have recorded gradually falling scores (out of 10) of 8.1 in 2010, to 7.8 in 2011, 7.1 in 2012 and 5.7 in 2013. Comcover cites the lack of a link between RET's management of risk and its budget, as well as the lack of integration of its business continuity plan with its risk or governance framework.²⁴

²⁴Comcover Risk Management Benchmarking Survey 2013, p. 7.

5 Abbreviations and acronyms

Abbreviation or acronym	Description
APS	Australian Public Service
APSC	Australian Public Service Commission
ARENA	Australian Renewable Energy Agency
BREE	Bureau of Resources and Energy Economics
Executive	Secretary, associate secretaries and deputy secretaries
EL	Executive Level
HR	Human Resources
ICT	Information and Communications Technology
MoG	Machinery of Government
PMDC	Program Management and Delivery Committee
RET	Resources, Energy and Tourism
SCER	Standing Council on Energy and Resources
SES	Senior Executive Service
SOSR	State of the Service Report
WDLP	Workforce Development and Leadership Planning



