



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

CAPABILITY REVIEW

# **Department of Families, Housing, Community Services and Indigenous Affairs**

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



Review Report: September 2013



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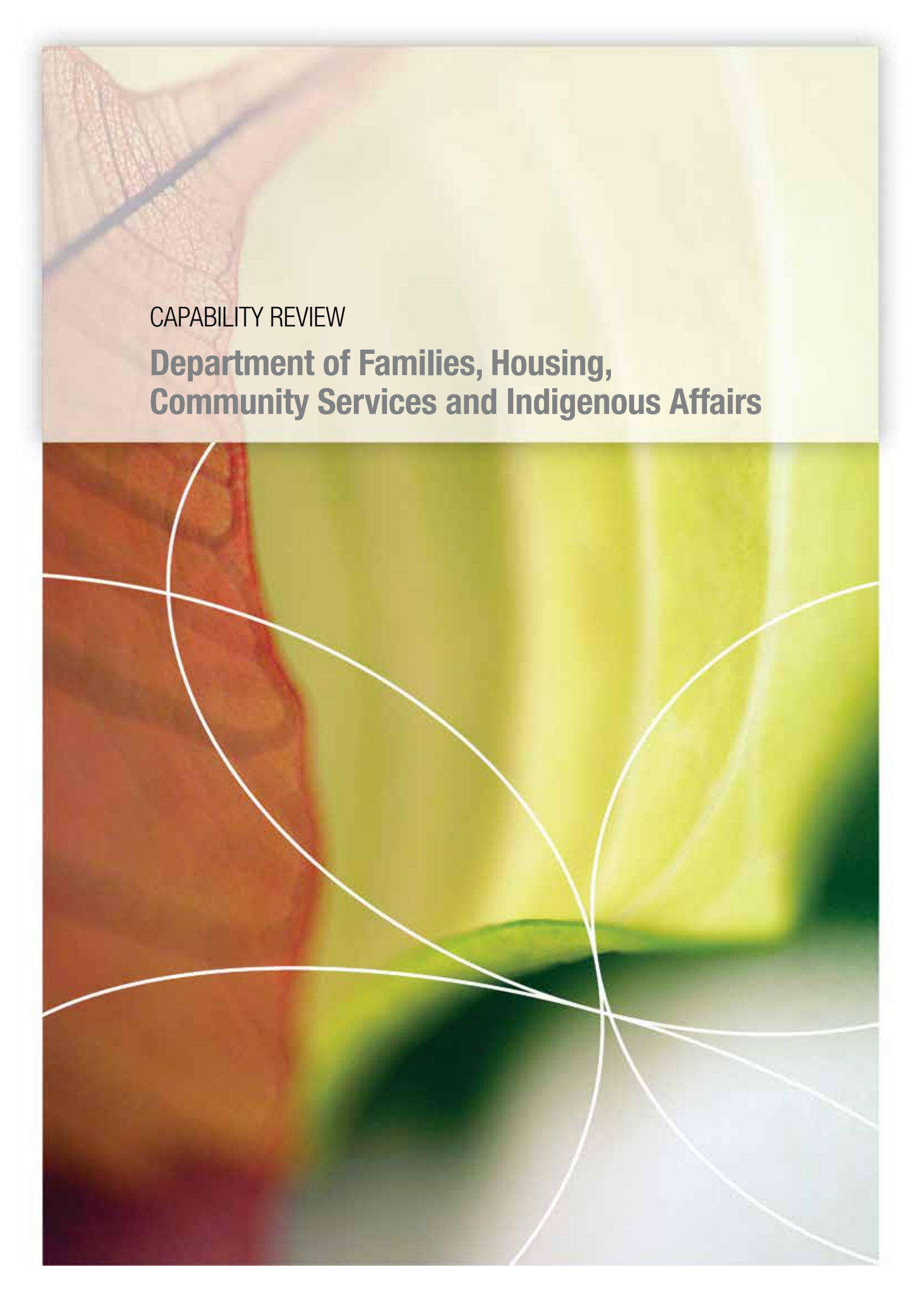
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The background of the cover is an abstract composition. The top half features a light cream color with a faint, translucent pinkish-red organic shape on the left. The bottom half is a blurred image of a plant, showing a reddish-brown leaf on the left and a bright yellow-green leaf on the right. Overlaid on the bottom half are several thin, white, curved lines that intersect to form a stylized, overlapping petal or leaf pattern.

CAPABILITY REVIEW

**Department of Families, Housing,  
Community Services and Indigenous Affairs**



## 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 Ms Robyn Kruk AM, the chair of the senior review team, other senior members of the team, Mr Geoff Applebee and Mr Brendan Sargeant, and my own team from the APSC who supported and advised them. This review has demonstrated the advantages of bringing together a team of this calibre.



Stephen Sedgwick AO  
Australian Public Service Commissioner





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## 1. About the review

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

This review focuses on leadership, strategy and delivery capabilities in the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). It highlights the department's internal management strengths and improvement opportunities 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 operations of the agency. They focus primarily on its senior leadership, but are informed by the views of staff who attend a series of workshops.

External stakeholders including ministers, Australian Government central agencies, non-government organisations, private sector providers, interest groups and clients are also interviewed. It should be noted that this review coincided with the announcement of the 2013 Australian Government election and the government being in caretaker mode. The minister, therefore, was not interviewed.

The fieldwork for the capability review of FaHCSIA was undertaken between 17 June 2013 and 23 August 2013.

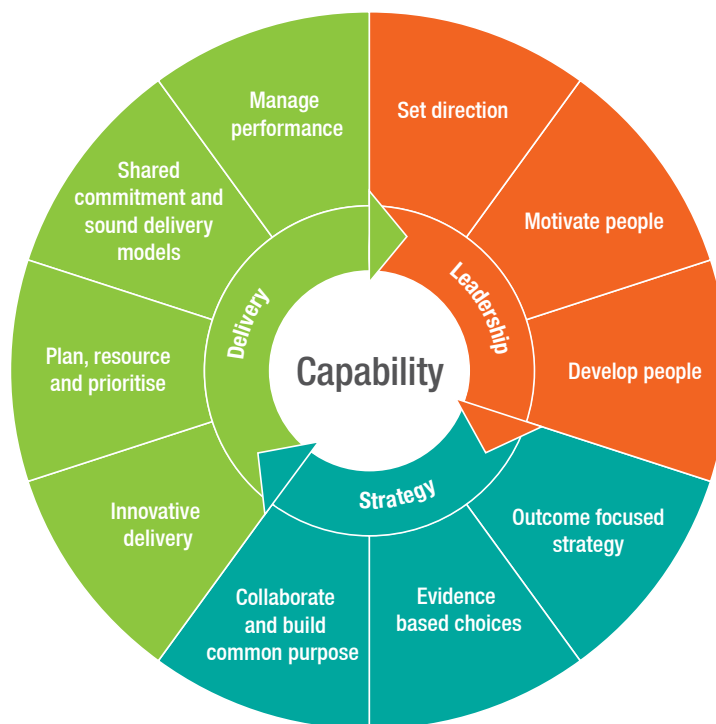


Figure 1—Model of capability

## 2. About the department

FaHCSIA is the Australian Government's lead department in the development and delivery of social policy. According to its Portfolio Budget Statements 2013–14, FaHCSIA's purpose is to improve the lives of Australians by creating opportunities for economic and social participation and building a stronger and fairer society. FaHCSIA's outcomes reflect the seven core areas in which the department seeks to assist people: families and children; housing; community capability and the vulnerable; seniors; disability and carers; women; and Indigenous Australians. The department brings together three distinct streams of administration: a significant part of the payment system; Indigenous affairs; and community services.

FaHCSIA's history dates back to 1941 when the original department of Social Security was established. With the separation of payment delivery into Centrelink in 1998, the Department of Families and Community Services was created. Indigenous Affairs moved to the portfolio in 2006. In recent years, responsibility for housing has moved both into, and out of, the department. Historically, the department's remit was often affected by frequent changes to its responsibilities through machinery-of-government changes.

The department is organised into four functional clusters, led by deputy secretaries who are responsible for strategic outcomes in relation to:

1. families, women, children, communities and mental health, housing and homelessness, and problem gambling groups
2. social policy, and disability and carers groups, as well as the National Disability Insurance Scheme
3. Indigenous affairs
4. Information management and technology, corporate support, finance and services, operational strategy and performance, and legal and compliance groups, as well as FaHCSIA's state and territory-based network.

