



Australian Government
Australian Public Service
Commission

CAPABILITY REVIEW

The Treasury

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



Review Report: September 2013



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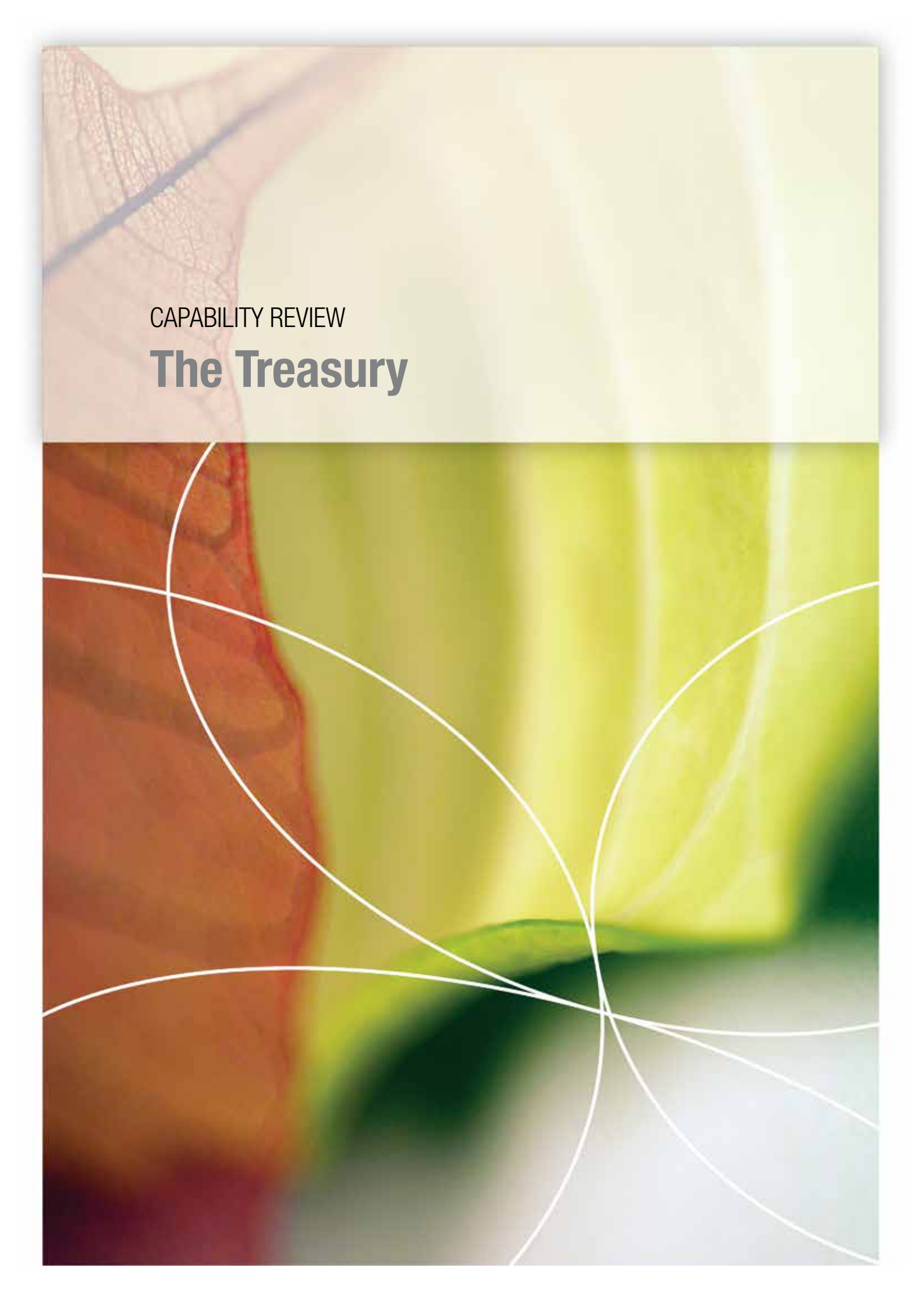
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The background of the cover is an abstract composition. The top half features a light cream-to-yellow gradient with a faint, delicate pinkish-red organic shape on the left. The bottom half is a blurred image of a plant, showing a reddish-brown leaf 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

The Treasury

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.

Dr Martin Parkinson, his Executive Directors and the broader Treasury staff, openly and actively engaged in this review and I would like to thank them all for their commitment to the process and, in particular, for the sense of collaboration with which they approached it. Treasury's Agency Liaison Team also deserves special mention for the very professional and helpful support they provided to the review team.

I would also like to thank Dr Michael Vertigan AC, the chair of the review team, other senior members of the team, Ms Frances Maguire and Ms Jennifer Taylor, and my own team from the APSC who supported and advised them. Once again, this review has demonstrated the advantages of bringing together a team of this calibre.



Stephen Sedgwick AO
Australian Public Service Commissioner



Contents

1 About the review..... 1

2 About the department..... 2

3 Summary assessment 5

4 More detailed assessment of departmental capability 12

5 The department’s response 41

6 Abbreviations and acronyms 43





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 Treasury. 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 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.

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

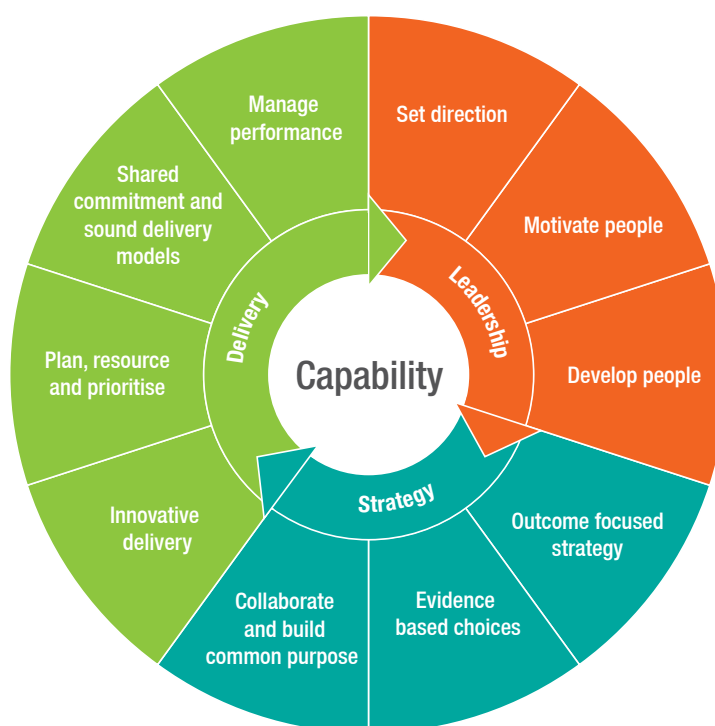


Figure 1—Model of capability

2. About the department

Treasury was established in 1901 at the time of federation. It has evolved from its traditional role of accounting and budgeting to playing a central role in policy debate. Sir Roland Wilson was the first economics trained secretary in 1951 and over the course of the 1950s and 1960s the department transformed into a central economic policy institution, bringing what would now be called a whole-of-government, whole-of-economy perspective to policy analysis and advice. Since that time, the department has continued to transform to encompass a broader role and skillset while maintaining its economics' underpinnings.

Treasury's mission is to 'improve the wellbeing of the Australian people by providing sound and timely policy advice to the Government, based on objective and thorough analysis of options, and by assisting Treasury Ministers in the administration of their responsibilities and the implementation of Government decisions'.

The Wellbeing Framework

In undertaking its mission, Treasury takes a broad view of wellbeing as primarily reflecting a person's substantive freedom to lead a life they have reason to value. This view encompasses more than is directly captured by commonly used measures of economic activity.

Treasury has identified five dimensions that affect or relate to wellbeing. It considers these in forming policy advice. The dimensions are:

1. **set of opportunities** available to people
2. **distribution** of those opportunities across the Australian people
3. **sustainability** of those opportunities over time
4. overall level and allocation of **risk** borne by individuals and the community
5. **complexity** of choices facing individuals and the community.

Treasury uses this Wellbeing Framework to provide a common language for all Treasury staff and to assist staff in understanding the underlying trade-offs in developing public policy and applying a broader public policy approach than the constraints of more traditional economic thinking would provide.

Departmental objectives

Treasury has four departmental objectives in place to achieve its mission. These are to:

1. promote a **sound macroeconomic environment** by monitoring and assessing economic conditions and prospects both in Australia and overseas, and provide advice on macroeconomic policy including fiscal and monetary policy
2. promote **effective government spending arrangements** that contribute to overall fiscal outcomes, influence strong sustainable economic growth and improve the wellbeing of Australians
3. develop **effective taxation and retirement income arrangements** consistent with the Government's reform priorities

4. ensure **well-functioning markets** by providing advice on policies that promote competitive, efficient markets and that work to enhance consumer and investor wellbeing, a secure financial system and sound corporate practices, and foreign investment consistent with Australia's national interest.



While Treasury has maintained the same broad objectives over the last few decades—a sound macroeconomic environment, effective government spending, effective taxation arrangements and well-functioning markets—the expectations around its role have evolved over time. This includes:

- The need to provide advice and support a growing number of Treasury Ministers as well as other senior ministers on key government policy priorities. Until 1996, Treasury served no more than two ministers (Treasury did this with around 500 Treasury officers). Currently there are four Treasury Ministers, down from five under the previous government. Staff numbers are now around 930.
- An expansion of demands and responsibilities including consideration of new issues, and associated depth of required analysis, as a central policy agency within the policy design and implementation processes of the government.
- The requirement to work closely with other government agencies to develop policy options and consider implementation plans on issues not previously addressed by Treasury.
- A central role in new financing arrangements and architecture between the Australian Government and the states and territories, including the development of agreement and partnership arrangements.
- The need to undertake more extensive community and business consultations.
- The need to respond to an increasing demand for international engagement, especially through the Group of Twenty Finance Ministers and Central Bank Governors (G20).
- Increased involvement in the implementation of legislative measures and strategic projects.

Key performance indicators

Treasury has four key performance indicators, which are outlined in its annual report and Portfolio Budget Statements:

1. **Advice:** Advice that meets the Government's needs in administering its responsibilities and making and implementing decisions. Advice is timely, of high quality, and based on an objective and thorough understanding of issues and a whole-of-government perspective. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through feedback mechanisms.
2. **Budget:** Timely, high-quality, accurate and transparent Budget, Mid-Year Economic and Fiscal Outlook and Final Budget Outcome documents that meet the expectations of the Government, the Parliament and the public. The budget preparation and coordination process is subject to an annual evaluation.
3. **Published reports:** Published reports and other information that stimulate and inform government and public debate through robust analysis, modelling and research. Publications are timely, of high quality and widely available to the public.
4. **Legislation:** Legislation progressed by Treasury is in accordance with the principles of good law design and is delivered according to government priorities.

Departmental and management structure

Treasury comprises five groups:

- Macroeconomic Group (165 staff)
- Fiscal Group (117.8 staff)
- Revenue Group (218.7 staff)
- Markets Group (173.5 staff)
- Corporate Strategy and Services Group (209.3 staff).

