



Australian Government
Australian Public Service
Commission

CAPABILITY REVIEW

Department of the Prime Minister and Cabinet

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

Review Report: August 2012



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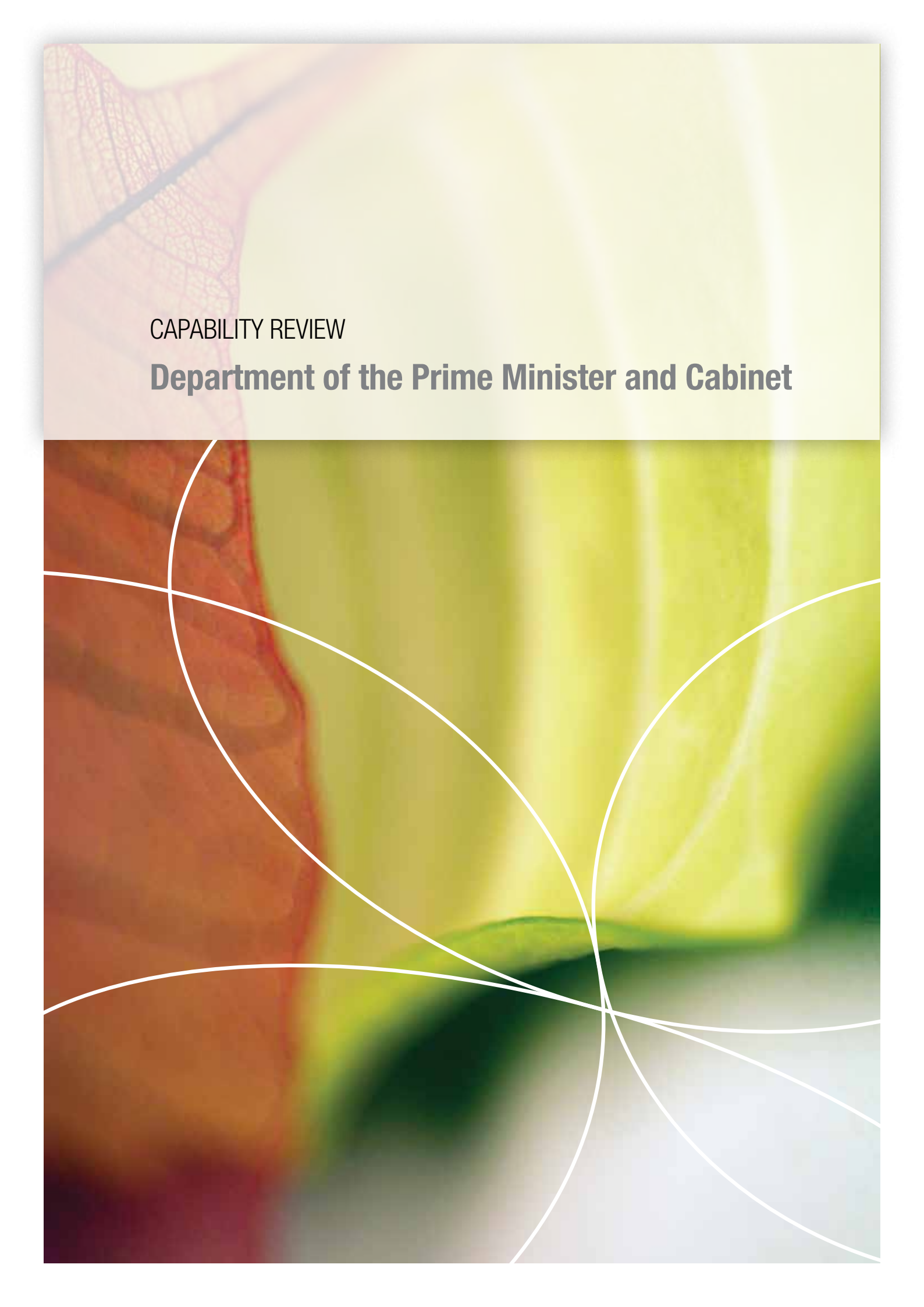
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CAPABILITY REVIEW

Department of the Prime Minister and Cabinet

the 1990s, the number of people in the UK who are aged 65 and over has increased by 1.5 million (1990–2000) and is projected to increase by a further 1.5 million by 2020 (Office for National Statistics 2001). The number of people aged 65 and over in the UK is projected to increase from 10.5 million in 1990 to 12.5 million in 2000, and to 14.5 million in 2020 (Office for National Statistics 2001).

There is a growing awareness of the need to address the health and social care needs of the ageing population. The Department of Health (2000) has identified the need to develop a new approach to the care of the ageing population, one that is based on the principles of 'active ageing' and 'lifestyle medicine'.

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Foreword

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

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

We thank the department for this opportunity. Its support and genuine desire to benefit and learn from this review has been obvious from the outset. This was reflected in the level of participation and openness shown by both staff and executive. It has also been reflected in the time the Secretary, Dr Ian Watt, afforded the review team at various points throughout the review.

I would like to thank Jeff Whalan, the chair of the review team, and the other senior members of the team, Liza Carroll and Roger Beale. Once again, this review has demonstrated the advantages of bringing together a team of this calibre.



Steve Sedgwick AO
Australian Public Service Commission





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1. About the review

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

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

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

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

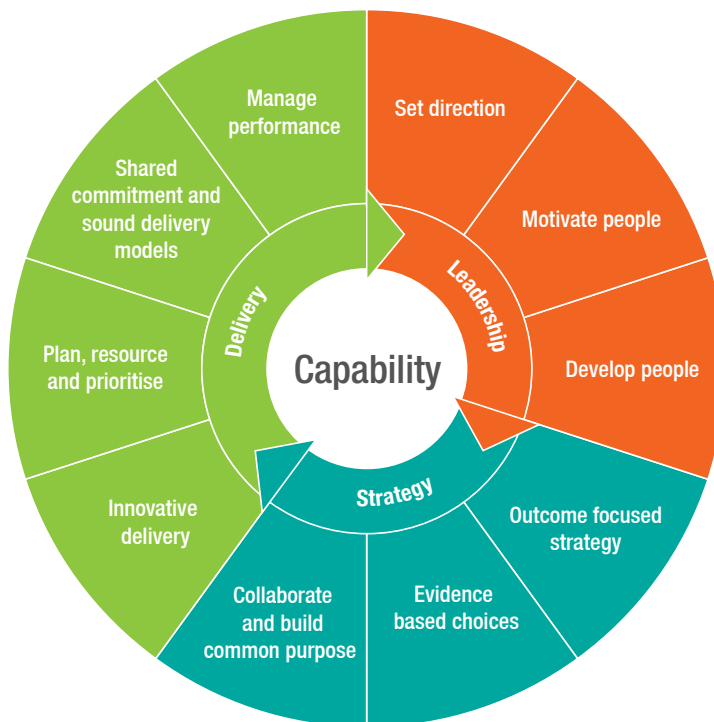


Figure 1: Model of capability

2. About the department

2011 marked the centenary of PM&C. The department's role in supporting the head of government has been a constant over the past 101 years, but the department of today is markedly different in its various functions from that of 1911.