FaHCSIA works in four main ways to achieve its outcomes:

- Payments to individuals through the Department of Human Services and other agencies (for example Age Pension, Disability Support Pension and Family Tax Benefit).
- Working with the states and territories to achieve outcomes in their areas of responsibility, including disability services, tackling Indigenous disadvantage, concessions, the welfare of children, and housing.
- Funding a broad range of community-based organisations to deliver a range of local services in urban, regional and remote Australia, including in the areas of family relationships, family support, community-based mental health, early intervention support, emergency relief and employment support for people with disability.
- Developing, advising on and coordinating policy, supporting ministers in their policy roles by providing advice on social policy, building the evidence base for decisions and policy implementation, and supporting whole-of-government policy coordination for Indigenous and women's affairs.

FaHCSIA employs approximately 3300 ongoing and non-ongoing staff. Of these, almost two-thirds are women. The department strives to be a leader in the employment of people with



disability and Indigenous Australians. Five per cent of FaHCSIA's staff has a disability, and approximately 10 per cent of its staff identify as Indigenous.

Around one-quarter of FaHCSIA's workforce is located outside of Canberra in the network of state and territory offices and Indigenous Coordination Centres, which include the integrated Regional Operations Centres. Government business managers and Indigenous engagement officers are also part of the state and territory-based network.

In 2013–14, the department's net portfolio resource allocation is \$89.88 billion. Of this, \$730.89 million is for departmental appropriation; \$1.78 billion is for administered expenses for outcomes 1 to 7 (including payments to the Commonwealth Authorities and Companies Act bodies to cover government programs); and \$84.767 billion for special appropriations (including demand-driven social security payments and inter-governmental agreements). The remaining \$2.61 billion is made up of other services, special accounts and adjustments to appropriations.

High levels of employee satisfaction are evident in FaHCSIA's *2013 State of the Service Report* (SoSR). Based on the SoSR results, the department has identified specific areas for attention including departmental processes (handling of grievances), workload management and management of underperformance. FaHCSIA's results found that only 41 per cent of staff had confidence in the processes the department uses to resolve employee grievances and only 17 per cent of staff was satisfied that underperformance was dealt with effectively (18 per cent is the Australian Public Service (APS) average).

In a number of areas FaHCSIA's SoSR results were above the APS average. For example, 83 per cent of staff enjoy their current job (6 per cent higher than the APS average), 70 per cent of staff are satisfied with the recognition they receive for doing a good job (14 per cent higher than the APS average), 79 per cent of staff agree that people in their work group are honest, open and transparent in their dealings (5 per cent higher than the APS average) and 72 per cent of staff would recommend their department as a good place to work (10 per cent higher than the APS average).

### 3. Summary assessment

#### Context

FaHCSIA is a large department with broad and complex portfolio responsibilities. It is a source of strategic advice to the Australian Government on social policy and works in partnership with government and non-government organisations to manage a diverse range of programs and services to improve the lives of Australians.

The department has successfully delivered on an ambitious government agenda, as demonstrated by its 2013–14 priorities that include: rolling out DisabilityCare Australia; implementing initiatives to close the gap between Indigenous and non-Indigenous Australians; continuing to rollout welfare reform initiatives; providing additional support for senior Australians; supporting the Royal Commission into Institutional Responses to Child Sexual Abuse; dealing with housing affordability and homelessness challenges; and supporting people affected by past forced adoptions. At the same time as the department was pursuing these key priorities it also had begun a large internal reform program.

FaHCSIA's functional complexity is compounded by its geographically dispersed workforce and delivery recipients. Approximately one-quarter of its workforce is located outside of Canberra in a network of state and territory offices and Indigenous Coordination Centres, which include integrated Regional Operations Centres. It has also been subject to frequent machinery-of-government changes over a number of years. This level of change and complexity is unlikely to lessen and were foreshadowed at the time of the review.

#### Delivery Reform and the Horizon Project

At the time of the review FaHCSIA was implementing two major internal reform programs—Delivery Reform and the Horizon Project. The department believes these reform programs will deliver the improved capability it needs in key areas to meet current and emerging challenges.

Delivery Reform aims to improve some of FaHCSIA's key functions for best serving the Australian community in a way that is sustainable. The reforms do this by 'integrating, simplifying and streamlining' internal processes that had previously been designed with a single program in mind. This approach allows for the development of more 'rigorous, systematic and consistent' ways of managing and improving business.

The Horizon Project is intended to build FaHCSIA's whole-of-department strategic policy capability, so the department can better drive social policy design and delivery. FaHCSIA's horizon focus is two to five years out and will be implemented after Delivery Reform. The project aims to develop better systems for setting whole-of-department, forward-looking policy positions and objectives, and develop better links to external bodies that influence policy outcomes.

The review recognises there will be challenges in implementing Delivery Reform and the Horizon Project, noting that both initiatives are countercultural as they strengthen systems and procedures and require the department to take a whole-of-system approach. However, the strong personal commitment of the Secretary and Executive team to the rollout and ensuring benefit realisation is acknowledged. The two projects are important as they specifically seek to address a number of capability challenges identified by the review.



## A solid base to build on

The department has achieved a reputation for being responsive and delivering for government. It is important that FaHCSIA retain existing strengths and at the same time be able to respond effectively to pressures associated with changing demographics and fiscal circumstances.

The department's strengths lie in its people, its flexibility and its capacity to deliver an ambitious government agenda. SoSR results confirm that FaHCSIA's staff are aligned with and motivated by the department's subject matter and keen to make a difference to Australia's most vulnerable citizens. The review team's observations supported the view of stakeholders that the department's state and territory-based network is a great strength. The network is to some degree, however, an untapped resource for supporting elements of policy development and integrating whole-of-government functions at community level. The Indigenous affairs work of the network appears to be more integrated into the policy areas in Canberra and is being used to inform the development of policies and programs. In some other areas this feedback loop seems to be undeveloped or under-used. The state and territory-based network's understanding of the operating environment can make a difference to FaHCSIA's operations and should be encouraged, but its effectiveness depends on improving the flow of information between Canberra and the network.

Almost without exception, stakeholders interviewed during the review, including government departments and non-government organisations, said FaHCSIA was a department that was 'good to deal with'. However, FaHCSIA has a co-dependent relationship with many stakeholders, many of whom rely on the department for funding. Most intersect with the department on a programmatic basis, rather than on a whole-of-life or whole-of-system basis. During the review many stakeholders reflected that FaHCSIA was less effective in establishing effective partnerships with non-government organisations, noting shared commitments to outcomes, and did not take full advantage of their available policy and financial levers, despite a demonstrated ability to do so. To build future capability and sustain its efforts, FaHCSIA needs to move from stakeholder management to stakeholder engagement.

Many stakeholders questioned FaHCSIA's ability to adapt quickly to different sets of circumstances, and whether the department had focused too much on today and not enough on the future. There was a view among stakeholders that Australia's social policy challenges were increasing due to economic, demographic and social forces. This will challenge the sustainability of current arrangements and policy frameworks. There was also a view that FaHCSIA needs stronger policy leadership, particularly in developing new ideas and frameworks. Many stakeholders considered that FaHCSIA was well positioned for such a role—more so than other human service agencies—because of its centrality in the social policy system, its wide mandate and its depth of expertise. The challenges outlined here and discussed in this report will test FaHCSIA's leadership. The department will need to respond to changes in the social policy environment. Success will require its ability to challenge its culture, structural and functional arrangements and service delivery models. The specific challenge for leadership will be to preserve what is strong in the current culture while reinventing where necessary.

## A common view

In meeting government priorities, the department's primary function and mission have become arguably more ambiguous to internal and external stakeholders. The review echoes the question of many stakeholders as to whether FaHCSIA is primarily a policy department, a delivery department, or a combination of both. This question is important in looking forward, sustaining effort, resolving priorities and supporting resource allocation across the department.

FaHCSIA has multiple identities and speaks with many voices. Sometimes its voices contradict one another and this weakens its focus and dilutes its energy. The department does not seem to understand when it is necessary to speak with one voice. FaHCSIA needs to strengthen its capacity to manage its diversity to optimise local outcomes while building its position as a leader in the Government's strategic policy debate.