The management structure is determined by the Treasury Management Model. This five-level structure comprises: the Secretary, Executive Directors (Senior Executive Service (SES) Band 3), General Managers (SES Band 1 or 2), Unit Managers (SES Band 1 or EL2) and Unit Members (APS/EL 1—Australian Public Service/Executive Level). A stream of advisers sits within this structure—Chief Advisers (SES Band 2), Principal Advisers (SES Band 1), and Senior Advisers (EL2). As an integral part of the department's staff development process, Treasury undertakes regular transfer rounds within the department. This supports the development of well-rounded Treasury officers (often referred to internally as 'generalists' or 'sequential specialists') who have built expertise in the application of their skills to different policy and decision environments.

Workforce

Key workforce statistics as at 30 June 2013:

- Treasury has 896.5 ongoing full-time equivalent (FTE) (down from 941.6 in 2012) including 13.2 per cent part-time FTE (up from 10.9 per cent in 2012).
- Treasury comprises 47.7 per cent female staff and 52.3 per cent male staff.
- Female representation at the SES level is 24.4 per cent and male representation is 75.6 per cent.
- On average over 2001–2013, graduates came from these disciplines: economics (50.5 per cent), commerce/business/finance (46 per cent), law (30.1 per cent), other/arts (33 per cent) and quantitative (16.4 per cent).¹
- The average age of Treasury staff is 37.5 years.
- The average length of time staff spend at Treasury is approximately five years and the attrition rate is 9.2 per cent (down from 11.8 per cent in 2012).

¹ Percentages do not sum to 100 as most graduates studied more than one discipline.



3. Summary assessment

Treasury's mission is 'to improve the wellbeing of the Australian people by providing sound and timely advice to the government, based on objective and thorough analysis of options, and by assisting the Treasury Ministers in the administration of their responsibilities and the implementation of Government decisions'. Treasury seeks to achieve this by striving to formulate policy advice that incorporates the full range of economic issues and a broad wellbeing framework.

Treasury is a high performing department with a strong track record and with capabilities in high demand from the government of the day. However, the world is changing and Treasury must change too if it is to be as influential into the future. The department has a number of strengths that should be retained, but also some clear areas where it should aim to improve if it wants to build a Treasury fit for the future.

A motivated and capable workforce as a strong foundation

Treasury has a strong track record of delivering to government, and ministerial feedback provided to the review was positive. Treasury's strong performance is further evidenced by the fact that successive governments have requested it to take a lead role on a broad range of issues, some of which are arguably beyond the traditional remit of a national treasury. Treasury's advice to government is valued, with non-Treasury ministers seeking Treasury advice (through the relevant Treasury Portfolio Minister).

Treasury's staff are its greatest asset—in effect, the department's staff and its reputation make up the institution that is 'The Treasury'. Treasury's staff are strongly motivated and capable, with a high level of commitment to quality outputs. This is a major contributing factor to Treasury's high performance.

The level of commitment of staff at all levels is exemplary. Treasury is proud to call itself a 'can-do' department and has been widely acknowledged both internally and externally for its ability to deliver against significant challenges. Survey data highlights that Treasury staff were attracted to their role by the nature of the work, and that levels of motivation and pride in their roles were significantly above the APS average. In the 2013 State of the Service census, 86 per cent of Treasury respondents said they were proud to work in Treasury and 86 per cent also said they enjoyed their current job.

The capability and motivation of Treasury staff is a testament to the investment the department makes in its staff. Treasury recruits talented and motivated people and then makes a significant investment in their ongoing professional development, providing monetary and non-monetary support and assistance to staff for development. For example, currently approximately 10 per cent of staff are receiving studies support for further tertiary education. Treasury also provides for staff without an economics or law background to attend a semester-long course that provides an introduction to economics or law, respectively. On the job, staff are stretched and empowered, which in turn builds their capability and motivation.

Treasury is characterised by its strong and dominant culture. The challenge for the department is to identify the aspects of its culture that are essential for future success and which must therefore be embraced and maintained. These aspects are likely to include their commitment to rigour and quality and the devolved model which is Treasury's basis for staff empowerment.

At the same time, Treasury should identify the elements of its culture, such as responding to additional demands by working harder and longer, which need to be modified to enable it to affect future transformation.

The work Treasury has undertaken in its Progressing Women initiative is a positive example of the department identifying and responding to the need for cultural shifts. Through this initiative, Treasury recognises that shifts are needed in its culture to enhance its capability, through better harnessing talents of women and men at all levels in the department. Making cultural changes where a strong culture exists is challenging, however, this initiative shows a willingness to tackle these types of issues, which will be important for Treasury's future capability.

The need for more effective ways of working for the future

Treasury's reputation is a cornerstone on which its ongoing influence is founded. It is imperative to protect this for the department to remain sufficiently influential and achieve its mission to contribute to the wellbeing of the Australian people. Treasury is a high-performing organisation with a strong track record of delivering against its commitments. However, with the world changing around Treasury, other organisations are continually improving and, in an environment of contestability, Treasury needs to adapt to remain at the forefront of policy advising. There is a widespread view among stakeholders and line agencies that Treasury is closed to external experience and expertise and that practical implications are not always given sufficient consideration in forming policy advice. This widely held perception has the potential to undermine Treasury's reputation and so will be important to address further to protect the department's reputation and influence.

Treasury's strong performance has, to date, been driven by the commitment of its staff. The challenge for Treasury is to continue to perform in the face of increased complexity, fluidity and constrained resources. To sustain delivery at a high standard, there is a need for Treasury to continue to invest in its capability and reputation, identify improved ways of working and drive efficiencies and prioritisation. A stronger reliance on systems and processes will be needed. This will require a level of transformation and reengineering which extends well beyond marginal adjustments in response to conventional reviews. While this transformation will be essential to respond to the environment of increasingly constrained resources, it should be seen as a much broader response. There is evidence that some aspects of Treasury culture and work practices have limited its ability to respond effectively to existing workplace pressures, for example, loyalty to the department contributing to change resistance, and reluctance to accept external input.

Similar to other APS agencies, Treasury is facing constrained resourcing, with reductions projected over the next four years. This makes the re-engineering of how Treasury undertakes its business all the more urgent. To continue to be a high-performing department, it is imperative that Treasury does not risk the inevitable drop in quality and consequent risk to its reputation that can be expected if it continues to respond to all existing demands using its traditional methods and spread its resources too thinly. Government and other stakeholders will continue to demand much from Treasury, and to meet these demands in a sustainable way will require Treasury to embrace change. Even without the planned resource reductions, the department is facing a significant challenge to become future fit. This will require thoughtful and planned management.



There are, however, significant opportunities for Treasury to improve how it undertakes its work—to drive efficiency and effectiveness. The review team considers that the priority areas for Treasury to address in positioning itself for the future are:

1. developing and implementing practices and approaches to drive efficiency
2. further building on the investment made in improving collaboration and engagement
3. building its organisational change management capability and adaptability
4. taking a more systematic approach to managing organisational performance.

These priority areas are explained in more detail below.

1. Driving efficiency

It is clear from the evidence collected that Treasury is under pressure from demands that have increased over the last number of years both in scope and in depth. To date, Treasury has managed to respond to demands through its dedicated, high-quality staff increasing their effort by working harder and longer. However, this has crowded out the space for the department to devote to working smarter. This arrangement is not sustainable, particularly as resources become more constrained, and will require changes to increase its economic efficiency—dynamic, allocative and technical—to push out its production possibilities frontier. Treasury has the immediate task of carefully prioritising its resource allocation across the department in line with the outputs it is expected to deliver over the next few years. The opportunity cost of Treasury not prioritising or not prioritising effectively is significant, and has the potential to lead to a loss of credibility.

Maintaining the existing approach to delivery will not enable Treasury to meet its mission into the future. Accordingly, Treasury would benefit from initiatives to drive efficiency and effectiveness, such as a more effective whole-of-department prioritisation and resource allocation strategy, improved knowledge and information management processes, routine evaluation to identify process improvements and better accessing the expertise of line agencies and business. Taken together these initiatives will involve a significant reengineering of the way Treasury conducts business.

Resourcing and prioritisation

As one of Australia's most pre-eminent and sought after policy institutions, Treasury faces the significant challenge of having to prioritise the use of its scarce resources. Treasury may wish to consider improving allocative efficiency—its ability to best allocate its resources overall so that its inputs yield the best possible outcomes in line with its mission.

Treasury may benefit from a more systematic approach to planning and increasing staff awareness of plans. There would be benefit in building a greater understanding among staff of the relevance of plans to achieving strategic departmental goals. It may be beneficial to build on the overarching directions set out in the department's Strategic Framework. This may involve the introduction of a more comprehensive and formal set of operational plans, which could be used to drive performance and resourcing. While it is recognised that the types of planning frameworks used in delivery agencies would not be fit-for-purpose for Treasury, there would be benefit in operational plans that stipulate more than high-level goals and cover key operational deliverables or priorities for the year. There would also be merit in including clearer measures that cascade through divisions and units to the individual level.

There is a need for a more effective prioritisation and resource allocation strategy driven by the Executive Board to enable tough decisions on priorities and resources to be made. While the Executive Board has initiated a process to consider how the upcoming resource reductions will be managed, to date the focus has been primarily on adaptations that can be made within each group.

There is some evidence of decisions made by the Executive Board to redistribute resources across groups over the past three years, in response to priorities. For example, over the last three years while working towards overall staff reductions, there have been some differential resource allocations across groups to reflect changes in priorities. Given the further reductions the department is facing over the next four years, there will again be a need for the Executive Board to actively consider the priorities of Treasury as a whole, and any corresponding shifts in resourcing levels across groups, to adequately resource the highest priority areas. It is worth noting that data from the 2013 State of the Service census indicate one-quarter of Treasury staff considered they were underutilised and could take on additional work. However, around 50 per cent of staff disagree that they have extra capacity—15 per cent strongly—so the core issue may be around poor work distribution. This would suggest that a more sophisticated resource allocation model is necessary.

There is evidence that the boundaries of Treasury's role have expanded to such a degree over the past decade that the understanding of its role has become blurred. It is recognised that the Government establishes the scope of Treasury's core business. While priorities are essentially set by the Government, Treasury would benefit from considering where it best adds value and the limits of its capacity, and informing resourcing decisions accordingly through risk-based assessment.

Improving business processes: Identifying efficiencies

There is scope to improve a number of Treasury's work practices to increase both efficiency and effectiveness. For example, Treasury has a biannual transfer round through which staff regularly move within the department, as an integral part of staff development. While this process is an important and effective mechanism that builds well-rounded Treasury officers, there would be benefit in implementing systems and processes to improve information and knowledge management, and hand over processes, to more adequately support staff in taking up new roles. Staff indicated that the absence of these systems and processes have a negative impact on their depth of knowledge, particularly where a significant number of staff move from an area at the same time. Stakeholders repeatedly expressed the view that the current process has had a negative impact on Treasury's effectiveness and its relationships with them during the time taken to rebuild expertise. This challenge of maintaining external relationships in the face of changing staff is not unique to Treasury. It is a challenge faced by the APS more broadly. Treasury has initiated new ways of dealing with this challenge and related issues, such as using *SharePoint* to maintain corporate knowledge. Implementation needs to be prioritised and fully supported. A greater team based approach would also assist to ensure that key information and knowledge is shared among team members.