Supporting the head of government in the 21st century has meant supporting the Cabinet and ensuring the effectiveness of the machinery of Australian government. This includes supporting the government's legislative program, its official establishments, ceremonial and hospitality activities, and awards and national symbols, and driving Commonwealth–state relations, in which PM&C has particular program as well as policy responsibility within the Australian Public Service (APS).

Where the Prime Minister exercises an administrative responsibility over particular matters, PM&C works to the Prime Minister as owner of the policy or program. It must do more than understand issues and processes; it must seek to resolve and run them. The capability requirements for other priorities are much more variable. In those instances, PM&C sometimes acts as the eyes and ears of the Prime Minister, sometimes as arms, legs and, from time to time, as the muscle where programs and policies fall within the nominal responsibilities of other ministers and departments.

In practical terms, the foremost tasks for the department include:

- supporting the Prime Minister in their head of government role
- leading the APS in collaboration with the APSC
- providing advice on major domestic and international policy, often drawing on expertise from across government
- using forward-looking research and analysis to advise on emerging issues, strategic policy challenges and priorities
- monitoring and providing advice on the implementation of key government initiatives, policies and programs
- providing services to enable efficient, effective and coordinated management of the business of government.

In 2012–13, the department has the specific priorities of:

- supporting the Council of Australian Governments (COAG) and COAG senior officials in progressing the COAG reform agenda in areas such as skills, disability, schools funding, and competition and regulatory reform
- furthering national security strategic policy, including overseeing the implementation of the Cyber White Paper and the development of a risk framework to inform national security community decision-making
- continuing to support the Prime Minister's leadership on Afghanistan and her international engagement, as well as leading and supporting efforts to strengthen the national security community, including the implementation of the Independent Review of the Intelligence Community
- developing the Asian Century White Paper to consider the likely economic and strategic changes in the region and what more can be done to position Australia for the Asian Century

- developing the framework for the launch of the National Disability Insurance Scheme
- continuing engagement in the Group of Twenty (G20) Forum and planning for Australia's hosting of the G20 in 2014
- developing the future leadership capability of the APS through the Secretary's role as head of the APS and Chair of the Secretaries' Board.



In composition and character, the PM&C of today is also much different from the agency established under its first Secretary in 1911.

It employs around 700 staff and since its recent restructure now comprises three major groups:

1. Domestic Policy
2. National Security and International Policy
3. Governance.

PM&C engages with many stakeholders from a broad range of sectors and works with and through other federal agencies, state and territory governments, academia and peak non-government agencies and representational bodies.

It has played a pivotal role in the development of the APS's blueprint for reform, Ahead of the game, and has specific responsibility for a number of implementation actions under the blueprint.

A May 2012 restructure has seen the department rearrange various divisions and branches under new reporting streams, with some functions ceasing, decreasing or being absorbed.

The department experiences high levels of turnover (in 2010–11, 22 per cent overall and as high as 30 per cent among the SES cohort). This is not unusual by PM&C's past standards or for a central agency, but is a significant risk to the ongoing effectiveness of the department if not effectively managed.

The department has a solid reputation for delivering sound policy advice and support, consistent with the government's agenda. This has required changes in the size and scope of the department over time, reflecting the complexity of the modern policy agenda and 21st century public administration. It is apparent to the review team that corporate arrangements are still evolving to adequately reflect the needs of the organisation in an environment of increased complexity.

High levels of employee satisfaction and engagement are evident in the department's own pulse surveys, as well as in annual State of the Service employee survey results. Areas for attention identified through these datasets include the management of change, the establishment of a better work–life balance, and opportunities for development and career advancement. In the workforce development area, PM&C maintains a commitment to building and enhancing the capability of its employees in order to meet the strategic needs of the department and the broader APS. This is comparable to, if not beyond, the efforts of most APS agencies and reflects the skill requirements of a central policy agency.

The department's latest Capability Development Framework provides the foundation to actively encourage and support development opportunities for all employees. Initiatives under the framework address five development areas: leadership, professional development, core skills development, mandatory training and graduate development.

The executive (the Secretary, associate secretaries and deputy secretaries) actively encourages SES and Executive Level employees to participate in a range of leadership programs run by the APSC, along with a range of other targeted programs such as the Executive Fellows Program through the Australia and New Zealand School of Government.

Key performance indicators for the department are identified in its Portfolio Budget Statements, while key performance indicators for divisions are included in divisional operational plans. Specific measures are also identified at the divisional level in operational plans.

Reporting against these measures is undertaken at the group, divisional and departmental levels and forms part of the department's annual report to Parliament. Operational plans are regularly reviewed to ensure that progress towards outcomes is on track. However, as for any policy-focused department, identifying appropriate and quantifiable measures of success is problematic.



3. Summary Assessment

PM&C is an organisation comprising quality people who are extremely self-motivated and committed to advising and supporting the Prime Minister and Cabinet on matters of national security, international relations, domestic policy (including Commonwealth–state relations), Cabinet, operations of government, and ceremonial, hospitality and official establishments’ matters.

PM&C has much strength, which is exemplified by:

- the overall commitment and motivation of its staff
- its clear focus on its role of providing high-quality policy advice and support to the Prime Minister and the Cabinet
- its ability to adapt flexibly to the priorities of the Prime Minister and government of the day
- its understanding and control of the processes that support government under the Westminster system
- the senior executive’s depth and strength of networks within the APS and beyond
- its willingness to adopt innovative technologies to support the Prime Minister and facilitate Cabinet processes.

In performing its primary role now and into the future, there are areas for improvement. To build capability, the department can focus on:

- broadening internal and external understanding of the senior leadership’s vision of **leadership through collaboration**
- ensuring clarity of purpose and ways of operating by specifying the desired ‘**PM&C craft**’ and then promulgating it, in particular by improving the ability of staff to focus on strategic priorities by communicating what is important
- filling capability gaps and building the **workforce of the future** through a strategic approach to **recruitment and people development**
- improving the department’s ability to operate in a strategic and integrated way by **strengthening the foundation** of governance and corporate infrastructure and empowering staff to choose wisely in their use of time and resources.

Leadership through collaboration

As the head of the public service, Dr Watt has a responsibility to ensure that departmental secretaries work together in a way that provides the best support for the government and the APS. He has strengthened the role of the Secretaries’ Board and taken an approach based on leadership through collaboration, which is strongly supported by his colleagues.

The department’s primary objective—to provide high-quality policy advice and support to the Prime Minister and the Cabinet through a coordinated approach to the development and implementation of government policies—is well understood by all departmental employees. As the head of the public service, the Secretary of PM&C also has a role in ensuring that this department role models the behaviours expected across the service.