A highly siloed business model, while promoting 'cylinders of excellence', weakens strategic focus and the ability to integrate policy and program delivery in ways that strengthen effectiveness. Silos are not necessarily bad, but the issue lies in a lack of integrating processes necessary to harmonise diversity into a cohesive and coherent whole. Silos present the department with challenges around the creation of bespoke delivery solutions or grant programs and duplication of effort. They impact on shared learning and innovation. In this regard, FaHCSIA has been referred to as 'a city of separate postcodes'.

The review acknowledges that one desired outcome of Delivery Reform is to break down some of the silo mentality. The new structure proposed by the reform is to be supported by a systematic and consistent way of establishing and managing programs and grants. Delivery Reform will be supported by the Accountabilities and Collaborative Working Arrangements model, which aims to clearly articulate how internal 'partners' work together. The model describes the department's roles and responsibilities of its business streams and how they intersect, share and transfer knowledge. It is in the early stages of being implemented.

Delivery Reform has high level support by the department's executive and if implemented as planned should provide FaHCSIA with a sustainable business model. Delivery Reform is an important strategic initiative, but it needs to move faster and is not by itself sufficient to reposition the department. At the time of the review, external stakeholders were unaware of the potential scope and benefits arising from the proposed reforms.

The review questions the ability of Delivery Reform to generate the necessary cultural change to make it a success. FaHCSIA has a culture that has been described by its staff as non-compliant. Staff relate to the end stakeholder and, as such, want to develop unique programs and grants to support them because they are 'different and special'. The review found that the department has yet to establish a 'burning platform' for change that will override the cultural norm and deliver the efficiencies it is seeking. This view was reinforced by middle-level managers.

The department is further challenged by its highly collaborative and consensus-driven culture, making it difficult to cut through on issues, support trade-off decisions or manage underperformance effectively. Decisiveness needs to be the new norm.

## Strategic planning

FaHCSIA's vision and mission are clear to all staff and are linked to its business planning processes through to, and including, individual staff performance agreements. However, given that the department's vision and mission are broad ranging, the review believes that planning processes need further development and currently do not provide the necessary focus to allow for rigorous resource allocation and prioritisation of decisions. Nor is there sufficient understanding and integration of risk into decision making.

The review found that FaHCSIA's planning system is in its early stages of development. It does not as yet appear to support critical thinking and decision making, nor does it have feedback loops that would facilitate organisational adaptiveness. It needs to drive its business and support strategic trade-off decisions between the present and the future.



The department's focus on delivering for government is emphasised in its mission statement: 'Supporting our Ministers by collaboratively developing and implementing excellent social policy'. But its focus on the here and now seems to have had an opportunity cost on longer-term policy thinking; with staff expressing the concern that the urgent has overridden the important. The review recognises that in some areas, such as with families, blue-sky thinking is part of business-as-usual activities.

FaHCSIA needs to balance short-term imperatives with long-term stewardship responsibilities. The department also needs to ensure it balances its resources in each domain. One measure of its success needs to be linked to the mobilisation of resources in rebuilding and/or reinforcing its strategic capability to deliver for government in the future. This measure would need to be attuned to the fiscal situation and enable FaHCSIA to plan for a future where tough decisions will be identified, analysed and taken.

The department, through the Horizon Project, is starting to proactively plan for future policy challenges and the review considers that initiatives of this type need to be advanced with greater urgency and are arguably core business. To make a sustainable transition, this project needs to be incorporated into business-as-usual and business planning processes.

## Outcome focus

FaHCSIA's ability to measure the impact of its programs is weak. It has responded well to government requirements but this has pushed the department to measure success in milestones. Organisational performance tends to be viewed in the context of the outputs of projects or programs rather than the outcomes. This is not helped by a lack of a larger narrative. This prevents a more strategic frame which, in turn, makes an outcome focus problematic. To shift this focus to enable a more sustainable planning framework, the department needs to work on defining, measuring and reporting outcomes as part of the move to a more sustainable planning framework.

Existing planning and evaluation processes tend to be conservative in ambition and unconnected. Clearer and accountable prioritisation will be required in a more constrained operating environment demanding zero sum trade-offs and priority setting.

The review did not find evidence of a set of indicators to assist the Executive team in managing the department. The executive dashboard report is pitched at a level too low to influence the strategic decisions required to shape the department's future. An integrated but more highly focused dashboard that reports on operational performance, policy development, people matters and other enabling services would assist.

## Risk management

The review found that FaHCSIA was often managing issues rather than risks. There is some evidence that assessment of risk and its implications have been factored into designing and planning some specific programs. However, the review could not find evidence that the department had embedded a process or culture of risk awareness, assessment and management into its business-as-usual executive decision making. As a department, FaHCSIA has not assessed its 'risk appetite' and determined through leadership engagement its approach to risk consideration in priority setting, strategic planning, operations and individual responsibility. Risk management must become part of the department's governance structure.

The department has taken the first steps in building capacity in risk management with the development of a new risk project (Business Integrity Project) to investigate risk and provide



recommendations from a whole-of-department perspective. This project would be perceived as an 'assurance' rather than management process and therefore, not driving appropriate recognition of risk in the department. Implementation needs to happen quickly to effectively mitigate risk.

Risk needs to be seen as key element across the business, rather than something that is dealt with at program or policy level.

## Information management

FaHCSIA is proud of the information it has, but there is greater potential for using this resource. The department should be acknowledged for maintaining its datasets through a tough fiscal environment. However, the review found that the department was losing some of the technical expertise it has traditionally held. This is compounded by a turnover of staff in this area and an inability to interrogate datasets effectively.

The department acknowledges the importance of this information and through Delivery Reform is working on developing better connections between staff in its state and territory-based network and its national office. It will be important for the department to implement a knowledge management system that supports operational policy and enables planning for the longer-term policy horizon.

## Workforce management

With a focus on delivery has come a change to the department's workforce profile. The review is not clear as to whether this change has been by design or accretion. The department itself recognises a decline in policy skills. Some stakeholders described FaHCSIA's workforce as competent rather than being the experts they once were.

The department needs to resolve the issue of ongoing identity. It will then be able to establish a workforce planning capability that identifies its future skill needs with supporting training and development and recruitment strategies.

The review questions whether FaHCSIA's staffing profile is fit-for-purpose. As at 30 June 2013, almost one-third (29 per cent) of staff were Executive Level 1 (EL1) officers, with a combined total of 44 per cent at executive level. Although FaHCSIA is comparative to other policy agencies, the APS average is 18 per cent. Combined with this is a key-person risk where the same staff, including data experts, are being used for special projects leaving the department potentially exposed to a lack of effective knowledge transfer and capability gaps.

The department recognises that its performance management system is not effective. FaHCSIA's culture of conflict avoidance has made it difficult to have hard performance discussions with staff. Throughout the review, staff expressed concerns that managers did not feel supported to manage under performance. They said the performance management system was overly complex and the threat of bullying and harassment claims were real. According to the SoSR results, 16 per cent of FaHCSIA staff reported they had been subject to harassment or bullying.

A strong, capable and robust workforce will be critical for FaHCSIA to meet its future challenges. Workforce planning and performance management will be at the core of achieving this.

## Key findings

The review concluded that FaHCSIA has strong foundations and a reputation for delivering. The Executive team has accurately identified the department's strengths and weaknesses and





has started some appropriate programs in key areas to address these. However, fiscal and human resource constraints are major risks for the department's sustainability and strategic planning, and workforce-related capabilities require strong ongoing support from the leadership team.

FaHCSIA's strengths lie in these key areas:

- delivering an ambitious government agenda
- a workforce that is motivated by the department's work
- an Executive team that is highly regarded, internally and externally
- a state and territory-based network that is the face of FaHCSIA with service providers
- a solid evidence base demonstrated through strong datasets.

In considering its challenges FaHCSIA could:

- more proactively communicate its strategic focus, internally and externally, by articulating whether and how it is primarily a policy department, a delivery department, or some combination of both
- assertively position the department as the government's pre-eminent source of social policy advice and thinking
- ensure greater integration across the department, including the state and territory-based network, to support policy and program development, limit duplication and enhance innovation and learning
- enhance stakeholder engagement to help support policy and program development
- establish a one-FaHCSIA view for key policy issues
- develop a robust organisational change capability and position Delivery Reform as an important strategic initiative which needs to move faster
- ensure a sustainable transition, incorporate the Horizon Project into business-as-usual and into business planning processes
- strengthen business planning to drive accountability in decision making by integrating goals and priority settings, better allocating resources, and ensuring evaluation and performance measurement
- develop metrics that measure the impact of programs
- build and implement a performance management system that includes specific outcomes and output measures for individuals that link broader FaHCSIA goals and priorities
- ensure risk is a key element to support decision making across the business, rather than something dealt with at program or policy level
- implement a knowledge management system that supports operational policy and enables planning for the longer-term policy horizon
- formalise workforce planning, aligning skills with the department's current and future priorities and addressing key-person risk.