Treasury's strong pride in quality delivery results in what has been described as a 'culture of perfectionism'. Although it is imperative that Treasury's advice remains beyond reproach, it seems to deal with every task equally rather than identifying those where a lighter touch may be appropriate. There are some instances where a less fulsome product might be appropriate or even preferred. For example, a shorter, more targeted and timely brief for a minister covering off on



key issues may be more effective and influential than a longer, more detailed briefing. It would be consistent with Treasury's devolved culture to support officers to develop greater critical judgement on the appropriate approach in each circumstance. It is important to address this challenge, as the need to direct effort through effective prioritisation becomes critical in the face of constrained resources, increasing complexity and uncertainty.

These are but two examples of where Treasury may adjust business practices to realise efficiencies. There would be benefit in Treasury undertaking a comprehensive and ongoing program of work to identify and realise improvements to business practices across the department, with a view to improving both effectiveness and efficiency. This would ensure Treasury resources are applied where they best add value. Given the calibre and enthusiasm of staff, there would be merit in undertaking a process that enables staff to brainstorm and contribute ideas that would assist Treasury to address one of its greatest emerging challenges.

Evaluation

While Treasury invests in large-scale reviews, it does not, as a general rule, undertake evaluation as a routine part of its work. This is, in part, due to a sense of urgency to move on to the next deliverable. However, investing in evaluation as a routine process has the potential to identify improvements and efficiencies for the future. Accordingly, Treasury would benefit from making room to invest in evaluation as part of business-as-usual processes.

Further, a systematic approach to knowledge management would assist with sharing lessons learned and feeding them back into process improvement. This would contribute to a corporate knowledge bank and may assist others in the department to quickly gain subject knowledge and avoid repeating inefficient practices and processes.

Accessing and using external expertise

Stakeholders have indicated that Treasury does not always fully appreciate the expertise that other departments and business can contribute to its consideration of policy advice. Treasury needs to build its capability to distinguish between valuable policy information and inputs based on stakeholder commitment to advocacy. In other words, Treasury needs to recognise, respect and value external expertise. For example, stakeholders described a behaviour among Treasury officers of dismissing the expertise of line agencies or business and, instead, reverting to first principles to build an understanding of issues from scratch. If Treasury was more accepting of the expertise others bring, it may be able to leverage that expertise and work with stakeholders to build a higher level understanding of issues together. There are some positive examples, where Treasury respects and values the expertise of external professionals, although it has been suggested that this is concentrated in areas where the input has been provided by those with similar skill backgrounds to Treasury staff. Embracing and harnessing expertise from external groups more broadly and then working with stakeholders to build a higher level understanding would yield significant efficiencies and improvements to the end product. For example, policy advice may be improved as it could be founded on an enhanced understanding of the practical implications arising from it.

2. Improving collaboration and engagement

Following the *Strategic Review of the Treasury* commissioned by Treasury in 2011 to consider how the department can continue to deliver on its mission over the short to medium term,

Treasury has made a significant investment in improving engagement with stakeholders. At the most senior levels there are positive relationships with other departments and external stakeholders. However, this needs to be developed more broadly across Treasury. The department has acknowledged that it has not always been prepared to recognise the contribution that others in the Australian Government and more broadly in the community can bring to policy development, with adverse consequences for its effectiveness. Further investment in addressing this issue is needed as a number of stakeholders from across the APS and business reported that Treasury staff below the most senior levels are perceived as arrogant and closed to external views and expertise. This is characterised by more junior levels placing greater reliance on internally developed positions and being less willing to recognise the value of other viewpoints. This issue does not seem to be as prevalent among line agencies and external stakeholders whose workforce is founded on similar disciplines to those of Treasury. Line agencies and external stakeholders with significant expertise outside of the fields more familiar to Treasury officers can feel that their expertise is undervalued. Therefore, Treasury may wish to consider approaches to couple the value of its knowledge and expertise with the knowledge and expertise of other fields.

Treasury has a valuable secondment program that provides its staff with an opportunity to gain experience in other government agencies and private sector organisations. There is an opportunity to increase the benefits of this program by undertaking a greater number of secondments and better harnessing the expertise of returned secondees.

3. Building organisational change management capability

Treasury's strong culture and pride in its work are both a strength and a challenge. Some of the changes the department will need to embrace to continue to perform well do not naturally sit well with its existing culture. For example, the need to recognise when it may be appropriate to expend less effort on a product goes against an ingrained culture of perfectionism. Managers indicated that even where they provide guidance to more junior staff on where to prioritise the level of effort for a given output, the junior staff struggle to accept this. Treasury identified that some staff find the organisational change that began following recent reviews unsettling, and their concerns are exacerbated by an ongoing heavy workload. The challenge before Treasury is significant. It is imperative for the department's success into the future that it considers aspects of its culture that will hold it back from achieving and that it puts its full weight behind driving change.

Treasury's SES work well as a team in relation to policy matters. The challenge for its SES is to build on this to become a strong organisational leadership team that can take staff on the journey of the changes needed. They must be charged with progressing strategic directions, including cultural shifts. It is their role to drive the changes needed to the way Treasury undertakes its work to ensure it will continue to be a high-performing central policy agency. The Executive Board will need to hold the SES group accountable for its leadership role, by setting clear expectations, and measuring and assessing their performance against those expectations.

4. Managing organisational performance

Although Treasury has a very high-calibre output and performs well, this is more because of the dedication of its staff and culture of commitment to high quality, rather than systematic approaches in place to manage organisational performance. Treasury has invested heavily to implement systems and processes that deliver its high-quality workforce, through the

recruitment of high-calibre staff and a commitment to their ongoing professional development. However, it will be increasingly important that the department builds on this to implement systems and processes to better harness and target the high performance of its staff and maximise its performance as a whole. In a resource-constrained environment, this becomes all the more critical.

The review team has considered approaches taken by national treasuries in other jurisdictions and considers that a more systematic approach to setting goals and tracking and reporting performance against those goals would be beneficial. The advantage to the Executive Board in regularly reviewing information about how Treasury is delivering against its goals is that it enables informed decisions about the shifts needed to ensure continued high performance. The review team appreciates that the type of performance monitoring systems suited to delivery agencies would not be fit-for-purpose for Treasury, but considers it worthwhile for the department to implement a meaningful organisational performance framework. The framework recently implemented for the New Zealand Treasury provides a useful example of how this type of approach may be applied in a national treasury in a beneficial way. Further, the management practices of professional services firms are also a useful guide for Treasury in developing a system to manage its performance.

The way forward

Treasury is a high-performing department which has been able to rise to any challenge presented to it through the sheer commitment and effort of its capable and professional workforce. Its reputation is a strong foundation on which Treasury relies, and it is imperative for the department's continuing success that this high standing be maintained. There is a need for Treasury to turn its mind to alternative means to deal with the demands on it, to sustain its pre-eminent role in providing policy advice. As noted earlier, the review team considers these following four areas to be a priority for Treasury to consider in determining its way forward:

1. developing and implementing practices and approaches to drive efficiency
2. further building on the investment made in improving collaboration and engagement
3. building its organisational change management capability and adaptability
4. taking a more systematic approach to managing organisational performance.



4. More detailed assessment of departmental capability

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

Assessments were made according to the rating descriptions set out in Figure 2.





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

Figure 2—Rating descriptions

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



Leadership

Set direction		Well placed
Motivate people		Strong
Develop people		Well placed

Strategy

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

Delivery

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

4.1 Leadership summary

Set direction

- Treasury's mission is clear, well known and understood by staff across the department.
- The Executive Board regularly communicates with staff, though there is room for greater context to be provided. Staff should be encouraged to see communication as a two-way street, where the summary information provided by the Executive Board acts as a trigger for staff to seek out further information.
- The SES work well together as a team on policy matters. However, there is a need for this group to take a greater leadership role on broader organisational matters.
- The Executive Board is open to tackling tough issues but greater consistency and focus on such decisions being made across the breadth of the department, including resourcing and prioritising, is needed. The effectiveness of such decisions will rely on the Executive Board and SES cohort clearly and transparently communicating decisions and the reasons for them.
- There is a culture of initiating organisational reviews, with particular reference to widening the leadership pool. However, change management is not always sufficiently driven to maintain momentum and for changes to be embedded. The SES needs to take a leading role in driving change.

Motivate people


- Staff are highly motivated and capable with 'can-do' attitudes and a commitment to quality outputs.
- Treasury has a robust culture strongly identified with by staff. However, consideration needs to be given to aspects of the culture which could hold Treasury back from achieving.
- Treasury empowers its staff to make decisions. Staff are provided with challenging work and greater responsibility compared to many APS counterparts. This has a positive impact on staff motivation.
- In an environment where promotional opportunities and monetary rewards are increasingly restricted, Treasury may benefit from a program to recognise and reward staff through non-monetary means.

Develop people

- There is a significant commitment to and investment in learning and development within the department.
- Staff can be promoted into management positions without adequate training and support. While management and leadership training is provided, it could be more timely and targeted.
- The rotation system employed by Treasury with regard to the internal transfer of staff supports a skill base of well-rounded officers. A continued commitment to specialist roles and building deep expertise for particular roles is also required.
- Treasury has a strong commitment to its well-regarded, behavioural-based Performance Management System, though it would benefit from refinement to ensure consistency and effectiveness in its application.

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

*Harnessing the direction*

Treasury's mission is clear, well known and understood by staff across the department. It is articulated in corporate documents such as the Strategic Framework, Performance Management Handbook and the Wellbeing Framework. Eighty-nine per cent of staff indicate they have a clear understanding of the mission.² There is a high level of commitment by the Executive Board in advocating the mission and seeking to align the department's strategies, practices and culture to it.

Improvements to Executive Board communication have occurred since the Strategic Review, specifically with timeliness and quality. However, staff report that the information provided continues to lack context and meaning, negating its effectiveness. Consideration is needed on how Executive Board communication could be improved and of greater relevance to staff. There would also be merit in considering more innovative approaches to communication given Treasury's younger demographic.

There is a reliance on information not contained within the above platforms being cascaded to lower level staff and expanded upon by the SES. Information gaps arise because information is not always adequately or consistently disseminated to staff. Greater buy-in from the SES to ensure the effective cascade of information and encourage two-way communication would be beneficial. For example, there is an opportunity for staff to use the summary information provided to them as 'triggers' to seek out further information. Managers could encourage such initiative.

Seeing through tough decisions

The Executive Board is open to tackling tough issues, including a decision to shift Treasury's culture to support greater inclusiveness. However, staff report that they do not see the Executive Board making tough decisions across the breadth of the department, for example in relation to resourcing and prioritising. When decisions are made, the outcomes and reasons for them are not always communicated effectively to staff in a timely manner, or in a way that is viewed as

² 2011 Treasury Staff Opinion Survey

transparent and open. While it is clear that the Executive Board is committed to making tough decisions in the interests of the department and devotes significant thought and introspection to those decisions, it may wish to consider better ways to communicate explicit decisions and outline associated implementation steps.

Driving and embedding change

Treasury has a strong history of reviewing itself both internally and by commissioning external reviews. Recently there has been particular emphasis on changing the department's culture to one more inclusive of diversity. The Strategic Review and the Women in Treasury Review (which led to the department's Progressing Women initiative) laid the foundations for the most recent cultural change. For the most part, the cultural shifts being sought are supported by staff, yet staff report that the momentum of change has slowed. The department may wish to consider ways to reinvigorate and sustain momentum to achieve the desired cultural change.