PM&C's executive has been progressively articulating its vision through actions and decisions. However, the absence of an explicit vision statement has created some confusion in employees' minds, particularly among those who are new to the department. The executive has expressed to the review that its vision is leadership through collaboration, which can be described as leading the APS through collaborative practices and consistent with the PM&C craft (see below). It is now timely for this to be clearly expressed within PM&C and externally to the broader APS. The Secretary began that process in his speech of November 2011, and has provided the review with his detailed future speech program to build upon that foundation.

The importance of internal and external stakeholders in achieving departmental objectives is well recognised within the department, but employees' understanding of the senior executive's vision of leadership through collaboration is mixed. To ensure clarity of understanding, the Secretary should be supported by all levels of PM&C leadership to 'cascade' the vision. PM&C's regular allstaff meetings, which are highly valued by employees, provide the executive with one avenue to do this.

Some external stakeholders stated that in the past trust in their relationship with PM&C has been eroded because PM&C took a more competitive approach to developing policy. They also said that while they can see the influence of the executive supporting an approach based on collaboration and while the competitive approach is used less frequently now, some officers still use a competitive approach in dealings with their peers, and that a more consistent approach is needed.

It is difficult for the executive to see and assess the quality of the wide range of external relationships that the department needs to maintain. PM&C would benefit by taking a more structured approach to capturing the views and concerns of external stakeholders, including about the extent to which the department has consistently moved to an approach based on leadership through collaboration.

The review team suggests that the department's executive:

- expresses and continues to articulate the vision within the department and to the wider APS
- improves the cascading of internal communications
- considers taking a more structured approach to seeking feedback from external stakeholders.

Enhancing strategy and delivery through the PM&C craft

While there was widespread agreement on the department's primary purpose of serving the Prime Minister, views expressed by internal and external stakeholders indicate that the strategy to achieve that purpose requires further clarification. Individuals are seeking a better sense of the strategy to guide their actions, which can be conceptualised as the 'PM&C craft'. To the review team's knowledge, the craft has never been codified, as it has been learned on the job as 'the way we do things around here'. During the review, the executive agreed that the craft can be expressed as:

- What we do
- How we do it
- How we organise for it.



What we do

- Focus on the Prime Minister—know what is important and what will become important
- Intervene with discrimination—influence what matters
- Support good government—work closely with departments to ensure that the Cabinet and government have clear advice, that policy debate is well informed and choices are clearly presented, and that government decisions are effectively conveyed and acted on
- Lead through partnership—but do not avoid acting if things are going off track, or big change needs to be inspired or supported from the centre.

How we do it

- Through first-class analytic, writing and oral communication skills—excel in being able to present what the Prime Minister needs to know at the time, with the clarity and at the length that is appropriate, presenting clearly a preferred outcome, highlighting any risks, and guiding the Prime Minister in handling conflicting parties
- By choosing wisely where we spend our time to influence what matters
- By consulting within PM&C and presenting a whole-of-department view—looking out for the interests of other parts of PM&C and sifting intelligence, developing strategies and presenting advice
- By maintaining a close but independent relationship with the Prime Minister's office
- By building strong relationships of trust and mutual respect with central agencies and line departments through reciprocal relationships and sharing experience and knowledge to achieve a common goal
- Through effective negotiation with other governments, the private sector and civil society
- By developing strong and respectful professional relationships, networks and linkages with key officials in the states and territories, the private sector and civil society
- By maintaining professional skills through relationships with the best and brightest in line departments and among external thinkers, and by being aware of international best practice
- By understanding how government works—in particular the Cabinet process, the budget cycle, legislative process, the major structures of intergovernmental relations domestically and internationally, and public administration and capability (including effective allocation of policy responsibilities across agencies)
- By planning ahead wherever possible and not mistaking tight deadlines for crises.

How we organise for it

- By recruiting the best 'up and coming' people, including from line departments and through graduate programs, and giving them at least three years experience in PM&C, while valuing and providing a career path for a cadre of PM&C experts who have longer experience
- By using taskforces consisting of experts from line departments and outside the public service when appropriate, together with central agency staff, to work on matters of priority for the Prime Minister and Cabinet

- By protecting the capacity to do strategic policy work and over-the-horizon scanning on the big issues while also ensuring that line divisions maintain the capacity and responsibility to participate in the forward policy agenda in addition to handling urgent or day-to-day pressures
- By ensuring that PM&C has people who are delivery experts as well as policy experts
- By being clear about our priorities, and providing a supported and integrated ICT, HR and financial environment.

One of the most important elements of the PM&C craft is how staff decide to focus effort to influence what matters. PM&C would benefit from a focus which ensures that weight is given to those activities that can only be done by this department, especially where policy and delivery needs to be integrated across portfolios or where cross-portfolio problems need to be resolved.

There would also be value in ensuring that staff know what is expected of them as priorities change, so that they feel empowered and supported in making choices on how to best spend their time.

Combined with this, a greater devolution of decision-making authority will free up senior officers' time and give junior officers more authority.

The review team suggests that the department:

- articulate the craft in a form that is accessible to all departmental employees
- focus development efforts to promulgate the craft, such as
 - appropriately targeted induction
 - mentoring and coaching by more experienced employees
 - appropriate on- and off-the-job opportunities to learn
- regularly clarify changes in priorities to staff by ensuring effective cascading communications
- empower and support staff to make wise choices on how to best spend their time, including prioritising those activities that can only be done by PM&C
- ensure that accountability and responsibility for decisions are held at appropriate levels.

Workforce of the future

PM&C has the potential to attract the best and brightest from across the APS, and working in PM&C is seen to provide significant professional development. However, it is also evident that some key issues affect the PM&C workforce.

During the review, it became apparent that capability in some areas of PM&C is not consistently strong. This appears to be the result of a high turnover rate, coupled with taskforces taking on high-profile work while line areas focus more on business-as-usual activity. This has also resulted in a less consistent understanding of how things should be done in the department (the PM&C craft). To build capability, the department has been introducing 'new blood', and those efforts need to be balanced and tailored to the department's needs. This can be achieved by implementing a careful mix of strategic medium-

term appointments of the best and brightest from line departments, making strategic use of short-term transfers from other departments and appointing a small number of carefully chosen lateral recruits at senior levels from outside the APS.

PM&C staff are highly motivated and achievement oriented. The review team observed a focus on technical and subject-specific knowledge, contrasted with a relative lack of experienced people managers. This presents a risk that the department relies too heavily on employees' personal commitment.

The executive is committed to employee development, and a range of targeted initiatives has recently been put in place. There is an ongoing challenge for PM&C to ensure that time and effort continue to be made available for employees to take up development opportunities. There is also recognition that employees are seeking more on-the-job development experiences.

To support a high-performing workforce in an environment of higher than average turnover, the review team suggests that the department:

- ensures that the PM&C craft is widely understood and put into practice
- identifies current gaps in capability and targets recruitment and development accordingly.

Strengthen the foundations

Given the climate of constrained resources, the time is right for a greater investment in corporate infrastructure to produce future efficiencies. The department has taken positive steps, which should be commended, to make improvements in this area, including setting up a People and Leadership Committee and Investment Review Committee. However, efficiencies will only be realised by developing a stronger foundation of fit-for-purpose, light-touch systems and processes that support the department, minimise duplication of effort and learning, and free up resources to focus on the things that really matter.