In summary, FaHCSIA's ability to meet its challenges will depend most critically on the quality of its leadership. The leadership needs to be prepared to challenge the prevailing cultural norms where necessary.

## 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 assessment set out in Figure 2.





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

Figure 2—Rating descriptions

The review team's assessment of FaHCSIA's capability is outlined in the tables below.



## Leadership

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

## Strategy

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

## Delivery

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

## 4.1 Leadership summary

### Set direction

- FaHCSIA has vision and mission statements that are well known through the department.
- FaHCSIA's vision needs to translate into policy priorities, resourcing and delivery capability in ways that integrate and connect the different elements of the department.
- The two projects that position the department for the future—Delivery Reform and the Horizon Project—address key current risks. They need to happen quickly, be hardwired and explicitly linked to departmental policy agendas.
- The department is challenged by its culture, which is a strength and a weakness. Decisiveness, responsibility and accountability need to be the new norm and decisions need to stick and be monitored.
- The department needs to reinvigorate its policy capability and exercise its policy leadership across its systems.

### Motivate people


- Staff are self-motivated and align with the social policy agenda; they identify their work with making a difference to the lives of many people.
- The department is proud of its family friendly environment and there is a strong sense of inspiring respect, trust and loyalty.
- The Indigenous cluster and state and territory-based network feel less engaged with the rest of the department.
- There is a concern that the leadership are relying on the “goodwill of staff” and that there is a “key person risk” in some areas.

### Develop people

- FaHCSIA has committed staff, but needs to invest to ensure it has the intellectual infrastructure needed to remain a policy leader.
- At enterprise level, there is no strategic workforce planning for future skills needs, or current skills requirements.
- The department's performance management system is not managing performance and staff needs a stronger business focus.
- There is a significant key-person risk.

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 review found FaHCSIA to be well-placed in terms of having a clear vision that is well understood and a leadership team that is collegiate and prepared to take tough decisions. The review has confidence that the department's leadership has a clear sense of how the department needs to develop and is providing the direction needed for it to realise the benefits from its reform programs—Delivery Reform and the Horizon Project. However, both these programs are counter-cultural and when addressing certain elements in FaHCSIA's culture, it may be difficult for the department to fully realise capability improvement or capture potential benefits.

To place FaHCSIA on a more sustainable footing, the department needs to look at establishing processes that facilitate:

- establishing a narrative that clarifies the department's core identity and role within the social policy system, and using this as a framework for making strategic decisions on priorities and resource allocation
- working across internal and external boundaries to develop and inform a one-FaHCSIA view on major policy issues as a platform for more strategic engagement in whole-of-system policy debates
- developing a robust organisational change capability
- placing individual accountability at the centre of decision making and performance management
- ensuring that, once reached, decisions are made to stick.

*A narrative—whole-of-life, whole-of-community*

FaHCSIA has vision and mission statements that are well known through the department and used in its business planning. However, these are not sufficient to set the department's direction or assess whether it is meeting its goals effectively and efficiently.

The department is doing a good job, but it is not clear that it is positioning itself to continue to do so, particularly given the volatility of the external environment and risks associated with the broader sustainability of the current welfare system. The review found that the department is project focused. Notwithstanding that some projects are very large and of vital national

significance, there was a strategic dimension to FaHCSIA's work that was undeveloped. The department lacked a broad narrative that puts it in a leadership position within the broader national social policy arena. In that sense the department seemed to lack a sufficient sense of its potential value within its community of interest. For this reason it may not be optimally positioned for a future where there may be a premium on new ideas and policy frameworks, or where seemingly unconnected areas might need to be linked in a larger enabling narrative.

By establishing what its core business is and what it brings to social policy in government as its value add and/or value proposition, FaHCSIA will be better placed to engage in whole-of-system debates, translate its vision into policy priorities, and resource delivery systems in ways that integrate and connect its different elements.

FaHCSIA is heavily focused on the here and now (delivery). Many stakeholders have questioned whether this has been at the cost of policy capability. Whether this is merely a perception or a reality is arguable, however, the issue needs to be addressed. By establishing a stronger sense of its core identity, the department would also be able to better respond to the questions of whether and how FaHCSIA is a policy or a delivery department, or a mix of the two. A stronger sense of core identity would also enable the department to express this more precisely in its core management processes.

#### *Accountability and decision making*

FaHCSIA is challenged by its culture, which is a strength and a weakness. The department has a highly centralised decision-making culture, with decisions made at the most senior levels. Decisions are only being taken after extensive and, arguably, excessive internal consultation. But the department also has a reputation for not following through on decisions. Staff have highlighted that a great deal of discretion exists around whether or not decisions are mandatory. Indeed, some said 'mandatory decisions are not mandatory'.

This suggests an issue of accountability and alignment. The review found little evidence of a culture of accountability for decision making beyond the top leadership team, and business processes did little to support accountability. The development of stronger accountability arrangements is an urgent priority, particularly as a contracting budgetary environment means decisions are likely to require greater trade-offs and be more contested.

Weaknesses in accountability arrangements were mirrored in difficulties in making decisions. The culture of consensus, often necessary to achieve agreement in complex and contested policy and delivery domains, could also function to dilute energy, weaken leadership authority and result in less than optimal policy and delivery outcomes.

#### *Change management*


According to the SoSR, only 37 per cent of staff felt that change was managed well in the department. Further analysis by the review team suggested this was in part a result of a culture of over engineered consensus combined with the sense that 'mandatory decisions are not mandatory'. Internal and external communications are quite strong, but in times of departmental change, the comments from staff raise concerns that messages are too complex and that intent messaging is lost. Few staff self-identified as being experienced in driving large-scale change management. This significant risk needs to be addressed.

The most significant change initiative is Delivery Reform, which in some ways is a test of FaHCSIA's strategic change capacity. Further results from the SoSR indicate that only 55 per cent

of staff agrees that information provided about Delivery Reform was clear and relevant. This initiative is urgent and strategic in its potential effect. The review considered that it needs to be driven with more speed, and that the process and structural change it mandates be non-discretionary in implementation. At the time of the review, changes had been announced and implementation was underway.

Given the inconsistent awareness of the need for the department to change, and a historic lack of confidence in its ability to manage change, the leadership team needs to question whether current leadership approaches are sufficient.

### Motivate people

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

The review agreed largely with FaHCSIA's self-assessments of this element: 'The department has a dedicated, professional and diverse workforce.' And 'The department's diverse business and history of administrative change mean that staff often have greater loyalty to, and understanding of their work, rather than the organisation as a whole.' A challenge for the department going forward will be to ensure staff are motivated not only by their particular work area, but also by FaHCSIA's broader mission. This is particularly important in relation to areas or issues that engage more than one part of the department.

#### *A values-dominated culture*

FaHCSIA staff are self-motivated and they strongly identify with the department and align with their part of its work. Staff are proud to work in FaHCSIA and have a strong sense of purpose deriving from their ability to identify that their work makes a difference to the lives of many people. SoSR results show that 70 per cent of staff are satisfied with the recognition they receive for doing a good job, which is 14 per cent higher than the APS average.

The leadership is visible and well regarded across the department. The department is proud of its family-friendly work environment and there is a strong sense that it inspires respect, trust and loyalty. But its culture also manifests in a widely perceived difficulty in having hard discussions.

Workload management was raised as an issue by some, however, according to SoSR results, 72 per cent of staff agree the workplace culture supports people to achieve a good work/life balance.

Also, FaHCSIA's unscheduled absence rate is 13.3 days per year. Although arguably high, it compares with the APS average of 13.39 days per year.


FaHCSIA's culture favours consensus and there is evidence that this has made decision making less effective. Staff see many benefits in the department's current culture and do not necessarily accept the case for change in key areas. This will be an ongoing challenge for the leadership team since it inhibits the ability to change and undertake major reform. The department needs to retain the benefits of its underlying values while strengthening its capacity to manage accountability and effective decision making.

#### *Trading on goodwill*

FaHCSIA has some particularly high-performing staff who are universally recognised across the department for their capacity and commitment. There is concern that leadership relies on the 'goodwill of staff', with some workloads for individuals increasing.