Evidence indicates that Treasury does not always effectively drive and embed change. State of the Service 2013 census results indicate that 39 per cent of staff agreed that change is managed well by Treasury. This challenge around change capabilities is highlighted by the difficulties in making significant progress to address common themes raised by reviews in recent years. These themes include, but are not limited to:


- solid working relationships with external stakeholders that often overly rely on a few key senior staff, despite the devolved decision-making model and empowerment of lower level staff
- a cascade of communication from the Executive Board that does not always filter down to lower levels, creating information gaps and a level of disconnect
- consideration needed to developing new and innovative ways to communicate with staff, improving knowledge management systems and tapping into the ideas of Treasury staff.

While there has been progress in driving particular changes and a commitment to do so by the Executive Board, it is unlikely that conventionally structured reviews will lead to the level of transformational change required. More purposeful change leadership is needed, with more planned, concentrated, consistent communication of the change drivers and directions.

Staff report that they are not always appropriately consulted as part of the change management process and that this results in a level of disconnect between the decisions taken by the Executive Board and the realities staff face. For staff consultation processes to be effective and meaningful, staff also need to be actively engaged with the process and cognisant of what is occurring at departmental level.

The strength of Treasury's culture presents another challenge to the department driving and embedding change. The department has been variously described as institutionalised, proud and lacking exposure to non-Treasury ideas and practices. These factors inhibit its ability to adjust to change, meaning staff buy-in and commitment at all levels is paramount. While there is recognition by the Executive Board that cultural change will be difficult and require a combination of approaches, a sustained commitment is needed to embed change. In particular, there is a need for a greater level of awareness and ownership of organisational and leadership issues by the SES cohort. While there is a clear commitment to working together as a team on policy matters, the SES need to build on this to form a cohesive, proactive organisational leadership team and recognise their role in leading Treasury through change. The Executive Board will need to set clear expectations and provide the context needed for this to occur.

Motivate people

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

*A strong and committed culture*

Treasury staff are highly motivated, talented and ambitious, with strong ‘can-do’ attitudes and a commitment to high-quality outputs. Staff strongly identify with Treasury culture and are proud to be a part of it, with 73 per cent of respondents to the 2013 State of the Service census agreeing they have a strong personal attachment to the department. Staff and external stakeholders commented on the high calibre of the staff employed in the department and how the recruitment system continued to support such staff being brought in and ingrained in the ‘Treasury way’. The department has a strong sense of pride and enthusiasm for the work it performs. Staff are attracted to their role due to the nature of the work and because they feel they are making tangible and meaningful contributions to the wellbeing of the Australian people.

Executive Board members are held in high regard by staff and external stakeholders. They are seen as strong advocates for the department, displaying integrity, a commitment to improving the department to best deliver on its mission, and being confident in and trusting of the ability of staff and their work. The Executive Board has increased its level of visibility over recent years, seeking to engage with staff in a more open and consistent way.

Such a robust and committed culture is not without risks, however, and consideration needs to be given to aspects of the culture which could hold Treasury back from achieving. Specifically, the commitment to excellence and the effort staff are willing to put into their work to produce high-quality outputs in a demanding, resource-constrained environment may lead to staff burnout and fatigue. Work to manage this issue is underway, including the provision of resilience training to staff. A sustained commitment to promoting work-life balance may be needed to ensure the concept is effectively understood and entrenched within the Treasury DNA. Stronger messaging from the Executive Board and SES may be needed to emphasise the importance of work-life balance as Treasury staff are generally happy to work long hours to deliver. Long hours may not always be sustainable or efficient, however, and while the Executive Board has started to focus its messaging on effort-over-hours, consideration could also be given to communicating messages about the need to adopt flexible work practices and make explicit resourcing and prioritising decisions.

Treasury's culture of perfectionism may also challenge its ability to prioritise its efforts. A balance is needed on which tasks require the greatest level of analytical rigour as opposed to those requiring a lighter touch.


Staff empowerment and maintaining morale

Treasury empowers its staff to make decisions, resulting in commitment and loyalty to the department. The devolved decision-making approach supported by the Treasury Management Model provides staff with a strong sense of ownership over their work and this was cited by staff as a strong factor with Treasury's retention rate. The level of empowerment reflects a high level of trust in lower level staff by the Executive Board and SES cohort, and is contrary to the APS-wide trend of escalation of decision making. Treasury's approach is not without its challenges or cause for refinement, but other departments could learn from its approach to decision making.

However, the Treasury culture has highly hierarchical elements which may be prohibiting the department from realising the full benefits of its staff empowerment. Staff and external stakeholders have noted the high regard with which the Executive Board members are held, which can result in staff being wary of challenging ideas or concepts. The level of reverence in which members are held may also be inhibiting open upward feedback and discussion. The Executive Board, while demonstrating a willingness to receive feedback, may need to set clear expectations outlining that it is, indeed, encouraged and welcomed.

Staff identified the high level of intrinsic motivation within Treasury and how staff are largely self-motivated, demonstrated by their commitment to their work and to the department. However, in a resource-constrained environment with fewer promotional opportunities, Treasury may need to determine how it can best recognise and reward staff and celebrate their successes. The establishment of a rewards and recognition framework, of which a number of examples exist across the APS, would assist Treasury to turn its mind to alternative ways to acknowledge staff achievements in the absence of readily available promotion and career progression opportunities. A clear and ongoing commitment by the Executive Board and SES to stepping back and taking the time needed to recognise and celebrate successes with staff may also support retention of high-performing staff.

Develop people

Guidance Questions		<p>1 Are there people with the right skills and leadership across the organisation to deliver your vision and strategy? Does the organisation demonstrate commitment to diversity and equality?</p> <p>2 Is individuals' performance managed transparently and consistently, rewarding good performance and tackling poor performance? Are individuals' performance objectives aligned with the strategic priorities of the organisation?</p> <p>3 Does the organisation identify and nurture leadership and management talent in individuals and teams to get the best from everyone? How do you plan effectively for succession in key positions?</p> <p>4 How do you plan to fill key capability gaps in the organisation and in the delivery system?</p>
Rating		Well placed

*The right skills for the future*

Treasury actively seeks to recruit high-calibre staff into the department, with its graduates being considered some of the best within the APS. Staff and external stakeholders are universal in their praise of Treasury staff, their dedication to their work and the intellectual rigour they bring to it. The level of commitment to, and investment in, maintaining a highly professional and capable workforce has supported Treasury's high performance to date, particularly given the high reliance for it to deliver quality outputs. However, the Executive Board, SES and external stakeholders identified a significant challenge for Treasury heading into the future in its capacity to continue to recruit the high-calibre staff necessary to maintain its standing and reputation. There is increasing competition from the private sector and other institutions for the type of skills and graduates Treasury requires, as well as a changing range of academic disciplines held by graduates. The department needs to turn its mind to how it can best continue to attract and retain quality graduates and bring in experienced staff from external organisations to widen and deepen the leadership pool and diversify experience across all levels of the department. A continued commitment to providing professional learning and development opportunities will be paramount to strengthen the skills of Treasury recruits.

Treasury operates internal transfer rounds every six months and staff interested in moving into a new area can apply for a transfer, nominating preferences. This enables staff to gain a broader range of skills and experience, develop wider networks and gain a whole-of-department perspective. This type of mobility is generally appreciated by staff as it assists with their development and makes them more rounded officers. However, some staff and stakeholders have reported that it has some negative implications, which would benefit from careful management. It was identified that the internal transfer rounds are a source of significant frustration among Treasury managers who need staff in their area with deep expertise that can only be acquired over a number of years. It is also a source of significant frustration by external stakeholders who see it as an inhibitor to productive communication and collaboration. Treasury could benefit from seeking ways to ensure an appropriate balance so staff continue to be developed broadly while deep expertise and understanding of issues is acquired and maintained.

Staff report there is an implicit move to develop generalist over specialist skills and that this is having an impact on Treasury's ability to obtain and retain 'core' specialist capabilities and skills. While staff perceive that promotion is more readily gained by transferring to different areas of the department to develop expertise in applying their skills to different policy and decision environments (often described internally as 'generalists' or 'sequential specialists'), transferring to different areas is not a prerequisite to promotion (and remaining in one position for an extended period to develop deeper specialist expertise does not, of itself, prevent promotion). However, promotion is based on development of judgement and skills, which for some officers may be more rapidly developed by experiencing the work of different areas of the department. Given staff perceptions on this issue, additional communication to clarify the organisation's position may be helpful. Treasury may wish to consider ways in which its operating model could be best configured to value both skillsets.

There is a strong investment and commitment to the professional learning and development of staff by Treasury. Eighty per cent of respondents to the 2013 State of the Service census agreed that Treasury provides access to effective learning and development. The department runs an extensive program, with a centralised set of courses and more specialised and specific courses within groups. Treasury has formed strong links with academic institutions to provide formal academic qualifications to staff and strengthen staff skills and understanding in particular areas. The level and intensity of the learning and development opportunities offered ranges from in-house courses to doctoral studies. Currently, Treasury is providing support and assistance to approximately 10 per cent of staff undertaking tertiary education.

Preparing managers to lead

At times Treasury promotes into management positions staff who do not have sufficient experience or training in management and leadership. While the department provides structured management and leadership training and support tools, the training provided is not always timely or appropriately refreshed for staff throughout their management tenure. Around 40 per cent of staff in management roles has not undertaken the management training developed and introduced since 2000.

An increased focus on opportune and practical learning and development in management would better equip new managers with necessary skills, as would sustained commitment to identifying and nurturing potential leaders. The pilot of 'potential' recently agreed to by the Inclusive Workplace Committee may assist with this, but ongoing training and support is also required to ensure management and leadership skills continue to be developed and expanded for all managers.

Diversifying the workforce

Treasury is pursuing a significant cultural change through its Progressing Women initiative. The initiative's vision is 'to widen and deepen the pool of future leaders in Treasury by harnessing the talents of women at all levels and in doing so, ensure that Treasury is an employer of first choice for women and men'. The initiative is strongly supported by most staff across the department with 81 per cent of respondents to the 2013 State of the Service census agreeing they support the initiative. It is a significant and challenging journey for Treasury to embark upon and the department is to be commended for the work undertaken to date. Its importance is consistently reiterated and advocated for by the Executive Board, which is firm and open in its commitment to it.

While the Executive Board has made a conscious choice to initially focus on the progression of women into leadership roles, a greater emphasis on diversity more broadly would benefit the department. Treasury may also wish to place greater focus on reviewing and updating its corporate initiatives that look to support such diversity, including through its Reconciliation Action Plan and Workplace Diversity Program.



Maximising individual performance and potential

Treasury's behavioural-based Performance Management System is held in high regard within the department and is a strong and rigorous framework under which it manages staff performance and development.

However, there are diverse views as to its effectiveness, in particular with the consistency of its application. Generally, the system's strengths are identified as being that it sets clear expectations of performance standards; it is formal, known and adheres to process; and benchmarking across Treasury is used to apply consistency and rigour to ratings. Alternatively, staff report that the process is not evenly or consistently applied by managers or across work areas and that there is a level of inflexibility in terms of assessing and applying the standards. There is also a degree of tension around the definition of conceptual and analytical skills and how they should be valued, measured and rewarded. Although the Executive Board has clearly communicated that the full set of competencies outlined in the Performance Management System are all critical competencies, a degree of debate about this was evident at levels below the Executive Board.