The review team believes that PM&C is well placed to settle on the right mix of corporate governance, infrastructure and delegation levels. These improvements will require commitment to change by all groups and levels of the organisation.

Organisational health can be improved in the future by better integrating strategic priorities and enabling infrastructure (ICT, HR, Finance), as well as by ensuring more solid links between strategic priorities, business plans and individual performance plans.

The review team suggests that the department maintains its focus on improvements currently underway in the areas of governance and corporate infrastructure, paying particular regard to:

- better integrating strategic priorities and business, financial, people and ICT planning
- continuing the work that has been commenced to strengthen and integrate the governance committees within PM&C
- having leadership across the department take responsibility for the success or failure of corporate initiatives to ensure success in delivery.

The way forward

The department is on the right track. The foundation for further improvement will be effective change management and communication, starting from the executive and involving every level of leadership. The executive should continue to articulate and regularly communicate the desired vision and strategic direction for the department. This then needs to be consistently and regularly communicated by all SES and managers in the department to their staff. The rationale for improvements, how changes will be staged, and a clear picture of what the future will look like should be part of all leadership communications. Assigning accountability to individuals for the success of improvement initiatives will create ownership and maintain focus.

4. More detailed assessment of departmental capability

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

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

The review team's assessment of PM&C's capability is outlined in the tables below.





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

Figure 2: Rating descriptions

The review team's assessment of the Department of the Prime Minister and Cabinet's capability is outlined in the tables below.





Leadership

Set direction		Well placed
Motivate People		Well placed
Develop People		Well placed

Strategy

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

Delivery

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

4.1 Leadership summary

Set direction

- The department's core role in supporting the Prime Minister is clear.
- The vision for the department is clear to the Secretary and executive, and a process has been established for further articulation of that vision internally and externally.
- Improvements in internal cascading communications are needed, including increasing the transparency of decisions about priorities.
- Open communication should also flow within divisions and branches to ensure that issues are brought to the executive's attention.



Motivate people


- PM&C attracts highly motivated and committed people who are highly engaged with the work of the department.
- The PM&C work environment exposes staff to a whole-of-government view and is in itself a motivator and development opportunity.
- PM&C needs to maintain the strong commitment of its staff by strengthening capability in the areas of people management.
- Issues related to the escalation of decision-making create a perception among staff of a lack of trust, which can be demotivating.
- A focus on excellence can at times place undue pressure on employees. This could be tempered by building managers' capability in leading through teams.

Develop people

- The department is committed to developing people, and deliberate development strategies have been put in place.
- Staff value the intent of the commitment to developing people; however, partnership between the corporate and policy areas is needed to ensure success in its delivery.
- There is an organisational shift to better balance formal learning and on-the-job experiences.
- Concerns have been raised about the hollowing out of capability. This could be addressed by building capability in the PM&C craft and targeting recruitment to ensure that sufficient expertise exists where it is needed.

The following are comments and ratings against the components of the 'leadership' dimension.

Set direction

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

The department's role of supporting and informing the Prime Minister is clearly articulated in the PM&C Portfolio Budget Statements 2011–12. At this level, the purpose of PM&C is well understood by its staff. External stakeholders have also commented on the staff's focus on this responsibility.


This clarity of understanding about the role of the department is only one aspect of a clear and explicit vision. The Secretary and executive have been progressively articulating their vision through actions and decisions. In particular, PM&C's regular all-staff meetings and weekly newsletters are helping to guide the department and are valued by staff. However, the absence of an explicit vision statement accentuates the problem of clarity of purpose for some staff, particularly those who are new. It would be very useful to have greater clarity of purpose within the department, focusing on leading the APS through collaborative practices, consistent with the craft of PM&C.

The executive has a clear vision for the department and, in line with that vision, works in a culture of teamwork that demonstrates a collaborative style. This is highly valued both internally and externally. Communication of the executive's vision has been via careful communication to staff. As in all organisations, communication occurs horizontally and vertically. The communication cascading down through the department has occurred variably, depending on the skills of individual officers. It would be appropriate if communication avenues were used more fully to speak explicitly of the purpose and direction of PM&C into the future. The form and method of such communication should reflect the needs of the audience and the style of the senior leadership. The Secretary has planned his approach to further articulating the vision to both internal and external audiences over the next six months.

Issues involving communication, and, more broadly, engagement, have meant that some staff have felt unable to bring matters onto the department's agenda and are frustrated at their inability to have matters confronting them resolved in a timely manner. Addressing this frustration, including through improved communication and greater transparency, will assist. It is also important that employees raise issues through regular communications within divisions and branches to ensure that all levels of management engage staff better in managing change.

The process associated with the announcement of the department's restructure in May 2012 demonstrated that the senior leadership is taking positive, active steps in the change management area.

Motivate people

Guidance Questions	<p>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?</p> <p>Are the leadership visible, outward-looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?</p> <p>Does the leadership display integrity, confidence and self-awareness in its engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?</p> <p>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?</p>
Rating	

PM&C staff are highly committed, flexible, responsive and politically aware. Pulse surveys show consistently high levels of engagement, and there is very little difficulty in attracting quality staff to the department. In the department's exit surveys, 62 per cent of respondents reported that their experience at PM&C either met or exceeded their initial expectations.

PM&C provides staff with the opportunity to work at the centre of government and to work in a whole-of-government context. This attracts highly motivated people to the department and maintains their motivation while they are there. However, as in many other central policy agencies, the review team has observed a focus on people with technical and subject-specific knowledge, which can be contrasted with a relative lack of experienced people managers. This lack of experience in people management means there is a risk that the department relies too heavily on employees' personal commitment.


A further pressure on people's intrinsic motivation is the focus on excellence within the department. While that focus is warranted and largely governed by the expectations of the Prime Minister and the government, this can place undue pressure on employees, particularly when combined with people managers who lack experience in leading through teams. It is telling in this regard that, while engagement and commitment levels are very high in PM&C, surveys have found that some staff felt that working in the department was not good for their health and wellbeing.

Greater corporate support, along with greater attention to people management and career support, could reduce high staff turnover, which was often identified as a major risk by interviewees during the review.

The development of the Human Capital Strategy is a very positive step for the department. The strategy gives the department a mechanism for building capability, and staff support the executive's commitment in this area. The importance of coaching and mentoring as part of this strategy is well understood by the executive. The department understands that the strategy should address the high level of in-bound transfers to PM&C and their impact on the career prospects of experienced employees, who may often find themselves acting for long periods in higher positions without the prospect of permanent promotion. Indeed, career development issues remain a touchstone in the department's regular pulse surveys. However, overall, staff think that working in PM&C is good for their career prospects.

The upwards movement of decision-making authority has translated into feelings among some staff that they are not trusted and valued by the senior leadership, which can be demotivating. Clarity of purpose to guide decision-making and nurturing a collaborative ideology will both help build trust and, in combination with a well-implemented Human Capital Strategy, foster the motivational strength that PM&C employees bring to the department.