Success in handling urgent and emerging issues is often the result of a heavy reliance on the skills, expertise and relationships developed by key staff. Reliance on these key staff, without replenishment through better performance management, effective succession planning and knowledge transfer creates a future risk for FaHCSIA.

#### Develop people

Guidance Questions		<ol style="list-style-type: none"> <li>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?</li> <li>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?</li> <li>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?</li> <li>4 How do you plan to fill key capability gaps in the organisation and in the delivery system?</li> </ol>
Rating		Development area

This element is a major development area for FaHCSIA and one the department acknowledges. The department needs to address this issue if it is to move forward on a sustainable footing for the long term. In particular, the department needs to focus on:

- aligning workforce planning with its strategic priorities
- identifying and addressing skills gaps
- performance management
- learning and development.



### *Planning the workforce for the future*

FaHCSIA is not necessarily making the best use of its staff, nor is it sufficiently investing in its future workforce. Some stakeholders described staff as having become ‘competent rather than expert’. FaHCSIA staff often describe interactions with departmental staff as ‘patchy’ and this was reinforced by stakeholder views.

FaHCSIA’s People Strategy 2012–14 provides a framework to ‘build and sustain the workforce’ for staff to deliver against the department’s strategic framework and identifies the need for a capable, informed and an adaptive workforce. The strategy identifies a number of initiatives designed to align and deploy, motivate and develop, and attract, recruit and retain staff.

While workforce planning is embedded within the business planning process at branch level, there is no clarity of understanding future skills needs, skills in the current workforce or skills needs of current positions at enterprise level. There has not been any analysis of the workforce to identify skill shortages. While managers are encouraged to stay one step ahead of their staffing requirements by adopting a range of strategies (including training staff to be multi-skilled and advertising expected vacancies), there is no encouragement to look beyond the next planning cycle, or to see the department as a coherent entity when it comes to staffing issues.

A large suite of internal training options are available to staff and a dedicated training and development budget for each full-time equivalent. However, the review team heard a consistent message about people having the wrong skills for the job. Indeed, many referred to staff as being ‘round pegs in square holes’.

As at 30 June 2013, almost one-third of staff (961) was at EL1 level, which reduces workforce agility and career progression for this cohort and more junior staff. This is a risk for the department in terms of future capability gaps. It is understood that work is underway on re-profiling the department’s workforce and there is a strong commitment at leadership level to address these issues.

### *The performance management process is not managing performance*

FaHCSIA is investing in and improving tools for staff performance management, including by developing the Talking About Performance framework. However, it is arguable whether the overall performance management system is managing performance. The Talking About Performance framework is a mandatory process and adhered to. However, performance metrics and accountabilities are not clear and cannot be used to manage performance or deal with underperformance effectively.

Underperformance was a consistent message from internal interviews and has been identified as a challenge for the department in developing future capability. Indeed, dealing with underperformance seems to be deeply counter-cultural and is actively avoided.

The SoSR identified that only 17 per cent of staff agreed that the department dealt with underperformance effectively. This position is supported by the last staff performance cycle where 97.7 per cent of staff received the top two ratings. Only 2.3 per cent of staff received a rating of ‘contribution is improving or requiring improvement’ and two staff were rated as unsatisfactory. Further evidence from staff suggests there is little support to have honest conversations. Good managers suffer without the necessary corporate human resources support. More support is provided to the poor performer than to the manager.



One pre-condition for dealing effectively with the perception or reality of underperformance is understanding what effective performance actually is. The lack of clear and measurable outcomes and strong accountability and effectiveness measures in business plans means that performance judgements rely on broad outcomes achieved or on overly subjective individual or group perceptions. From a perspective of their utility in relation to performance management, FaHCSIA's business processes lack precision and specificity. They do not provide a sufficient framework against which to contextualise individual performance or support specific judgements. It is therefore not surprising that performance scores reflect a self-perception of high performance.

Performance management of staff needs to be a core managerial activity supported by a strong business focus, underpinned by a culture of individual accountability and responsibility. According to the *Strengthening the Performance Framework: towards a High Performance Australian Public Service* the seventh theme required to support the development of high performance relates to capabilities. This requires the department to identify 'what capabilities and competencies are required at all four levels—governance, organisational, group and individual'. It particularly highlights that performance concerns need to be addressed early and performance management as a whole needs to be 'considered as a priority and a core managerial activity'.

#### *Leaders of the future*

While FaHCSIA has invested in a range of learning and development programs to foster talent, workforce capability is unevenly distributed. Workforce planning and recruitment strategies need to focus on capability development across the workforce and link more directly to Delivery Reform and the Horizon Project. It is in these projects that the future needs of the department are likely to be most evident.

The department shows a great deal of commitment to developing its staff through programs such as the Leadership Extension Program, the graduate and trainee programs (including Indigenous mentoring), the Aboriginal and Torres Strait Island Workplace Strategy and the Cultural Awareness Program. The effectiveness of the department's leadership resource could be increased if it were more directly linked to a broader and future-oriented workforce plan.

## 4.2 Strategy summary

### Outcome-focused strategy

- FaHCSIA is strongly focused on delivering key government commitments. However, there is greater focus on addressing specific issues or program areas than there is on adopting an integrated, whole-of-system approach within the department and with key partners.
- The department measures success at input level and focuses on the achievement of key milestones.
- The department needs to ensure it retains the necessary policy capability and confidence to lead whole-of-government policy debates decisively. The review found strong support for the department to take this role, but concern that it is adequately equipped to do so.
- Given the department's reliance on an outsourced delivery model, the review supports more active consideration of environmental risks and capacity constraints in the service delivery system, as part of a greater focus on outcomes.
- The department needs a clearer understanding of what success or failure looks like to ensure a stronger focus on delivering against key policy objectives.

### Evidence-based choices


- FaHCSIA has maintained its datasets and uses these to support policy development.
- The department needs to strengthen its capacity to harness information to support policy development and implementation. Evaluation capability and results need to be incorporated into planning and decision making.
- The department is building strategic policy capability through its Horizon Project, but needs to do so faster.

### Collaborate and build common purpose

- FaHCSIA understands that effective relationships with stakeholders are an important capability.
- The department has started to build risk management into its decision-making processes, but has not yet developed a mature process.
- Stakeholders would like FaHCSIA to engage them earlier in policy development to allow a more robust and informed debate. This will facilitate FaHCSIA taking a policy leadership role.

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

### Outcome-focused strategy

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

The review found that FaHCSIA had made significant progress in relation to specific government initiatives and deliverables, but needs to develop and use a broader social policy framework that adopts a long-term integrated approach to improving outcomes for vulnerable individuals and communities. The department's strategic framework is a good starting point and could be built upon quickly to improve capability in this area. Some priorities areas are:

- progress the development of system-wide key outcome measures as part of a longer-term social policy framework—this needs to be developed in partnership with key government and non-government stakeholders to effectively harness the requisite intellectual capital and commitment of parties to consider necessary trade-offs and best return on investments scenarios, including delivery models
- provide greater focus on commissioning outcomes rather than managing contracts
- strengthen internal structures and decision-making processes to authorise robust policy discussions and enable trade-offs to be considered against fiscal constraints
- determine the appropriate balance between delivery and policy capability to guide requisite strategic workforce planning and performance management
- confidently adopt a leadership role in the social policy arena.

#### *Planning for outcomes rather than for outputs*

The department's strategic planning process is aligned with its Portfolio Budget Statement outcomes. The FaHCSIA Strategic Plan 2013–14 focuses on the financial year ahead and articulates the government's critical and immediate priorities. The planning process cascades from this plan through to individual performance agreements, which also focus on the year ahead. But FaHCSIA's planning processes have a programmatic focus and there is insufficient evidence of integration across the department or that planning is put into practice, is reviewable and drives business decisions.

The objectives outlined in plans currently vary in precision and measurability. Performance measures focus primarily on inputs and outputs rather than on outcomes. In the absence of such

performance measures, it was unclear as to whether planning processes can drive the business and provide guidance on setting priorities and allocating resources. The review believes this potentially limits the department's flexibility to adjust delivery models as circumstances change. It also provides few incentives for program managers to take a broader whole-of-life or whole-of-system approach under current structures and decision-making processes.