The current Performance Management System is not linked to deliverables at individual or departmental levels and—noting that it is behaviourally based—Treasury may wish to consider if there is merit in incorporating a task focus and linking it to work area and departmental objectives (for example, group operational plans). This would provide staff with a clearer line of sight between their work and the department's work. Treasury recently refreshed the Performance Management System following on from the Strategic Review and the Women in Treasury Review. However, a more extensive review of the system may be useful for considering how it may be linked to organisational goals and how confidence can be instilled around consistency in its application.

4.2 Strategy summary

Outcome-focused strategy

- Much of Treasury's work involves directly advising ministers, and ministerial feedback provided to the review was positive. Staff are responsive to the Government's changing priorities and needs.
- The Strategic Framework is a two-page outline of key Treasury overarching goals and operating principles, however, it does not drive day-to-day decisions or flow to measurable outcomes at organisational or individual levels.
- There would be benefit in a strategic plan that more clearly sets business priorities and performance measures and links with the department's mission, as well as a communication strategy that helps staff understand the relevance of planning when seeking to achieve strategic goals.
- While the scope of Treasury's business is determined by Government, there would be benefit in the department considering where it best adds value, determining where the limits of its capacity lie, and informing resourcing allocation decisions accordingly.

Evidence-based choices


- There is a strong culture of supporting policy advice (and organisational issues) with a comprehensive evidence base.
- Treasury's modelling capability is among the best in the country and respected internationally.
- The Wellbeing Framework is well documented and deeply entrenched in Treasury's culture and assists the department to look at policy in a multifaceted way.

Collaborate and build common purpose

- At the most senior levels there are positive relationships with other government departments and external stakeholders. However, this could usefully be developed more broadly across the department.
- Barriers to strong and productive relationships between Treasury, other government departments and external stakeholders include:
 - an incomplete appreciation of the benefits a greater understanding of the external environment could have for policy advice
 - perceptions that Treasury does not always give appropriate weight to external views and expertise, particularly with practical implications of policy
 - a failure to adequately prepare junior staff representing Treasury at external meetings on background and context.

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

Outcome-focused strategy

Guidance Questions		<ol style="list-style-type: none"> 1 Does the organisation have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and measures of success? 2 Is the strategy clear about what success looks like and focused on improving the overall quality of life for customers and benefiting the nation? 3 Is the strategy kept up to date, seizing opportunities when circumstances change? 4 Does the organisation work with political leadership to develop strategy and ensure appropriate trade-offs between priority outcomes?
Rating		Well placed

*Wellbeing—more than classical economics*

Treasury's Strategic Framework brings together its mission, key operating principles and an outline of its work in a two-page document. It integrates its mission and purpose with work activities, values and capabilities to provide a clear overarching summary. The framework also includes a précis of Treasury's Wellbeing Framework.

The Wellbeing Framework provides a broader perspective for Treasury's policy development than a classical economic framework would allow. It considers the opportunities available to people, the distribution of those opportunities, their sustainability, the level of risk borne by individuals, and the complexity of choices facing individuals and the community. In this way the perspectives of customers and the benefit of Treasury's work to the nation are integral to policy decision-making within the department.

Understanding of the Wellbeing Framework is deeply held in some parts of Treasury, and its application varies from overt to implicit depending to some extent on the nature of the work. While it is explicitly applied in some areas, in other areas staff do not have as good an understanding of its relevance, and it is not always well explained to new staff. To achieve a more consistent application of the framework across Treasury, there may be benefit in providing training for new staff at all levels and more general refresher training as staff change roles.

Clarifying role and strategy

The day-to-day work in many of Treasury's functions is directly responsive to emerging Government priorities across portfolios. There was evidence that the boundaries of Treasury's role have expanded to such a degree over the past decade that understanding the role, both within and outside the department, is not always clear. Expectations may have become unrealistic, because there is insufficient clarity over the department's core responsibilities and the extent to which these responsibilities may be extended by short and medium-term imperatives. This was apparent within and outside Treasury, with potential consequences for the department's reputation if unrealistic expectations are not met. While the Government sets the scope of Treasury's responsibilities, the department should continue to engage in conversations

with ministers about resourcing implications of increasing the breadth and depth of its role. There is an opportunity for Treasury to be more explicit about its core functions as the central agency with responsibility for economic analysis, financial stability and fiscal oversight, and clearly communicate this within and outside the department. Going forward, this may assist Treasury officers, line agencies and stakeholders to better understand the department's role and assist Treasury to refine its involvement in some activities.

The current Strategic Framework includes overarching goals but it does not clearly prioritise the most critical activities and thus does not drive day-to-day decisions. Nor does it flow to measurable outcomes: there are no clear outcomes or success measures in the operating plans at group level and no direct connection to individual work plans. There are no work-based success measures for individuals. It would be consistent with Treasury's approach to empowerment of its staff, if there was a more explicit connection between their day-to-day work and specific priority areas of the department.


Treasury would benefit from a strategic plan that more clearly prioritises its work and includes performance indicators that measure the success of its work. This would enable the department to articulate its business direction and link to its mission. This is not to say that Treasury should have a detailed plan such as would be suited to a delivery agency, but there are choices to be made about where it should most usefully focus its efforts and exert its influence. The approach taken by the New Zealand Treasury provides a useful example of such a plan in a comparable environment. In progressing this approach, it will also be important for Treasury to communicate with its staff, to develop their understanding of how planning is relevant to the department's achieving its strategic goals.

Responsiveness to government

Treasury has a strong legacy of providing effective policy advice to the Government, and its involvement in an ever-expanding range of issues is evidence of the value placed on its advice and its capacity to gain the confidence of ministers.

A significant proportion of its work involves directly advising ministers, which requires flexibility and responsiveness from the department to address the steady demand for briefings. Weekly meetings between the Treasurer and Secretary establish short-term priorities, and Treasury staff are highly responsive to these changing priorities and needs, albeit with some evidence of work overload. There is regular engagement of Executive Board members with ministers on strategic and operational issues. Ministerial feedback is positive about the advice and support received from the department. Treasury is considered a high-calibre department that reflects, internally, on how to ensure advice to ministers is well founded and well-targeted. Treasury's commitment to delivering and its ability to adapt to ministerial priorities is a strength that will continue to assist it to perform well in the future.

Evidence-based choices

Guidance Questions		<ol style="list-style-type: none"> 1 Are policies and programs customer focused and developed with customer involvement and insight from the earliest stages? Does the organisation understand and respond to customers' needs and opinions? 2 Does the organisation ensure that vision and strategy are informed by sound use of timely evidence and analysis? 3 Does the organisation identify future trends, plan for them and choose among the range of options available? 4 Does the organisation evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process?
Rating		Strong

A culture demanding evidence

Treasury has a strong culture of seeking to support policy advice with a substantial evidence base. Staff rely on an analytical approach derived from the discipline of economics, that forms the lens through which all policy is considered. This approach is supported by professional education and continuing exposure to a range of current perspectives and data through the department's seminar series and reading lists. In its central agency role, Treasury also presses other agencies for more rigour in their evidence and analysis. Internally, staff are encouraged to debate and challenge. Treasury's strategic initiatives to improve organisational functioning are similarly supported by thorough investigation and analysis.

Treasury's modelling performance has been the subject of extensive public and media attention. Knowledgeable and respected external parties contacted as part of the review expressed the view that Treasury's modelling capability is among the best in the country, and respected internationally. External review has supported its quality, and Treasury continually aims to refresh its models to reflect new perspectives. Treasury is an intensive user of data from the Australian Bureau of Statistics and a range of other sources to maintain currency. Documentation of models has been less thorough than would be desirable. There is opportunity to build on work underway in the Domestic Economy Division to ensure models are documented and maintained. The Wellbeing Framework is comprehensively documented and set in strong theoretical foundations. Its use demonstrates that Treasury analysis is more comprehensive than classical economics would dictate.

Treasury also gathers important information from stakeholders, such as through its regular meetings with the Reserve Bank to share forecasting and industry analysis, as well as through industry roundtables and from agencies with direct responsibility for portfolio issues.

Horizon scanning

Treasury engages broadly through attendance at seminars and in accepting speaking engagements by its Executive Board members, to share its thinking and invite ideas and


challenges. Treasury's contribution to the ground-breaking first Intergenerational Report³ in 2003 is still held in high regard beyond Treasury. Treasury has a key role in the development of the Government's Budget statements including canvassing current economic issues in some depth each year, and it also played a key role in the development of the Government's Australia in the Asian Century White Paper⁴. The department has built valued relationships with its equivalent agencies in Korea, Japan and New Zealand, and has played significant roles in supporting government participation in G20 and the Asia-Pacific Economic Cooperation forum. In a continually changing operating environment, Treasury also maintains a strong awareness of global economic shifts and their impact on Australia.

Internally, regular policy strategy meetings engage senior staff in debate on forward-looking policy, and Treasury's strong seminar program is supported by horizon-scanning projects and reports that inform policy across the department. The current Strategic Scan is looking at a 10-year horizon to continue development of Treasury's long-term intelligence. The department is considering the impact of its previous policy positions, and the appropriateness of those positions at the time and now. This is a positive step in ensuring future policy advice is based on strategic insight. However, evidence suggests that the time spent deliberately on longer-term issues has reduced, as a result of a focus on short-term, urgent deliverables and the broad scope of issues in which Treasury is involved. It was suggested that Treasury's 'bookshelf of ideas', awaiting the opportunity for government consideration, has been largely depleted, and there would be benefits in rebuilding it. It is important that Treasury maintains a strong capability in forward thinking and factors this into its policy advice. Increased secondments with other agencies and non-government bodies, greater engagement with academia, and continued investment in higher education for staff will all refresh and update knowledge, and enhance longer-term thinking.

³ The Intergenerational Report 2002-03 was Australia's first Intergenerational Report. It provided a basis for considering the Commonwealth's fiscal outlook over the long term, and identifying emerging issues associated with an ageing population.

⁴ The 'Australia in the Asian Century White Paper' released on 28 October 2012 outlines Australia's vision and plan for how Australia will be a more prosperous and resilient nation and become fully part of the region in the Asian century.

Collaborate and build common purpose

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

*Engagement and collaboration*

Treasury is conscious that the credibility of its advice to government relies on incorporating diverse views. The department has considerable interaction with stakeholders in other agencies, business and the not-for-profit sector and it is notable that stakeholders greatly value this interaction. 'Non-transactional' discussions maintain Treasury's awareness of the impact of economic conditions and of fiscal policy settings on diverse groups. More transactional discussions, usually conducted at lower levels, involve consultation with stakeholders on specific policy proposals.

Executive Board members and other SES staff are involved in a large number of external committees and groups. Treasury conducts or participates in roundtables of senior industry leaders and meets directly with key people in industry and other agencies. Interactions at these senior levels are highly valued and members of the Executive Board are held in high esteem by leaders in business and economics. However there is limited flow of information through the department from these interactions, so some of the benefit in information sharing is not getting to where it would be most useful.

Each departmental group manages its relationships with its own stakeholders. The Domestic Economy Division, in particular, has a well-developed program of meetings with industry in four state capitals three times a year, which are effective in gathering intelligence and are valued by stakeholders. Other areas have mechanisms for ongoing engagement, such as the Revenue Group's industry roundtables, and stakeholders regard these opportunities as extremely important.