Develop people

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

The department is committed to people development, and the executive has communicated and demonstrated that commitment through targeted initiatives. This is exemplified by the establishment of the Capability Development Fund. Staff value the intent of development initiatives, but the implementation of initiatives is patchy. In the pulse survey, only 53 per cent of respondents indicated that they are satisfied they have adequate opportunities for professional growth in the department (25% indicated dissatisfaction). On-the-job mentoring and coaching are largely person-dependent. While some managers actively target mentoring and coaching, others find that time and work pressures restrict their ability to spend the time they would like with their employees.

For PM&C to deliver on its vision of supporting the Prime Minister through collaborative leadership, it is critical that all groups within the department put into practice the PM&C craft—a set of skills and ways of working that has developed over many years but has never (to the review team's knowledge) been formally codified. During the review, the Secretary identified the need to acknowledge and articulate the craft to ensure that capability is built and sustained within PM&C. It would be very useful for the craft to be more formally described and taught, and supported through a centrally driven people strategy. The current practice of teaching and learning the craft on the job means that it is not consistently understood and practised, and could potentially be lost. Indeed, the risk that the craft will be lost is accentuated by other factors, including high turnover and a need to focus on addressing urgent and important tasks. Targeted interventions and workforce development actions are needed.

In addition to considerations of staff development, the review team heard from multiple sources that there has been a 'hollowing out' of expertise in the department. There seemed to be a range of reasons for this, including turnover. The department needs to consider how to best address this through targeted recruitment, planning and understanding the required essential skills and capabilities.

The department's turnover rate of approximately 22 per cent for all staff and 30 per cent for the SES in 2010–11 has been highlighted in its Human Capital Strategy as a significant risk to future capability. This emphasises the importance of an effective induction process that

introduces new starters to the craft of PM&C and is tailored to level, particularly for SES who do not have central agency experience.

The commitment to development exhibited by the department is to be encouraged, and current results can easily be enhanced. The Human Capital Strategy should be underpinned by improved needs analysis and enhanced workforce planning. Investment should be better tailored to the specific needs of PM&C, in particular by balancing formal training offerings and hands-on experience. This should also be balanced with consideration of the performance appraisal process. In the March pulse survey, only 54 per cent of staff were satisfied with how performance is managed in PM&C and 22 per cent of respondents indicated that they did not have a performance agreement in place. Individual development initiatives, whether seminar series or brown-bag lunch events, while driven from the corporate areas of the department, also need to be 'tuned into' the particular needs of the line divisions, and collective responsibility needs to be taken for ensuring their success. Just as the overarching Human Capital Strategy should respond to the needs of all areas of the department, the SES across the department needs to take responsibility for the strategy's success or failure and ultimately for the development of their staff.

Finally, efforts to introduce new blood into PM&C should be welcomed but need to be balanced and tailored to the needs of the department. Arguably, PM&C should not only be pursuing this strategy itself but should also be working with line agencies and the APSC to 'blood' new SES talent. This should be via a careful mix of strategic medium-term appointments of the best and brightest from line departments, making strategic use of short-term transfers from other departments and appointing a small number of carefully chosen lateral recruits at senior levels from outside the APS. The department should also ensure that it has the right mix of secondees in the right roles and should support non-graduate, as much as graduate, employee development. Again, these are fundamental considerations for a PM&C Human Capital Strategy.

4.2 Strategy summary

Outcome-focused strategy

- The department's strategy (how work is done) as expressed in the PM&C craft is becoming increasingly clear to the executive but needs further articulation within and without the organisation.
- In fulfilling its role in leading the Prime Minister's priorities, the department could benefit from placing greater emphasis on those matters which only PM&C can effectively address, in particular where integration or resolution of policy and delivery across portfolios would not happen without PM&C's engagement.
- Consistent with the strategy, staff should be encouraged to choose wisely how they spend their time to influence what matters.

Evidence-based choices

- PM&C has an important role in over-the-horizon scanning, and the necessary capabilities exist in line divisions as well as in the Strategy and Delivery Division.
- PM&C evaluates and tracks the implementation of government priorities. Further work needs to occur to ensure that the balance of activity in this area adds the value sought by the Prime Minister and the Cabinet and more broadly within the APS.


- In its role as a central coordinating agency, PM&C relies on a close and collaborative relationship with line departments and having officers with the right experience, depth and understanding of issues. The strength of this factor is uneven across the department.

Collaborate and build common purpose

- Cross-agency and internal collaboration are critical to PM&C's success, but feedback suggests that they are a challenge. More could be done to build capability in this area.
- Taskforces continue to be an effective mechanism for doing collaborative work on difficult topics.
- External stakeholders raised concerns that PM&C has at times taken a competitive approach to developing policy, which has undermined trust and the ability to collaborate. Feedback suggests that this is occurring less frequently, which is a move in the right direction.
- More needs to be done to ensure that appropriate relationships and trust exist within and without the department.

The following are comments and ratings against the components of the 'strategy' dimension.

Outcome-focused strategy

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

There is increasing clarity within PM&C's senior leadership group about the department's overall strategic intent, which builds upon its commitment to leading through collaboration internally and across departments and government structures more broadly. This goes to the question of *how* PM&C does its work, rather than *why* or to what end.

The strategy assumes a comprehensive understanding of the Prime Minister's priorities and the nation's needs, and includes providing assistance to the Prime Minister through thoughtful and timely advice on the big issues, while tracking and briefing in a way that enables the smaller ones to be handled deftly. It also entails playing a critical role in issues where integration or resolution of issues of policy and delivery across portfolios would not happen without the department's engagement. Historically, PM&C has played a critical role when portfolios are unable to reconcile their differences, or where the policy needs to be integrated across portfolio boundaries. This continues to be a major role for the department, and it is essential that capacity to perform that function is maintained.

Support of Cabinet, and through its good governance processes, and the selective monitoring of the delivery of key government priorities are equally important. These roles and behaviours are spelled out in more detail under the PM&C craft in Section 3 of this report.

Understanding of how PM&C should conduct its business varies across the department, and there is a strong desire from officers at all levels for more detail. Other agencies, similarly, are somewhat unsure how PM&C will approach its task, and would benefit from more certainty about the department's preferred way of working. It is important that the executive outlines its approach first to the department and then more broadly in the APS.

A thoughtful and well-articulated strategy provides a way to prioritise content—to define which issues, objectives and tasks are important, and to balance competing demands on departmental resources. While the executive has an increasingly clear understanding of the major issues that the department needs to promote and track, it also recognises that pre-eminently, even among central agencies, PM&C has to devote much of its time to responding to events and crises across the nation and around the globe. Such events are difficult to predict, can emerge rapidly and can consume a large share of the executive's attention. In addition, there is a steady demand for day-to-day briefing on emerging issues, which are predictable in their overall shape but can emerge with little warning. This means that, while the department needs to share a good grasp of its desired outcomes on key issues in the long, medium and short terms, it needs to remain flexible and agile.