#### *Delivering outcomes—commissioning or delivering?*

FaHCSIA has a strong sense of the Ministers' and government's priorities, and works effectively to support Ministers, advocate and implement policy and deliver services. Over its recent history, the department has been asked to deliver major reforms for the Australian Government. Its focus on delivery has extended the department's core business from a primary focus on policy to a dual focus including delivery. During the review many interviewed (internal and external) reflected that perhaps delivery had been at the cost of policy stewardship. In addition, this has potentially shifted significant operational risk onto the department and the national government, compounded by longer-term sustainability challenges. Acknowledging this shift, FaHCSIA has begun a journey of internal reform—Delivery Reform. To realise the benefits of Delivery Reform, however, the department must hardwire these changes into processes to ensure momentum and potential benefits are not lost in the post-election environment.


As part of Delivery Reform, the department is working toward building a strengthened policy capability through the Horizon Project, although this is less well understood, internally and externally. This policy focus combined with an increased focus on outcomes will position the department well for the future. Communication within the department needs to reinforce the significant role of policy in this reform.

There is some risk, however, that delivery is not seen by stakeholders (government and the broader non-government community) as central to the role of the department, nor one of its core competencies. Further, the pace of implementation of the Horizon Project may be too slow to realise benefits before the changes are made to the operating environment.

#### *Policy leadership*

FaHCSIA has a broad social policy remit, strong datasets and many potential policy and fiscal levers to drive improvement in outcomes. There are clear intersections with other Australian Government departments and, increasingly, with state and territory government departments as well as non-government organisations. However, there is no natural leader of social policy across this remit. There is strong support for the department to recapture or take on a stronger leadership role to drive whole-of-system and whole-of-life outcomes for vulnerable individuals and communities. Policy leadership is discussed further in 'Collaborate and build common purpose'.

## Evidence-based choices

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

The review found that FaHCSIA is well positioned to lead critical thinking in social policy if it can make full and best use of its datasets and program evaluations. The department has placed priority on developing and retaining this resource despite fiscal pressures. Challenges, however, relate to the department's ability to effectively use its datasets and simply to know the right questions to ask. There is a perception within the department and the social policy sector that technical expertise is diminishing. Inaction will erode what has traditionally been a departmental core strength. Significant strengths were viewed to exist in payment-related areas but these were generally not perceived to be department-wide. For the department to improve its capability it would need to:

- give priority in strategic workforce planning to the development and retention of appropriately skilled technical and policy staff
- give greater department-wide support for evidence-based policy development skills, including the development of appropriate evaluation models
- strengthen effective structures to capitalise on the grassroots work of the state and territory-based network to better inform the policy feedback loop from conception to evaluation.

*Turning data into information*

FaHCSIA maintains good datasets for each of its policy areas and is particularly strong in its payments area. It works closely with the Department of Human Services on the development of payments data and uses a mix of internal capability and external research providers for modelling social policy outcomes.

The review questions whether FaHCSIA is making the best use of its datasets, noting that the information it holds will become increasingly more valuable in the face of resource constraints. Maintaining datasets is not enough to ensure good evidence-based choices. Across the department, the analytical skillset and evidence-based approaches are consistently regarded to be 'patchy' by staff and external stakeholders.

At FaHCSIA there is a strong focus on hard data, but the department generates a wealth of intelligence from its state and territory-based network and interactions with clients and service


providers. The review heard that this evidence is largely untapped in policy development and unstructured in its connection back to the national office. The department needs to better engage with this evidence to inform decision making. Though Delivery Reform is acknowledged as one means of increasing focus on the policy feedback loops, including the better use of intelligence from the state and territory-based network, it requires support from other key areas.

Evaluation needs to be given greater priority and prominence to embed feedback into the policy development process. It needs to be a key aspect of policy design and evaluation outcomes should be used in policy redesign or continuous improvement. During this review, FaHCSIA launched the Research and Evaluation Committee, an 'evaluation hub' linking staff to evaluation design methodologies and the department's governance structure around data. This is a good step to create a culture of evaluation but to succeed the department also needs to encourage evaluation as a core process in policy design and link outcomes back to new policy design.

#### *Preparedness for the future*

Both staff and external stakeholders expressed concerns about FaHCSIA's ability to anticipate future challenges for vulnerable individuals and communities and to put forward new ideas. The department has started to address this gap through its Horizon Project. This project has created a departmental environmental scan and a structure for the department to produce robust policy advice built on evidence and focus on outcomes for Government. This is an important step for the department in building future readiness. Its focus on policy during the delivery reform process should not be lost and this project directs a base level of effort into this key departmental capability. However, concerns have been expressed regarding the timing and priority accorded to this project and opportunities for external stakeholders to contribute.

#### Collaborate and build common purpose

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

The review encountered a wide range of stakeholder views in relation to this capability area. It was broadly acknowledged that FaHCSIA's leadership team is highly respected and a wide range of stakeholders interviewed perceived the department to be the most constructive and flexible of the human service agencies. FaHCSIA was considered to be generally well placed in its ability to work with others and demonstrated the ability to develop policy and implement major government initiatives. However, expectations are very high in this regard and many



potential development areas were consistently identified. To realise capability improvement the department needs to:

- introduce processes to develop a one-FaHCSIA view and assertively lead the social policy debate
- move from stakeholder management to stakeholder engagement to advance future policy directions and delivery system design
- work cooperatively within the social policy sector to develop agreed outcomes including the development and use of appropriate evaluation models.

### *Leading the debate*

Social policy development and delivery is a complex and contested space with many different stakeholders holding divergent views. Therefore, a critical enabler of whole-of-system effectiveness and efficiency is leadership in debates about both the desired policy outcome and appropriate delivery systems. The opportunity exists for FaHCSIA to lead these debates in collaboration with stakeholders, with the strategic aim of ensuring delivery systems are congruent with policy objectives.

FaHCSIA is strategically positioned to potentially lead the social policy debate and has demonstrated its ability to do so through the introduction of initiatives such as payment reforms. However, the department is hampered from doing so by an issue or programmatic focus to problem solving. Its consensual culture has not authorised or encouraged robust discussion and decisiveness on crosscutting issues, both internal to the department and across whole-of-government. In practice, however, FaHCSIA lacks the acknowledged authority or confidence of a central agency in coordinating social policy agendas, even though, arguably, this is its area of natural advantage.

The intersection with related key government programs in the employment and health areas remains ambiguous and accountabilities are unclear or unresolved at delivery level, despite FaHCSIA enjoying productive relationships with key human service agencies at head-office level.

Many external stakeholders identified the department's effective relationship building skills as a key strength, but did not believe this was always effectively translated into processes yielding whole-of-government or whole-of-community outcomes. A recurring theme was the focus or reliance on key persons within the department, especially at executive level to bring together silos within FaHCSIA. The department was viewed by some as lacking formal structures or processes to unify views into binding decisions.

### *Collaboration*

The Secretary and Executive Leadership Team are highly regarded internally and externally. The review received positive feedback from staff and stakeholders that support leadership team effectiveness, particularly in the implementation and delivery of key government initiatives such as DisabilityCare and Closing the Gap. While at Deputy Secretary-level there appears to be a culture of collaboration and teamwork, the review identified lack of consistency within other levels. It was evident, and much commented upon by stakeholders, that FaHCSIA does not speak with one voice. Diversity and debate are important, particularly in an environment where major ideas are heavily contested. However, the inability to achieve a whole-of-department voice



weakens credibility with stakeholders and dilutes energy and focus. One consequence is that in pursuing their work, FaHCSIA staff tend to align themselves with their branch or client group. As noted, FaHCSIA has been referred to as ‘a city of many postcodes’.

The department needs to engage more effectively, internally and externally, in building and managing crosscutting policy issues to enable a more integrated approach to the development and implementation of social policy, establishing itself as, and being acknowledged as, the social policy leader (discussed further in Outcome-focused strategy). However, there does not appear to be a forum in which this could take place. Core management processes need to support leadership’s capacity to identify and prosecute major strategic issues that cross internal and external boundaries. There is evidence that FaHCSIA has started on this path through the Horizon Project, but core processes such as business planning and organisational performance management need to support this.

#### *Relationship management*

While acknowledging FaHCSIA’s sharpened focus on relationship building, external stakeholders in particular were encouraging of the department more proactively engaging with key partners and service providers in the policy development phase, especially with the development of agreed outcomes. In the absence of other opportunities to achieve this, the majority of contacts were at ministerial rather than bureaucratic level. When consultation objectives are clear and focused on problem solving, the department is acknowledged as managing stakeholders well and working collaboratively. But FaHCSIA needs to move from stakeholder management to stakeholder engagement.