Despite these examples, feedback generally was much less positive. Treasury invested in improving engagement with stakeholders following recommendations from the Strategic Review, particularly in increasing non-transactional engagement, and feedback suggests there have been some improvements over the last 18 months. There would be benefit in developing these interactions more broadly across the department as many stakeholders still perceive that Treasury does not fully recognise community and business impacts of policy considerations or give them sufficient weight. Treasury may benefit from a more strategically managed approach, including identified relationship managers for specific segments and increasing the sharing of learnings from interactions.

Initiatives are also underway to improve staff awareness of, and skills in, effective stakeholder engagement. There is evidence that Treasury staff, particularly at lower levels, are conscious of stakeholder perceptions of difficulties in their collaboration with the department: consultations are often late and have very short timeframes, due at times to circumstances beyond Treasury's control, and Treasury can be restricted in the information it can share, because confidentiality constraints on external parties cannot be relied on to protect information from publication.

Stakeholders frequently expressed some understanding of the constraints on Treasury's engagement with them, but remained concerned at the potential for serious unintended effects from the department's policy advice that was less than fully informed. While many stakeholders appreciated that their views would not necessarily be incorporated in policy, they wanted to be more confident that their views had been heard and understood. It is important to recognise that Treasury is not in a position to inform stakeholders what advice they have accepted in fashioning their advice to the Government or what views they have conveyed to the Government. Also, failure of a stakeholder's view being reflected in a government decision does not automatically equate to Treasury having discounted that view. However, some external stakeholders expressed the view that they believed unintended consequences had resulted from their advice not having been given appropriate weight. A number of stakeholders still referred to Treasury as arrogant and dismissive, almost two years after the Strategic Review reported those same views.

There was also still evidence of a limited appreciation in some areas of Treasury of the value that could be added in development of policy advice from a greater understanding of the external environment. Feedback from stakeholders within and external to government suggested strongly that Treasury could benefit from closer attention to the practical implications of its policy advice, and that such information, while readily available, is not routinely harnessed by the department. Evidence suggests that line agencies, business groups and the not-for-profit sector have detailed knowledge of consumer behaviour and needs that would usefully inform policy analysts on potential impacts of proposals under consideration. Stakeholders from the business sector were particularly concerned that Treasury staff have little, if any, understanding of business, nor any concern for the resource imposts of policy outcomes, that could have been moderated if their advice on practical implications had been heard. Treasury reports that addressing these issues has been a priority for the department for the past 18 months, but significant improvement is still required.

Treasury could benefit from more staff secondments and processes to ensure that learnings gained are captured and shared within the department. Such secondments do not need to be lengthy: periods of two to three months were suggested in some cases as being ample to provide Treasury with information and insights that would improve its policy analysis. However an ongoing program would be desirable, as loss of staff and internal churn limit the development and retention of knowledge. Staff who have joined Treasury from other agencies and the private sector, as well as returning secondees, also commented that they have understanding of external conditions and impacts that could contribute to Treasury analysis, but this expertise was not fully recognised or used.

A whole-of-APS approach

The 2013 State of the Service census showed that only 27 per cent of Treasury staff considers themselves to be employees of the APS, rather than employees of Treasury, compared to 46 per cent of APS employees more generally. Treasury works with other agencies on policy matters and there are examples of the department sharing expertise and developments in corporate systems

with other agencies. Several newer agencies commented very positively about the assistance provided by Treasury during the establishment of their agency, once initial learning gaps were overcome.

The importance of Treasury's economic expertise and policy analysis was well recognised by other agencies, but agencies reported that effective relationships required considerable effort by agencies and were highly dependent on personalities. Changes in Treasury staff was an obstacle commonly mentioned, as was a perception that departmental staff could be arrogant, *talking at* agency staff rather than *listening to them*, and lacking interest in or understanding of agency issues and expertise. There were examples where Treasury's narrow perspective limited problem solving even where the end goal was agreed, and instances where resources could have been saved if Treasury had been prepared to engage earlier. Agencies that had made deliberate efforts to develop internal economic analysis capacity reported improvement in their engagement with Treasury: their proposals and dealings were on Treasury's terms. Other agencies reported that lack of access to Treasury information meant they had to develop their own modelling capacity.

Empowerment of junior staff

As a consequence of its devolved model, Treasury frequently involves more junior staff in stakeholder interactions than might be the case in line agencies, particularly those with a more limited range of stakeholders. This level of empowerment is an inherent characteristic of the devolved model, and a practical response to the limited availability of Treasury's most senior staff, with the potential to provide more timely responses in the face of increasing demands. There was evidence that this approach was understood and appreciated by other agencies, many of which commended Treasury on its empowerment of staff. However, many agencies indicated frequently that Treasury staff were not well prepared for such interactions, and agencies were concerned about significant time being wasted during meetings and in agency planning and preparation. There would be benefit for Treasury and its collaborators in taking a more overtly managed approach, allowing agencies an opportunity to consider the nature and timing of their discussions, and providing Treasury staff with greater preparation for content and context.



4.3 Delivery summary

Innovative delivery

- Part of Treasury's core business is providing insightful and rigorous solutions to challenging policy problems and being innovative in the development of policy advice. This is at the heart of what Treasury officers do, and do well.
- Treasury demonstrates examples of continuous change and creativity in relation to information and communications technology (ICT), policy development and organisational issues. There is no formal framework for sharing ideas across the department or raising ideas and seeing them through to completion.
- Treasury has an opportunity to seek ideas from staff on more efficient ways of working to help to address the challenges the department is facing.

Plan, resource and prioritise

- While the Government effectively sets Treasury's priorities, Treasury should continue to discuss with ministers resourcing implications of the breadth and depth of its role, particularly where further expansion of that role is considered.
- Treasury may wish to consider improving allocative efficiency—its ability to best allocate its resources overall so that its inputs yield the best possible outcomes in line with its mission.
- While used effectively in some areas, embedding a project management mindset as part of Treasury core capabilities would improve the efficiency and effectiveness of outputs and reduce exposure to risk.

Shared commitment and sound delivery models


- Treasury has different delivery models to enable it to produce a range of outputs including permanent work areas, cross-group working groups and temporary divisions. Consideration is being given to flexible workforce options.
- Staff have a high degree of shared commitment and a willingness to work across groups. However, a limited understanding of work being undertaken in other parts of Treasury can hamper this.
- There have been significant improvements made to enabling and corporate functions, and there would be merit in continuing with this investment.

Manage performance

- Treasury strives for excellence and quality output, but does not systematically measure its performance.
- Performance of central policy agencies has been progressed internationally and Treasury should not shy away from the challenge. This will assist in prioritisation of outputs and allocation of the department's inputs to these.
- Treasury has made substantial progress in recent years around its risk and audit capabilities. These capabilities are in place and expected to undergo further improvement.
- When an activity is concluded, evaluation is not routinely undertaken since attention is directed to the next pressing issue.

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

Innovative delivery

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

*Innovation in Treasury*

Part of Treasury's core business on which it consistently delivers is the provision of insightful and rigorous solutions to challenging policy problems. Being innovative in the development of policy advice is at the heart of what Treasury officers do, and do well. Successive governments continue to seek the department's involvement in the development of innovative solutions to challenging policy issues, some of which arguably fall beyond the traditional remit of a national Treasury. This indicates a high level of confidence in Treasury's ability to deliver innovative solutions.

There is a vigorous culture of robust debate within the department. This is particularly focused on policy and quantitative analysis. New ideas are valued and objectively analysed by staff at all levels within Treasury, encouraged by the Executive Board.

Staff are open in talking about and testing ideas. Treasury has the ability and underlying knowledge to tailor solutions and responses to specific problems and do genuinely innovative thinking in the policy space. An example of this is the work being done through the Strategic Scan project, a whole-of-department project initiated in 2012 to stress-test currently accepted views and assumptions on key policy issues and identify where gaps in thinking and knowledge need to be addressed.

Other examples of innovation include Treasury's performance management system, the five-level management structure and associated devolution of decision making, and the deployment of a project management-based approach to legislation management in Revenue Group. Treasury has also demonstrated a capacity to innovate with the harnessing of ICT to deliver innovations to address core business issues. Examples include the Odysseus project, Active-Active data warehousing, a dedicated G20 mobile application designed for international delegates, upgrades to the business analytics software, called SAS, and new knowledge management systems:-

- *Odysseus*: is a custom data analytics system that provides Treasury staff with a trusted source of the latest economic data and combines this with analytical and reporting tools designed to assist staff in undertaking their work more efficiently and effectively. The system was built by an in-house team over a two-year period and was delivered to the Domestic Economy

Division modellers in late 2011. An internal audit undertaken in 2013 found that the project has largely delivered the functional capabilities consistent with Domestic Economy Division expectations and business requirements, and that ways of using it more broadly across the department should be considered.

- *Active-Active data warehousing:* Typically Active-Active is used by big service delivery agencies that run 24/7 operations and therefore always need to be 'on'. Treasury is one of the very few policy agencies that use this type of warehousing, which enables it to provide a high availability policy development environment and more reliably produce policy and products like the Federal Budget. Other 'like agencies' have expressed interest in accessing this solution.
- *G20 mobile application:* Information Management and Technology Services (IMTS) Division is engaging the G20 taskforce to develop innovative solutions. The division saw a possibility for delivering streamlined critical information to the G20 delegates through a mobile Android or Apple application, including accommodation, travel and conference information in many different languages. This is being developed.
- *SAS:* An updated version has been tailored to modelling areas' specifications. It runs off the system server, giving work location flexibility to staff.
- *SharePoint and wikis:* Only 28 per cent of staff uses Treasury's records management system, TRIM, regularly, despite efforts over a long time to encourage staff take up. After consulting with the National Archives of Australia and observing trials at Australian Bureau of Statistics of a similar product, IBM Stack, Treasury (led by the IMTS Division) decided to switch to SharePoint as its records management system. As part of this, wikis will be created in each division to keep track of documents, emails, file notes, call logs and other information. The roll out should be completed by the end of 2013.

Turning ideas into tangibles

Treasury's staff are bright and a significant potential resource of innovative ideas. While these ideas are regularly drawn upon when it comes to policy development work and a select group of projects beyond policy, Treasury would benefit from a systematic process for harvesting the ideas of its staff more broadly and for sharing ideas that could be implemented in multiple areas of the department.

Some staff commented about the lack of support they received when proposing ideas to their managers. Others had originally received support, but then ideas were not pursued through to implementation and staff did not receive adequate explanation on why this was the case.


Evidence suggests that business processes have been slow to change and it is only in the last few years that improvements have been realised (although catch-up is still being played compared to other areas in the APS). There are, however, pockets of innovation, which may not be widely communicated, such as the Mindfulness course pilot⁵, and a project management approach to managing tax legislation. Innovation can also be seen in the department's approach to modelling and in some areas of policy implementation.

⁵ The five week Mindfulness course pilot was a practical skills based course to help staff build resilience, improve performance and create a more effective and satisfying life. The course focused on helping staff to train their attention to foster greater awareness and clarity with a focus on: performance and stress; enhancing productivity; resilience and coping with stress; and perspective taking and judgement.

One initiative to facilitate the coordination of business ideas and solutions across the department was the creation of ‘business change agents’. Each group has a nominated business change agent to facilitate consideration of business innovation requests emanating from their group through a regular forum of exchange with the Information Management and Technology Committee. While this forum has an ICT focus, it may be worth considering a process that would create an avenue for ideas to be taken forward, noting that it is important to progress all ideas, including those not related to ICT. This would ensure that ideas do not necessarily depend on the support of a manager.