There is a danger that staff can be overwhelmed with day-to-day issues and feel unable to make effective choices on how best to spend their time, reducing their capacity to do the work that really matters. In this context, it is neither possible nor desirable to have the sort of detailed strategic plan that would be typical in a major service or program delivery agency. That said, the department needs to consider how to focus effort to influence what matters. PM&C would benefit from a focus which ensures that weight is given to those activities that can only be done by the department. There would also be value in ensuring that staff know what is expected of them as priorities change, so that they feel empowered and supported in making choices on how to best spend their time. Codifying and distributing information about the PM&C craft, and how it should be integrated into other strategic documents and planning systems (for example, the Human Capital Strategy, the Performance Culture Framework and divisional plans) would assist.


There is a good understanding of the department's key priorities, such as the Asian Century White Paper process, returning the budget to surplus, active participation and policy leadership within the G20, the implementation of carbon pricing, the rollout of the National Broadband Network and so on. However, there is still a need to increase the focus on working across divisions and groups, for example between the National Security and Domestic Policy groups. Stronger bonds across areas will grow as the habits of the PM&C craft are embedded in the conduct of daily business.

The strategic focus of the department would be further assisted if key senior staff were freed of some of their more routine tasks, such as quality assurance (for example, clearing briefs) and routine representational requirements, to focus on the issues that really matter to the Prime Minister, the government and the nation more broadly, including by being more able to step in, if needed, when something goes wrong. Understanding what keeps prime ministers up at night is a critical consideration in all the department's operations, and senior leaders need to have the space to perform this role adequately.

Similarly, it is critical that government and Cabinet processes continue to be highly professional and well supported. The coordination of support for the government's legislative program, its relationships with the Parliament, appointments to the high offices of the nation, the handling of difficult issues of conflicts and propriety all have to be done with great intelligence and experience. Small mistakes in these areas can have large consequences.

Staff will feel empowered to make effective choices about how to best spend their time if expectations of them are clearly communicated to them as changes in strategic focus occur.

Evidence-based choices

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

The no. 1 client for the department is the Prime Minister in her role of leading the government and the nation, and this is clearly understood throughout the agency. This is a significant institutional strength: few APS departments can claim to have this clarity of focus.

While the department must advise the Prime Minister on what it sees as the priorities, it must do so within an understanding of the government's overall objectives and values. If necessary, it should warn or prompt, and do so firmly, but it should not become a player competing with either the Prime Minister's Office (PMO) or political government. This is a deeply held value in the department.

For the department to be effective, it is critical that it has a close but independent relationship with the PMO and has broad support from senior ministers for the way it supports the Prime Minister and the Cabinet and its committees. All the evidence suggests that these relationships are healthy.

As a central coordinating agency, the department cannot hope to be expert or do original research on everything it briefs on. It is properly reliant on input from line agencies and others to brief and advise the Prime Minister, and this requires skilful leadership through collaboration, as well as officers in key areas with the depth of understanding and experience to tell whether a false note is being struck. The strength of this is uneven across the department.


On its key priorities, it is important that the department cultivates its analytic capacity. That capacity is currently dispersed throughout the department, although an independent capacity is held in the Strategy and Delivery Division (SDD). Efforts to better integrate SDD's

capability with the rest of the department are underway, and the division can now point to some successful examples of cooperation across areas on key projects, including *2012: The year ahead*, which was published in March. In a world of tight funding, this collaborative effort will become increasingly important. SDD resourcing potentially comes at the expense of line area capability, and competing or parallel work agendas will not be possible in the future.

Linked to these points, the department will need to think seriously about how it cultivates specialist technical capabilities across the organisation, such as expertise on welfare policy or cyber policy. Feedback from the department's line areas suggests that this has suffered in more recent years, in part because of PM&C's high staff turnover, but also because of the growing pressure of day-to-day briefing requirements and the earlier move to centralise some of this capacity in SDD. In the future, choices may need to be made that privilege line area expertise over other desirable capabilities. In turn, these choices will have implications for the conduct of taskforce projects in PM&C, another critical area of capability at which the department has traditionally excelled. To gain maximum benefit from these periodic events, PM&C will need to nurture expertise that allows it to move beyond what one external stakeholder called 'transactional engagement'.

PM&C has a major task in evaluating and tracking the implementation of the government's principal priorities. There is some evidence from both internal and external stakeholders that too much of this is process rather than outcome driven and adds little value. However, consultations with those who use the product in Cabinet and in supporting the Prime Minister show that much of it is highly valued, particularly when it deals with key priorities. There is work to be done to ensure that these processes are always adding real value, and to limit focus and allocate resources accordingly.

Collaborate and build common purpose

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

To fulfil its role in the centre of government, the department must maintain critical capabilities in cross-agency collaboration. The commitment to work across boundaries is a key element of the PM&C craft (described in Section 3). To be effective, the department must engage with line agencies at all points in the policy cycle, from 'thought bubble', to final Cabinet Submission, to implementation planning and tracking. On policy, engagement with line agencies has ranged from a light-touch coordination role through to more authoritative, top-down solutions. PM&C also engages with stakeholders to ensure that government and

Cabinet processes are efficient and well supported. It is important for stakeholders that the process and policy advice is properly integrated and that PM&C is speaking with one voice.

While the executive is increasingly clear on its strategy of leadership through collaboration, some stakeholders perceive that this is not always given the appropriate priority elsewhere in the organisation. Some stakeholders also commented that the effectiveness of some of PM&C's engagement was undermined by its lateness in a process or the lack of negotiation skills some officers brought to bear. Some PM&C staff expressed a desire for increased engagement with stakeholders, but pointed to work pressures and short timeframes as factors impinging on that capability. Greater focus on describing and teaching the PM&C craft will narrow the divide between the executive's vision and practices on the ground.

The use of taskforces to address complex issues which are of particular importance and interest to the Prime Minister is an effective mechanism for PM&C's collaboration across the APS. Arrangements for the organisation of taskforces, their composition and location properly differ. Taskforces allow the department to bring in the best available skills and expertise (the Asian Century taskforce is the most recent example) or to reach out to other agencies, such as Treasury, which supported the Henry Tax Review, and the Department of Industry, Innovation, Science, Research and Tertiary Education for the Prime Minister's Taskforce on Manufacturing. The use of taskforces is almost universally seen as a good thing. It is important, however, to ensure that lessons are captured in the line divisions that will be most closely involved in the issues after the taskforces complete their work. This will help to ensure that external stakeholders and partners can have confidence that their contacts in PM&C line divisions have a comprehensive understanding of their business.

A number of external stakeholders commented that PM&C has at times taken a competitive approach to policy development. The overwhelming view of those outside and inside PM&C is that this competitive approach has eroded trust across government and does not lead to the best outcome for the Prime Minister or the government. However, this does not mean that PM&C will always have the same point of view as another department; nor should it. What it does mean is that the policy task is worked on in a respectful and collaborative way and that any differences, if identified, are identified openly. The review team considers that there is a decreasing reliance on the competitive approach within PM&C, which is a positive move.