Many stakeholders commented that they found it difficult to identify the right people to deal with in the department, although the experience was usually positive when connections were made. In some cases, the absence of an agreed departmental position in meetings caused problems. Given the increasing number of external stakeholders it must deal with, the department would benefit from a more structured stakeholder engagement policy, perhaps with the formal identification of relationship managers for the most important of these.

The department would benefit from using the many relationships it has with stakeholders to build this input into future policy design.

## 4.3 Delivery summary

### Innovative delivery

- Innovation is one of the five values of FaHCSIA's strategic framework. The department is looking to further encourage innovation in core business through the creation of an annual Recognition and Appreciation Award for Innovation.
- Innovation is occurring in pockets of business often through bespoke community-based programs. Where it is occurring, ideas and lessons learned need to be more broadly shared.
- FaHCSIA does not have a systematic approach to system or department-wide innovation, which is being blocked by its silos.
- Greater top-down direction to guide innovative thinking and streamline idea assessment is needed.

### Plan, resource and prioritise

- Annual planning at FaHCSIA is achieved through a cascading plan-on-a-page business planning process, but is generally seen as a compliance exercise.
- Resource allocation is historically based and not linked to the planning framework.
- Prioritisation needs to be more transparent and coordinated across groups, and more explicitly linked to strategic decisions, to generate shared understanding of trade-offs.

### Shared commitment and sound delivery models


- FaHCSIA has delivered a range of policies and programs and makes use of the delivery platforms available (payments, Australian Government and state/territory agreements, place-based solutions and grants).
- The state and territory-based network is a key departmental strength, enabling it to build a regional platform upon which to soundly and consistently deliver the department's programs.
- FaHCSIA is not optimising its delivery system or extensive stakeholder reach to support better policy outcomes.
- The department's silos are a significant operational risk. Structures need to facilitate better collaboration.
- The department has a tendency to delegate decision making upwards. This has decreased the capability of the Executive Management Group to undertake its strategic work.

### Manage performance

- FaHCSIA needs to develop outcome measures (departmental and programmatic).
- The department has insufficient corporate performance reporting.
- The department's risk processes are currently an assurance function and not being used for operational decision making.

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

## Innovative delivery

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



The review found that FaHCSIA has the capability to deliver innovative results for government. This is evident across a number of recent challenging initiatives. Innovation in business processes is occurring in pockets across the department, for example. FaHCSIA is also in a good position to further harness and support innovation. The department may wish to consider developing a framework or strategy to encourage and share innovation across its business units, including sharing best practice and lessons learned.

An appropriate approach to innovation necessarily involves mature consideration of risk. Risk is discussed further in 'Manage performance'.

*Delivering innovative solutions*

Strong examples of innovation were highlighted around FaHCSIA and in its state and territory-based network. Specific examples were evident in the payment and income, disability reform and in some Indigenous programs.

Many of the department's policy and program initiatives were challenging in concept and encompassed strong political pressure with conflicting stakeholder views and tight timeframes. Their successful delivery demonstrates that FaHCSIA has the capability to be creative and flexible in delivery for government.

FaHCSIA avoids the one-size-fits-all model for service delivery and is proud of the flexibility it affords service providers to customise its delivery of services. The department's adoption of this approach has enabled more adept service providers to mix and match services to best suit their local communities. There are some inherent potential tensions surrounding this flexibility and the introduction of Delivery Reform seeks to standardise processes.

FaHCSIA's strategic framework highlights five core values, one being innovation. The department however, lacks more formal systems for innovation and more work is needed at whole-of-department level. Large inconsistencies exist across the department in the management of service delivery, which causes stakeholder confusion and frustration. A more consistent and consolidated approach to service delivery is required. The department believes this will be addressed through Delivery Reform, which is intended to provide more rigor and consistency to contract management. Many


areas of FaHCSIA actively identify and explore innovative ways to improve their workplace. A current example includes the Victorian State Offices' recent move from a program-specific model to a place-based service model for contract management. This has positioned the staff to better integrate with other government departments in Victoria while working across eight regions.

#### *Harnessing innovations and sharing knowledge*

While innovation is occurring in pockets, FaHCSIA's current culture of operating in silos results in innovation not being captured or widely shared. As resource pressures mount, new demands on the department will require innovation and experimentation.

The department may also benefit from a knowledge-sharing mechanism to broaden its use of creative and innovative ideas. By encouraging knowledge sharing across FaHCSIA, staff will be able to share best practice, successes and lessons learned, all of which will be useful to inform future innovation in the workplace. The creation of a knowledge-sharing structure would also encourage a break down across the silos evident in the department today.

#### **Plan, resource and prioritise**

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

For more urgent matters, including delivery of an emerging priority set by government, FaHCSIA has a proven ability to resource, prioritise and deliver. However, plans are basic, the department lacks a strategic prioritisation process and budgets are based on a rollover from previous year allocations. Moving forward with an inevitably tightened fiscal outlook, the department may wish to consider the following to ensure it is on a sustainable footing:

- establishing priorities that reflect what the department can and cannot achieve and what it can say 'no' or 'not yet' to
- positioning business planning, prioritisation and evaluation processes to drive resource allocation and budgeting
- strengthen accountability through business planning by specifying measures and key deliverables.

### *Annual planning*

FaHCSIA's business planning process links each element of the department to the Portfolio Budget Statements and lists key actions against departmental priorities. Planning and prioritisation at FaHCSIA is managed through a cascading approach through to individual performance agreements.

The key question around planning is the extent to which it drives resource allocation and enables and supports judgements about performance. In this context, the planning process does not weight priorities, link objectives to resource allocation or drive business decisions. FaHCSIA's plans contain mostly output performance measures.

Planning does not directly support accountability. The department does not track performance against its plans or report against progress made through the year. Annual planning is largely recognised internally as a governance compliance exercise and there is little evidence that plans are used to drive decisions or that provide a framework for subsequent evaluation.

There is an opportunity for FaHCSIA to move its planning process from being primarily for communication and organisational alignment to a strategic tool to manage risk, drive decision making, allocate resources and support accountability. To achieve this, planning needs to incorporate stronger performance measures, build greater understanding of organisational interdependencies and more closely link deliverables to resource allocation.

### *Setting priorities*


Priority setting is primarily a policy function. Its expression in planning allows priorities to be weighed against resources and capability. FaHCSIA uses taskforces or 'tiger teams' to respond quickly to new priorities. While this approach has worked for FaHCSIA in the past, in a tight fiscal environment it carries the risk of overloading the department. FaHCSIA will need to develop a planning and prioritisation framework that comprehends the operational and strategic risk that accrues in a resource-constrained environment. This is necessary to understand and advise government of the trade-offs between competing priorities. Without a strong prioritisation framework, FaHCSIA's ability to 'stop doing' is questionable as the 'can do' culture can prevent it from stopping tasks or reprioritising tasks as new initiatives are added.

### *Budget management*

FaHCSIA has a sound history of budget and financial management. The department's Australian National Audit Office (ANAO) financial audits have no negative findings for 2011–12 and 2012–13. Internal budget plans have allowed the department to anticipate and manage efficiency dividend and saving requirements. The department has worked hard in recent years to strengthen the integrity and consistency of its budget and financial management.



### Shared commitment and sound delivery models

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

FaHCSIA's state and territory-based network and its ability to deploy a range of flexible delivery modes that respond to local needs make the department well placed in terms of shared commitment and sound delivery models. However, silos have been identified as a major operational risk and an impediment to effective system-wide reform. To support long-term sustainability the department should consider:

- enhancing its decision-making structures and reporting to give the Executive Management Group more capacity to focus on the strategic positioning of the department and operational issues
- explicitly addressing the policy and delivery fragmentation that flows from the silos
- identifying appropriate governance, individual accountability and performance structures to incentivise integration where relevant across program areas.

#### *Commitment to delivery reform*

FaHCSIA's programs and delivery models reflect the policies of successive governments. This has required aligning programs with often differing structures and objectives, which has required resolution within the department and with other government agencies. The department implements government policies through payments, Australian Government and state and territory agreements, programs and grants, the most recent being DisabilityCare (formerly the National Disability Insurance Scheme). Challenges exist in relation to the effective intersection of national and state and territory-based initiatives and the ability to effectively leverage related taxation, employment and health programs across the national government.