An innovation framework is being developed, and a pathway for ideas to be progressed within the department could usefully be included. Tapping into staff ideas to improve efficiency and effectiveness would be particularly valuable at this time given the challenge Treasury is facing with resource constraints. The proposed framework could also include a robust communication strategy to accompany and drive the implementation of new ideas.

Plan, resource and prioritise

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

More effective management of priorities

While Treasury’s core business is determined by the Government, there may be merit in the department carefully weighing up the opportunity costs of all of its priorities and seeking to deploy resources more effectively to achieve these. This is not to say that Treasury has not been able to achieve its priorities in the past—on the contrary, the department has performed well. However, meeting priorities with constrained resources will be all the more challenging and require careful management. There is a need for the Executive Committee to drive a more effective prioritisation and resource allocation strategy to enable tough decisions on priorities and resources to be made. While the Executive Board has initiated a process to consider how the upcoming resource reductions will be managed, to date the focus has been primarily on adaptations that can be made within each group.

There is some evidence of decisions made by the Executive Board to re-distribute resources across groups over the past three years, in response to priorities. For example, over the last

three years, while working towards overall staff reductions, there have been some differential resource allocations across groups to reflect changes in priorities. Given the further reductions the organisation is facing over the next four years, there will again be a need for the Executive Board to actively consider the priorities of the department as a whole, and corresponding shifts in resourcing levels across groups, to adequately resource the highest priority areas.

Treasury exhibits some positive examples of priority setting, in particular at divisional level. This includes establishing processes for agreeing priorities with ministers' offices and ceasing or limiting certain activities where possible. It would be useful for Treasury to consider where it best adds comparative value so resourcing decisions made throughout the department can consistently be based on the most value-adding options.

Amplifying the need to focus on prioritisation is the environment of increasingly scarce resources. Similar to other APS agencies, Treasury is facing resource challenges, with reductions projected over the next four years in the order of 20 per cent. To avoid reduced capability and performance, the Executive Board has initiated a process to identify and manage resourcing reductions in 2013–14 and has put in place a three-year incremental budget cycle and budget tool to help groups and divisions manage the transition to their future budget, a positive step which other departments in similar situations may wish to consider. Groups are considering transformative change and efficiency improvements, including what the organisation would look like under different resourcing models. To ensure the effectiveness of the organisation under whichever model is chosen, a more proactive and systematic approach by the Executive Board to drive the integration of future priorities and resources would be useful. In addition, the Executive Board could improve communication about its activities and the process it is using to identify and manage budget reductions as a major challenge for the department is to address the apparent disconnect between the resource allocation initiatives taken by the Executive Board and the lack of recognition of those initiatives at levels below the Board.

Greater focus on using operational plans to drive direction and performance

There was a general view that individuals' roles reflect the mission of the department. Cascading down from the Strategic Framework are operational plans at group level. These identify strategic directions, then the activities and budgets for the groups are broken down by division. The groups' operational plans also include a detailed risk management framework outlining the management of the seven key strategic departmental risks at group level as well as specific group-identified risks.

While these operational plans would appear consistent with Treasury's mission and Strategic Framework, there was a concern that as the department's mission is very broad, the majority of tasks and roles may be captured within it, so greater clarity of priorities could be useful. Exacerbating lack of clarity around priorities is the low level of awareness of these operating plans by the broader Treasury population: they do not appear to be used to guide day-to-day activities or allocate resources. Division and unit operational plans are not formally prepared so any planning at this level would appear to occur on a more ad hoc and informal basis. There is also an absence of a formalised work plan for Treasury as a whole, and departmental priorities included in the Strategic Framework cover much of the work of the department rather than a considered set of specific priorities for each year.

As with some other parts of the Australian Government, planning for Treasury can only cover a part of what the department will eventually do, because critical to effectiveness is the capacity to handle the unknown and uncertain. Government often chooses to involve Treasury in resolving

high-priority issues outside of Treasury's core functions. Evidence suggests that as Treasury has been expected to take on a broader and deeper role, for example in the policy implementation process, managing work has become more reactive and less structured. A shift towards developing and using plans as living documents to drive performance could be beneficial (and has been beneficial in treasuries in other jurisdictions).

There may be merit in Treasury building on its Strategic Framework and group operational plans and developing a formal medium-term strategic work plan with an active feedback loop that cascades down levels to the individual so it is possible for line of sight to be explicitly identified for each Treasury officer. This work plan could be evaluated annually as part of the process for managing organisational performance.

Using internal controls to enable flexible resourcing

The Executive Board receives regular reporting on financial management and human capital. Evidence suggests that Treasury's internal financial management systems are robust. The new internal budget reporting tool provides General Managers with significantly greater control over their resources (including human capital) than previously and allows for budgeting to occur over a rolling three-year period (rather than a one-year period). SES officers are now judged on resource use, and the internal budget process has become a key focus, though there still remains a need for SES officers to be held to greater account. The budget reporting tool also provides the Executive Board with more timely and detailed information to better understand key areas of expenditure, identify pressures and ensure priorities (once determined) are appropriately resourced. Treasury would appear effective at shifting resources between units when needed but less so across divisions or groups, and often this is done informally without making corresponding adjustments to budgets. This may reflect the department's lesser focus on prioritising activities at department and group levels. Data from the 2013 State of the Service census indicate that one-quarter of Treasury staff considered they were underutilised and could take on additional work. However, around 50 per cent of staff disagree that they have extra capacity—15 per cent strongly—so the core issue may be around poor work distribution. It would be useful if resource management at divisional level was undertaken more formally so staff and resourcing dollars clearly follow priorities.


Embedding a whole-of-organisation project management mindset

Some pockets of the department, for example, G20 Logistics and the Revenue Group legislation management area, have embraced systematic project management approaches, and there would be benefit in this approach being adopted more widely. In other areas—for example, in managing the Federal Budget process—planning, managing, realisation and evaluation stages are not undertaken as effectively as they would be if a project management methodology was deployed. Evidence suggests that plans are maintained informally, often in the minds of the officers involved, rather than more formally documented. Documentation provided to the review team was in a timeline and task list form, rather than a project plan applying comprehensive project management methodologies. Some staff consider that the unpredictable nature of some activities would preclude formal project plans. However, a more formal approach is warranted when dealing with multiple variables and contingencies. There may also be benefit in considering how policy work is structured and how project planning tools can be used and adapted where necessary to suit a policy environment and support a more systematic approach to managing organisational performance.

The Strategic Review identified a need to improve implementation of programs within Treasury's administrative responsibility. This led to the establishment of the Project Management Resource and Advisory Centre, which includes a wiki that provides information, resources and a range of support to manage a project. The centre is managed and supported by project managers in the Contract and Project Management Office (CPMO). While all Treasury staff are able to access these project management services, staff are not necessarily aware that they are on offer and may not appreciate that the activities they are undertaking as business-as-usual could more usefully be framed using project management tools. This has meant that CPMO implementation, while a good step, has not realised its potential benefits. A point of confusion for Treasury staff is that the CPMO resides in the IMTS Division, which may give the impression that it focuses only on ICT-related projects when in fact its role has been broadened to encompass all types of project management within Treasury.

There would be benefit in a greater appreciation of project management across Treasury. While not everyone needs to be a project management expert, a base level of project management skills would be beneficial for the majority of officers. Staff should be able to identify when they are about to commence work on an activity that may usefully be defined as a project and then know to make inquiries to determine whether project management tools would be useful. There would be merit in all staff having a basic understanding of project management as part of their skillset and it may be beneficial to roll out a training module for graduates and other recruits to help embed a project management mindset.

Shared commitment and sound delivery models

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

Treasury models for delivering its product

Treasury currently delivers its diverse range of products through a mix of permanent units and work areas (for example, core policy advice and quantitative analysis and modelling), cross-group working groups (for example, the Strategic Scan project) and temporary units and divisions (for example, the G20).

These models operate within Treasury's five-group organisational structure. Consideration could be given to the appropriateness of this structure and these delivery models to deliver the outputs

expected of a modern, leaner Treasury. The review team understands that consideration is being given to alternative delivery models where most staff work in permanent divisions and a smaller proportion move flexibly across the department depending on work demands (similar to the model introduced in the United Kingdom's Her Majesty's Treasury where 90 per cent of staff are permanently allocated and 10 per cent move around the department according to priorities).

Clear accountabilities and devolved responsibilities

The Treasury Management Model, unique within the APS, is a devolved, comparatively flat management structure. In 1999, the department merged the First Assistant Secretary and Assistant Secretary levels in its organisational hierarchy, creating a five-level structure: Secretary; Executive Directors (SES Band 3); General Managers (either SES Band 1 or 2); and Unit Managers (EL2 and in some cases SES Band 1) overseeing small teams. This, together with a conscious effort to devolve responsibility, has pushed more responsibility to the EL2 cohort and, in turn, has given staff more ownership of their work. For example, EL2s sign off advice to ministers, whereas this is usually done at a higher level in other APS departments. Staff indicated a high degree of satisfaction with this devolved structure. This is largely because, with typically only the one layer of clearance, staff are empowered at more junior levels to take responsibility and drive the direction of their team's work.

A common theme heard by the review team from others in the APS was that the Treasury Management Model could be embraced more broadly by other agencies. However, Treasury's devolved model is not without challenges or need for refinement. For example, the devolution does not always extend to face-to-face briefings with ministers and decision makers may not all have the same exposure to whole-of-department policy discussions, such as those that take place in Policy Strategy Meetings.

Working across groups

Treasury staff are willing to work together across groups and collaborate on new ideas. However, staff do not always have a strong understanding of work being undertaken by other areas of the department, with silos running counter to successful internal collaboration. Areas that could make a useful contribution are not always consulted, or not consulted in a timely manner, which opens up the possibility of a decrease in the quality of advice and increased exposure to risk. Staff movements are not solving this issue. There is also a concern about the consistent treatment and understanding of the 'need-to-know' principle. If information was more broadly shared (albeit carefully), cooperation across the department may be improved, enabling a better quality, more targeted and timely product to be produced.

Enabling functions

Significant progress has been made in improving the effectiveness of the Corporate Strategy and Services Group to deliver enabling services to the rest of the department. The development of a more client-focused culture has created incentives over the last few years to find creative solutions to issues and improve organisational support and strategy advice to the Department. There is a need to continue to invest in making improvements to enabling and corporate functions. Some examples are:


Internal budget reporting tool: The development and implementation of the new *TMI* interface enables financial and human resource data to be presented in a meaningful way. The interface tracks actuals against the budget, and forecasts resources across three financial years, in real time, supporting management monitoring and control. It is possible to drill down into human resource and costing information, as well as into program, project and divisional costs. Information can be presented in different ways with minimal button clicks.

Knowledge and records management: The use of SharePoint as a records management system is expected to be in place by the end of 2013 and will replace TRIM and shared drives as the department's primary records management tool. Once documents have been added to the system, they will automatically be archived as 'records' after 13 months. IMTS Division is developing eLearning, training sessions and videos to help expedite this. This system should assist in making the much-needed improvements in Treasury's knowledge management, which will become even more crucial in minimising the loss of corporate knowledge as the department downsizes.