It is important that the 'echo' of the Prime Minister's voice can be heard in the views of PM&C. While PM&C must retain its independence when it expresses whole-of-government priorities, it is important that departments and external stakeholders can confidently assume that PM&C's voice reflects the views of the most senior levels of government. This is well understood by the senior leadership group, and PM&C's close but proper working relationship with the Prime Minister and the PMO will build that confidence.

External stakeholders commented that the Secretary was on the right track in moving to an approach based on leadership through collaboration, as evidenced by the approach that he is encouraging within PM&C, the approach he is taking in the context of the Secretaries' Board and his wider leadership of the APS. The challenge ahead is to ensure that this approach is adopted across PM&C.

4.3 Delivery summary

Innovative delivery

- PM&C has a strong culture of innovation in policy thinking and has dedicated resources to environmental scanning.
- Innovations have emerged in the way PM&C supports the Prime Minister, Cabinet and the APS more broadly.
- Work is underway to spread innovations consistently across the department.

Plan, resource and prioritise

- A refreshment of governance processes is currently underway and should continue.
- More work needs to be done to ensure better integration of strategic priorities and business, financial, people and ICT planning.
- Financial resources are tightly controlled and reallocated on a biannual basis where necessary.
- The People and Leadership Committee is giving priority to improving the leadership capabilities and behaviours of PM&C staff.
- The benefit gained through the use of secondees within the department could be strengthened by aligning departmental strategy and workforce planning.


Shared commitment and sound delivery models

- The department appropriately delivers via a mix of models that support its many roles. It is able to draw on capability across the department from government, Cabinet and policy areas.
- PM&C is good at using taskforces and is increasingly using them as a mechanism to lead via collaboration.
- Consistent with other APS agencies, decision-making authority has elevated significantly. PM&C would benefit from devolving responsibility where appropriate, particularly in areas where behavioural norms have not kept pace with changes made to formal delegations.
- The department would benefit from more internal debate to ensure that a unified PM&C perspective is presented externally.

Manage performance

- A range of mechanisms exist to gauge the Prime Minister's satisfaction with the department.
- The department has effective internal mechanisms for gauging staff satisfaction and perceptions.
- Due to its requirement for close and collaborative relationships outside the department, value would be added if PM&C sought feedback from external stakeholders on a more regular basis.
- The following are comments and ratings against the components of the 'delivery' dimension.

Innovative delivery

Guidance Questions	<p>Does the organisation have the structures, people capacity and enabling systems required to support appropriate innovation and manage it effectively?</p> <p>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?</p> <p>Is innovation explicitly linked to core business, underpinned by a coherent innovation strategy and an effective approach towards risk management?</p> <p>Does the organisation evaluate the success and added value of innovation, using the results to make resource prioritisation decisions and inform future innovation?</p>
Rating	

A very strong culture of policy innovation exists within PM&C. Innovative thinking is highly valued and established mechanisms support it. In its self-assessment, the department noted that innovation is explicitly linked to business operations and cited its values statement as identifying the application of imagination and innovation as critical to its work.

PM&C has ensured that resources are available for environmental scanning and has introduced a range of new methodologies to assist policy teams to assess, prioritise and integrate information. In the area of recruitment, the department has introduced a winter internship program, which attracts high-quality Australian postgraduate students who are studying at elite universities in Europe and the United States.

There are also examples of innovation in the way that PM&C supports Cabinet, such as the move to place the Incoming Government Brief and Cabinet briefs on iPads, decision-support analytics to track progress in the Expenditure Review Committee in real time, Cabtrac, and the refreshment of the Cabinet submission system.


Some of the innovations that have been introduced could be used more widely. Work is being done to spread them more broadly across the department, and this should continue. The recent decision to move the Strategy and Delivery Division into the Domestic Policy Group will assist in this.

Externally, the department is committed to encouraging and coordinating the development of cross-government policy and implementation. One innovation that has benefited the APS as a whole has been the introduction of shared delivery agreements as a mechanism to assign responsibility in areas of complex policy which involve several ministers.

The Secretary's role in shaping the future APS is performed in partnership with the APSC. In conjunction with the APSC, PM&C has sponsored the establishment of the APS200 as a forum to bring together and harness the capabilities of the most senior SES staff across the APS. The APS200 is a mechanism for sharing knowledge, has a role in communicating the vision of the APS, and undertakes specific policy or change-management projects commissioned by the Secretaries' Board. One of its specific projects is to examine and share current innovative practices and identify opportunities for future innovation across the APS.

PM&C's focus on innovation is balanced by an established risk management culture.

Plan, resource and prioritise

Guidance Questions	<p>Do business planning processes effectively prioritise and sequence deliverables to focus on delivery of strategic outcomes? Are tough decisions made on trade-offs between priority outcomes when appropriate?</p> <p>Are delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of the strategic outcomes?</p> <p>Is effective control of the organisation's resources maintained? Do delivery plans include key drivers of cost, with financial implications clearly considered and suitable levels of financial flexibility within the organisation?</p> <p>Are delivery plans and programs effectively managed and regularly reviewed?</p>
Rating	

PM&C is refreshing its governance framework and practices to better reflect the needs of the department in its current form. This began with the establishment of governance committees for capital expenditure, people and security and was further supported by the reintroduction of divisional plans across the department for 2011–2012. However, the divisional plans do not routinely cross-reference each other's concerns, and a line of sight between high-level goals and area planning is not always attempted or achieved. Recognising the caveat (expressed above) about the need to retain the flexibility to respond to events and seize opportunities, there would be merit in greater formality in the linking of strategic and work plans hierarchically and across the department. This would produce greater clarity about sub-goals and objectives, and about success and failure in achieving the department's overall success measures (including 'the satisfaction of the Prime Minister, the Prime Minister's Office and senior PM&C leadership'). When linked with HR, investment and ICT plans, this could contribute to a slightly more formal governance approach appropriate to a department that is now much larger than it was when the current informal processes were put in place.


The department keeps tight control of its finances, and the planned reintroduction of three-year forward budgets is a positive step. Financial resources are allocated annually, and reallocations are made six-monthly. Communication below the SES Band 2 level should be improved to allow staff at the SES Band 1 level and below to manage their budgets in the context of changing departmental priorities.

It is noteworthy that the People and Leadership Committee is considering which metrics will provide the most valuable information to help PM&C develop the leadership behaviours and capabilities of the staff. This is an important move in the right direction. The department would benefit from other governance committees conducting similar exercises, with oversight from the executive to ensure integration.

Finally, in some areas of the department, particularly within the National Security and International Policy Group, there is a reliance on secondees in EL positions. They bring external experience and expertise, but agreements with their home departments limit their scope of work, and in some cases they become inflexible resources within the department. Given the standard 12-month term for secondments, there are questions about to which department a long-term secondee has ultimate responsibility while in PM&C, how their knowledge is captured and shared after they leave the position, and whether the secondment

is long enough to gain the most benefit for the department. Having positions that are permanently reserved for secondees also means that staff at lower levels are not given the opportunity to progress, regardless of their expertise and experience. The future use of secondees should be closely aligned with strategy and workforce planning to get the most out of this resource and to manage the associated risks.