FaHCSIA maintains a regional state and territory-based network with extensive reach across Australia. This network is a source of strength that has the ability to deploy a range of flexible delivery modes to respond to local needs. Its main role is to interface with service providers, ensuring that FaHCSIA's numerous policies and programs are in place and functioning. There is potential for the network to adopt greater focus on outcomes rather than on



contract management and provide key information on the ongoing evaluation of program implementation.

As noted, the department's reliance on third-party providers has significant potential impact on its current and future risk profiles. Recognising its purchasing power, FaHCSIA requires a high level of skill to more effectively commission outcomes rather than relying on bespoke grant or program delivery vehicles. It also has the potential to have a significant impact on the broader marketplace in which service providers currently operate. This is an area warranting further consideration.

#### *Functioning silos?*

FaHCSIA has had a long history of machinery-of-government changes, with many functions moving in and out of the department in quick succession. This change history has created a sub-culture that prefers to focus on issues and siloed policy thinking. The department is aware of this, including the resulting non-standardised methods and processes of conducting business, and through Delivery Reform, is working to resolve these anomalies.

It is clear that the department expects to achieve efficiencies in this process and would like to use these to build on the capabilities linking its state and territory-based network and stakeholders into the policy debate.

One area where FaHCSIA uses its siloed structure as a centre of excellence that actively draws on expertise from across the department to inform future policy directions is the Families Group. The group uses its expertise to develop the future policy agenda for welfare reforms and families policy, while drawing on the expertise of delivery from the state and territory-based network and testing policy implications with other policy areas across the department, including the Indigenous Cluster and the Seniors and Means Test Branch.

The review also had a strong sense that the Indigenous cluster was not as connected to the rest of FaHCSIA as it might be, and that the state and territory-based network was an under-used resource in supporting policy development and delivery design. However, given FaHCSIA's diversity and stakeholder relationships, there were some significant exceptions to this view. In the review team's minds, this reinforced the perception that FaHCSIA has many voices.

#### *Governance structures*


FaHCSIA's governance structure reflects its consultative or consensual approach to decision making, which has been described as a strength and a weakness. The formal governance structures lack decision-making authority and the Executive Management Group agenda is heavily dominated by corporate-related matters that may unduly compete with more strategic discussions. Current structures rely on integration occurring at the Executive Management Group level rather than placing this responsibility at the appropriate managerial level in the first instance.

#### *Information and communications technology (ICT) supports delivery*

FaHCSIA's ICT systems are designed to support business outcomes. The systems are flexible and provide additional ICT services to other government departments including DisabilityCare Australia, the Department of Health and Ageing and the Department of Education, Employment and Workplace Relations. This sharing of information ensures a single view of

service-provider information across these departments. It also creates an opportunity to develop platforms with a whole-of-government focus, enabling a more strategic approach to data capture and evaluation of information across departmental lines.

### Manage performance

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

FaHCSIA acknowledges that it needs to improve its focus on measuring and managing performance. Key areas of focus could include:

- agreement on key long-term strategic directions and outcomes supported by a strategic workforce capability plan
- the development of a simple and effective departmental performance reporting system
- a risk management approach that supports decision making and is embedded in governance structures at corporate and policy/operational areas.

### Current reporting and risk management structures

Performance reporting cannot be considered in isolation from the earlier discussions of this review report, which identified the need to confirm FaHCSIA's core functions and the balance between its policy and operational/delivery imperatives.

Planning and performance management structures need to be strengthened and more strongly aligned in the department, building on efforts such as Delivery Reform to better define accountabilities and provide appropriate skills development and incentives to improve outcomes. Metrics are heavily transaction focused and inadvertently promote micromanagement at the expense of progressing more enduring delivery results.

Performance management has also been the focus of ANAO reports, noting concerns about a general lack of a clear focus on the achievement and measurement of outcomes, sustainability of outcomes and quality related measures.

The Review shared these concerns. The absence of outcomes based reporting limits FaHCSIA's ability to make meaningful assessments of overall progress on key program at an agency basis or on either a jurisdictional or national level.



The department recently released an Evaluation Handbook designed to contribute to building an 'evaluation culture within FaHCSIA. It is too early for the review to judge the effectiveness of the handbook, including its uptake and use.



#### *Underdeveloped risk awareness*

There is clear evidence that assessment of risk and its implications have been factored into designing and planning the management of specific programs. FaHCSIA has not, however, embedded processes for or a culture of risk awareness, assessment and management into its business-as-usual executive decision-making processes for the whole department. As a department, FaHCSIA has not assessed its 'risk appetite' nor determined through leadership engagement its approach to risk consideration in priority setting, strategic planning, operations and individual responsibility. Risk management must become part of the department's governance structure.

FaHCSIA has taken the first steps in building capacity in risk management with the development of the new Business Integrity Project, designed to investigate risk and provide recommendations from a whole-of-department view. This project arguably focuses on 'assurance' rather than management process and therefore is not sufficient in driving an appropriate recognition of risk in the department. Its implementation completion date may need to be brought forward to reflect changing fiscal circumstances and enable it to drive change more quickly.

## 5 The department's response

Every public service agency needs to ensure that it is both delivering for the government today and well-placed to serve the governments of the future. The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) welcomes this capability review as an important contribution to ensuring we are positioned well for the future.

At a personal level, I would like to thank the senior review team—Robyn Kruk, Brendan Sargeant and Geoff Applebee – for their time and the excellent advice they have provided. I would also like to thank the APSC secretariat for their support.

The capability review confirms that FaHCSIA is a good department that is performing well for government. It acknowledges that the department has successfully delivered a complex and ambitious reform agenda. This is a welcome finding that reflects appropriately on the hard work and dedication of FaHCSIA staff.

But the review has also clearly found that we need to do more to be ready for the future. It reminds us that success today does not guarantee success into the future. This is a message we understand and agree with. We agree that the department needs to do more to ensure we have the right capabilities to support government into the future. We agree that we must do more to ensure that our business is sustainable in a world of shrinking resources. We agree also that we must work harder to speak with one voice, and become a more decisive organisation.

Importantly, the review recognises that the department is aware of its strengths and the areas needing development, and there is an alignment between the judgements of the department and those of the review.

The review recognises that the department has undertaken the groundwork that addresses many of the issues identified in the report and has reinforced that we are on a good path. The review has acknowledged the department has commenced a large internal reform program. It recognises, in particular, that Delivery Reform and Horizon Project will bring needed rigour, system and consistency to our business. The department remains committed to driving this reform agenda and we will use the findings from the review to enhance our approach.

The review questions whether we are hardwiring our reform and whether the current reform program addresses all of the change needed. It makes a range of suggestions around risk, resource prioritisation and allocation, long-term workforce planning, capability development and performance management. We agree with the areas identified, and will move quickly to lift capability in key areas.

The review's work with stakeholders has identified some uncertainty about the department's strategic focus. Stakeholders have questioned whether we are a policy agency or a delivery agency. We are emphatically both. We strive to ensure that our delivery effort contributes strongly to our policy outcomes, and our overarching policy framework. I look forward to ensuring our dual strategic focus is better articulated and communicated in future.

The review has challenged us to position the department more assertively as the government's pre-eminent source of social policy advice and thinking. I welcome this challenge. A number of the review's core findings about improving integration, establishing clear whole-of-department positions internally and externally, and enhancing stakeholder engagement, will strengthen our ability to perform this leadership role. This is something we will pursue strongly as part of our overall reform program.

Fully addressing the review's detailed findings will require significant effort. I am committed to achieving this by developing a strong action plan that fully integrates with our existing internal reform agenda. Our action plan will recognise the department's strengths and reinforce the importance of delivering for government, but it will also pick up the challenge of ensuring we are improving capability for the future.

Finally, the review recognises that FaHCSIA has a highly motivated and dedicated workforce, and that we are well regarded by stakeholders both internal and external to government. These are great strengths of the department. I look forward to building on and supporting these great strengths as we move forward.



**Finn Pratt PSM**  
**Secretary**  
**Department of Families, Housing, Community Services**  
**and Indigenous Affairs**

## 6. Abbreviations and acronyms

Abbreviation or acronym	Description
APS	Australian Public Service
ANAO	Australian National Audit Office
APSC	Australian Public Service Commission
Executive	Secretary and deputy secretaries
EL1	Executive Level 1
Executive	Secretary and deputy secretaries
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
ICT	Information and Communications Technology
SoSR	State of the Service Report