Human resources management: The development of workforce metrics capabilities has improved the quality of resourcing information available to the Executive Board and General Managers. Together with the introduction of a Strategic Workforce Plan, this has the potential to assist Treasury to anticipate and identify risks to its workforce capability and capacity and enable it to respond to, and manage, these risks. The People and Organisational Strategy Division has also enhanced its case management expertise and support to managers with difficult staffing issues.

Recruitment within Treasury is under the purview of the People Committee. This committee oversees graduate and external recruitment, as well as the internal movement and transfer of staff. As resources and budgets decrease there is a place for recruitment oversight, especially within the context of a flexible workforce structure, although the removal of staffing decisions from the SES and EL2 cohort inhibits staff ability to take full ownership of their work areas and outputs. Any move to decentralise the current model would need to be accompanied by a shift to rigorous management of divisional budgets, with SES managers held accountable for this. Treasury may also benefit from building greater professional human resource expertise to assist the department to manage the cultural changes it is seeking to progress.

Manage performance

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



Giving meaning to performance targets and embracing systematic measurement of organisational performance

There was a consistently strong view from external stakeholders and the APS that Treasury has high-calibre output and performs well. It is clear from the evidence gathered during the course of the review that Treasury is responsive to its key clients and feedback from these clients would appear to be a key implicit indicator of performance.

Treasury relies on the dedication of its staff and culture of commitment to high-quality output rather than to a systematic approach to manage organisational performance. While the current approach is supported by Treasury's investment in its staff and has served Treasury well to-date, the magnitude of the challenge facing the department to continue to perform at an exemplary level, in the face of constrained resources and an environment of increased complexity and fluidity, is such that it will require greater use of systems and processes to ensure and support its high performance. Stakeholders have high and demanding expectations of Treasury, just as the department has for itself. To maintain the very high reputation on which its relevance depends, Treasury needs to extend its capability to enable it to meet those expectations.

The department has identified a need to better track its performance and to take a more systematic approach to monitoring delivery performance. This has been confirmed by the review team. It is also the role of Treasury's Audit Committee to satisfy itself that the department has appropriate mechanisms in place to assess its performance. While Treasury has four key performance indicators in its Portfolio Budget Statement, which align to its annual report, these have not been effectively mapped back to the department's overall mission and objectives. Treasury staff acknowledge that these indicators have not been translated into a form that makes them relevant in their day-to-day work.

Treasury has undertaken a number of reviews that assess its performance and preparedness for the future, for example the Strategic Review, the Women in Treasury Review, the Review of Treasury Macroeconomic and Revenue Forecasting and other internal reviews of capability. The Executive Board is updated quarterly on the progress of these reviews. While these periodic reviews are undertaken, it is necessary for Treasury to ensure that learning and reflection are embedded as part of 'doing business' rather than a periodic activity.

It is recognised internationally that performance measures for central policy departments are difficult to develop. However those that have progressed along this path, including the New Zealand Treasury, have found it rewarding, despite the challenges, as it has greatly improved the prioritisation of resources: a critical issue at this time of increased constraints.

Treasury could consider developing a performance framework, incorporating the measurement of both organisational objectives and organisational capabilities. An approach Treasury may wish to consider is developing such a framework as that of the New Zealand Treasury. The management practices of professional services firms will also provide a useful guide for Treasury in developing a system to manage organisation performance. Implementing such a framework would enable Treasury to measure its success and more effectively prioritise its resources.

Governance, risk and evaluation

Evidence suggests that Treasury's financial and accounting systems are robust. The financial reporting system is sound and financial statements unqualified. The policies and procedures for the Chief Financial Instructions are up-to-date and appropriate policies and supporting procedures are in place to manage and exercise delegations.

Treasury has a sound risk management framework and processes at the departmental, group and divisional levels. The Executive Board considers and updates the departmental risks, group specific risks and work health and safety risks at least twice a year. New or enhanced actions are put in place to ensure these risks are managed effectively. There is a systematic program in place through the internal audit function to assess against and monitor risks. There is also some flexibility to look at other matters not already identified as part of the program, as and when needed. Risk management is, however, still primarily driven from the top, and is not as strong when approached on a project-by-project basis, given Treasury's more limited use of project management tools. This could be improved through embedding a project management mindset across the department.

Treasury has been responsive to external audits and there is dedication to addressing audit issues. However, at times there have been issues with the timeliness in which audit recommendations are implemented. While there are structured mechanisms in place to monitor progress against implementation of recommendations, these are not always used effectively. The planning and implementation process would appear to be more in the heads of the relevant individuals rather than formally documented, which is consistent with issues raised previously.

Treasury has strong internal audit of its operations. The discipline of audit has been embraced by the department so it is not handled as a matter of process but rather with staff seeking out the assurance that internal audit provides. Over the last few years, Treasury has expanded its internal audit program to reflect its growing realisation of the benefits of evaluation. In line with this, the forward work plan would appear to be suitably broad.

As already mentioned, Treasury undertakes major internal reviews to improve its functioning and capability from time-to-time, but evaluation is not generally undertaken as a part of business-as-usual practices. Internal evaluation processes are not routine, as staff tend to move quickly to the next pressing matter. There would be greater opportunities for improvements in the quality of policy advice and in business processes, if more consistent attention was given to evaluating the quality of advice and supporting work processes.

5. The department's response

Treasury welcomes the report of the Capability Review and the opportunity it presents to contribute to our ongoing organisational reform initiative.

The review concludes Treasury is a highly performing organisation with a strong track record and capabilities that are in high demand from the government of the day. The review also notes that the world is changing and this requires Treasury to reflect on our culture and capacity and make changes that will sustain our effectiveness over the years ahead.

The Capability Review has provided us with an opportunity to put the organisational reforms that we have initiated over the past couple of years under an independent external lens, as well as gain fresh insights into additional issues that need to be addressed to build a Treasury fit for the future.

The Capability Review identified many organisational strengths that Treasury should seek to retain and enhance. In particular, the review found that a major contributing factor to Treasury's high performance is our strongly motivated and highly capable staff, with their commitment to rigorous analysis and quality outputs.

The review suggests that Treasury focuses its capability building in four areas – practices and approaches to drive efficiencies; collaboration and engagement; change management capability and adaptability; and systematic approaches to better managing organisational performance. I agree that these should be the priorities for the next phase of our organisational change program. To a significant extent, these areas had been identified in earlier reviews and we have already commenced a program of work to address them. Nevertheless, the findings of this review allow us to consider the progress we have made, to accelerate the implementation of initiatives, and to modify or supplement these existing initiatives as required. The process of preparing the review has assisted us in starting to do this. The review has also recommended we take action on new fronts and we will develop a plan to address these additional issues.

The constrained resourcing environment, together with the findings of the Strategic Review of the Treasury (December 2011), has been a catalyst for a number of improvements to our planning, resourcing and business processes. The Capability Review has suggested that further improvements are necessary to ensure that staff and funding are more closely aligned with priorities, and that communication from the Board on prioritisation and resourcing decisions is more effective. We agree with this finding and we are considering options for improving operational planning, including achieving greater consistency across the department in the approach to planning, ensuring the plans align with the Government's priorities for Treasury, and making sure they drive behaviours on a day-to-day basis. We have also just rolled out a three year budgeting system with enhanced management tools. The intention is to provide managers with greater confidence about their glide path in a world of falling resources while giving the Executive greater flexibility to address emerging issues.

We have also commenced benchmarking all areas of the department to identify minimum capabilities we need to maintain in order to provide the flexibility to ramp-up our engagement as needed. This is being complemented by consideration of a revised approach to resource allocation—one option under consideration is that adopted by HM Treasury whereby 90 per cent of staff might be allocated to existing responsibilities with the distribution across the department reflecting the minimum capability requirements and the relative prioritisation of ongoing tasks, with remaining staff forming a pool that could be allocated on a temporary basis to key emerging issues.



We agree that Treasury needs to consider options that would allow us to take a more systematic approach to measuring organisational performance. Treasury currently has mechanisms in place to receive performance feedback from our key clients, our ministers. We regularly review key functions, for example the *Review of Treasury Macroeconomic and Revenue Forecasting* in 2012 and the *Review of Revenue Group Operation and Organisation* in 2012. However, we agree with the suggestion in the Report that we could benefit from a more systematic approach to managing and evaluating organisational performance. We have established a team to develop options that are appropriate for the organisation. The team is working on an approach that would clearly link the organisation's key priorities with organisational outputs and outcomes. A key part of the approach would be an active feedback loop, including monitoring and measurement arrangements. We believe better, and more systematic evaluation of our activities, and the dissemination of the lessons learnt, needs to become part of our mainstream activities, so that improved ways of working are adopted more quickly than has traditionally been the case.

Treasury has made a considerable investment in improving stakeholder engagement, particularly nontransactional activity, following recommendations from the Strategic Review. Progress has been made, but more needs to be done to improve staff awareness of, and skills in, effective stakeholder engagement, broadening our engagement beyond the Treasury Executive Board, and for the insights gained from our stakeholder engagements to be shared more broadly within the department. To assist in achieving this, we are implementing a better tool to track and share information around engagement with individual stakeholders. We will complement this with an active effort to improve the receptivity of Treasury staff to external views. We are currently in discussion with key parts of the business community to enhance our existing program of secondments. We have also focused on greater recruitment from outside the public sector and around a fifth of Treasury's senior staff now have significant non-government experience.

Changing behaviours and culture takes time and requires a combination of strong leadership and changes to systems and processes. This has become evident to us as we have sought to address the impediments to the advancement of women in Treasury through our Progressing Women initiative. The Report suggests that our ability to bring about organisational change and adapt to shifts in our operating environment requires the whole SES cohort to engage in, and drive, the process of change management. We agree that collective leadership of organisational issues needs to match the collective leadership displayed on policy and implementation, and will be considering how to further enhance our change management capability and adaptability to ensure these outcomes are delivered.

Finally, I would like to thank the Senior Review Team, Dr Michael Vertigan AC, Ms Frances Maguire and Ms Jennifer Taylor, the team from the Australian Public Service Commission and Treasury staff who supported the review, for the contribution they have made to Treasury's organisational reform agenda. The process of the review is in some ways even more valuable than the final report and we have greatly appreciated the large personal contribution made by all involved. I am committed, as are all members of the Executive Board, to building on our considerable strengths and continuing the transformation commenced in recent years to build a stronger Treasury, one fit for whatever the future may hold.



Dr Martin Parkinson PSM
Secretary
The Treasury

6. Abbreviations and acronyms



Abbreviation or acronym	Description
APS	Australian Public Service
ANAO	Australian National Audit Office
APSC	Australian Public Service Commission
CPMO	Contract and Project Management Office
EL	Executive Level
Executive Board	Secretary and deputy secretaries
Executive Directors	Deputy secretaries/SES Band 3
FTE	Full-time equivalent
G20	Group of Twenty Finance Ministers and Central Bank Governors
IMTS	Information Management and Technology Services
ICT	Information and Communications Technology
SES	Senior Executive Service

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

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

In the 1990s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [14]. In the 2000s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [15].

In the 2010s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [16]. In the 2020s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [17].

In the 2030s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [18]. In the 2040s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [19].

In the 2050s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [20]. In the 2060s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [21].

In the 2070s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [22]. In the 2080s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [23].

In the 2090s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [24]. In the 2100s, *S. flexneri* was the most common serotype isolated from patients with acute bacterial dysentery in the United Kingdom [25].