Shared commitment and sound delivery models

Guidance Questions	<p>Does the organisation have clear and well understood delivery models which will deliver the agency's strategic outcomes across boundaries?</p> <p>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?</p> <p>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?</p> <p>Does the organisation ensure the effectiveness of delivery agents?</p>
Rating	

PM&C appropriately uses a mix of delivery models to support its many roles. It uses line areas to perform the core functions of the department, establishes taskforces as needed to work on priority or cross-departmental issues and uses central divisions to support government.

PM&C is increasingly using taskforces as a mechanism for leading through collaboration, which is a positive move. Taskforces are a way of ensuring that proposals are developed using the best expertise from across the APS and external expertise as necessary. A particular strength of PM&C is in determining which model of taskforce is most appropriate to handle particular issues involving interdepartmental engagements (for example managed in PM&C with line agency staff, managed in line agencies with PM&C staff etc.). However, in some instances line divisions are often stretched to the point where it is difficult for them to release staff to participate in taskforces, thus limiting their ability to ensure that knowledge and relationships built during the life of the taskforce are retained.

Internally, there is a consistent view that authority to make a decision has decreased significantly over the years and that too many layers of approval are required. This is arguably a result of the increase in the size of the SES and the complexity of the policy challenges faced by the department. PM&C has made recent moves to introduce a more effective delegation of authority and now needs to also ensure that behavioural norms align. In a resource-reduced environment, practices need to change so that there are fewer layers of clearance. This will free up senior officers' time and give junior officers more authority.

The department is extremely busy, which sometimes makes internal collaboration a challenge. Most of the staff are facing outwards most of the time—towards the departments, sectors and issues they are shadowing—and upwards to the executive and the Prime Minister. The executive is acutely aware of this and some progress is evident, but it is often difficult to emphasise the proper lateral connections across the department. This is reflected in feedback


from other departments, which have expressed concerns that PM&C is not speaking with one voice. There is a question as to the ability of any department to speak with one voice, but the review team believes that more can be done to ensure that processes are in place to negotiate positions across groups before formal PM&C positions are put forward. One of the key roles that PM&C plays is to integrate different perspectives across social, economic and international policies. This highlights the importance of debating internally and presenting a unified PM&C perspective.

There would be significant value in PM&C thinking about the way it assists the Prime Minister to respond to the variety of correspondence received via new media. While processes for dealing with hard-copy correspondence are clearly articulated and complied with, there is a need to redevelop those processes to account for the variety of media that are now clearly embedded on our society, such as e-mail, social media and other forms of electronic correspondence and messaging.

Feedback from stakeholders also suggests that duplication is emerging in work done by PM&C and other central agencies. Recent changes to the departmental structure, including the integration of Strategy and Delivery Division with the Domestic Policy Group, are likely to reduce this perception. However, there would be value in considering whether there are other areas of duplication to be addressed. Furthermore, the review team considers that the strategic policy capability that has been established separately from the line divisions should continue to be quarantined from the immediate priorities faced daily by the line divisions, but that its methodologies and practices should be widely shared across the department.

Finally, the review team feels that the department would benefit from a more consistent focus on knowledge management. Much knowledge is tacit (that is, it is held only by experienced staff) and there is insufficient documentation of experience, for example in the form of manuals or checklists, for projects that the department undertakes frequently. The department would gain by adequately documenting processes for recurrent projects, including establishing new taskforces (lessons about which seem to be relearned every time) and small agencies and leading the preparation for and management of the hosting of major events, such as meetings of the Asia–Pacific Economic Cooperation forum, Commonwealth Heads of Government and G20. PM&C is well placed to develop this suggestion because a methodology for the establishment, operation and closure of taskforces and projects that currently exists within the Strategy and Delivery Division could be easily leveraged by the rest of the department. Other areas of the department practising effective knowledge management include some of Governance Group’s machinery-oriented areas, such as Cabinet Secretariat and Ministerial Support Division, whose externally focused work demands best practice record-keeping. In these areas, the external feedback is that instructions and advice coming from the department are taken as gospel because PM&C staff are the experts in government processes. Therefore, the department has an obligation to ensure that new staff in relevant areas of PM&C and other departments get specific training in this area.

Manage performance

Guidance Questions	<p>Is the organisation delivering against performance targets to ensure achievement of outcomes set out in the strategy and business plans?</p> <p>Does the organisation drive performance and strive for excellence across the organisation and delivery system in pursuit of strategic outcomes?</p> <p>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?</p>
Rating	

The executive has in place a range of informal processes to ensure that the performance expectations of the Prime Minister and her office are understood and being met.

Additionally, PM&C has a number of processes to provide information on facets of its performance, such as internal and external audits and reviews. However, like all departments, PM&C is highly reliant on its reputation and external perceptions of its performance. This review has provided feedback on the current perceptions of a small sample of senior external stakeholders. There would be value in gaining this feedback more broadly and regularly.

Measuring operational performance within a department such as PM&C can be problematic. Identifying measures that go to the heart of the work of the department (in this case, the provision of high-quality briefs) can be difficult. The current measures of success included in the divisional plans are largely qualitative and focused on stakeholder satisfaction. The department notes in its self-assessment that it has reviewed its key performance indicators for 2012–13 to better align them to the department's planned outcomes.

The department should be commended for conducting biannual pulse surveys of its staff. This has proven to be an extremely valuable tool for gauging staff satisfaction on the issues that are important to them. Evidence suggests that the results are given significant attention and that when issues are identified actions are planned to rectify them. Furthermore, the HR area has conducted focus groups to assist in solving the issues that persistently arise by canvassing staff for practical solutions and then helping to apply those solutions.

5. The department's response



The Department of the Prime Minister and Cabinet welcomes the report of the Capability Review and the opportunity the review provided for the Department to work with the APSC to assess our capability to meet future objectives and challenges.

I welcome the findings of the report, in particular the recognition of our areas of strength as well as those areas for future improvement and growth. The specific recommendations are sensible and we have commenced work to implement them over the coming months.

I thank the APSC and specifically members of the senior review team, Jeff Whalan, Liza Carroll and Roger Beale, for their open and positive approach to the review.

The Department looks forward to working with the APSC as we progress implementation and pursue capability improvement across the department.

A handwritten signature in black ink, appearing to be 'DJW', written in a cursive style.

Dr I J Watt
14 June 2012

6 Definitions and acronyms

Definition or Acronym	Description
APS	Australian Public Service
APSC	Australian Public Service Commission
COAG	Council of Australian Governments
Executive	Secretary, associate secretaries and deputy secretaries
EL	Executive level (1 and 2)
G20	Group of Twenty
HR	Human resources
ICT	Information and communication technology
SES	Senior Executive Service
The Blueprint	Ahead of the Game: Blueprint for the Reform of Australian Government Administration
PM&C	Department of the Prime Minister and Cabinet
PMO	Prime Minister's Office
SDD	Strategy and Delivery Division



