



Australian Government
Australian Public Service
Commission

CAPABILITY REVIEW

Department of Veterans' Affairs

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

Review Report: November 2013



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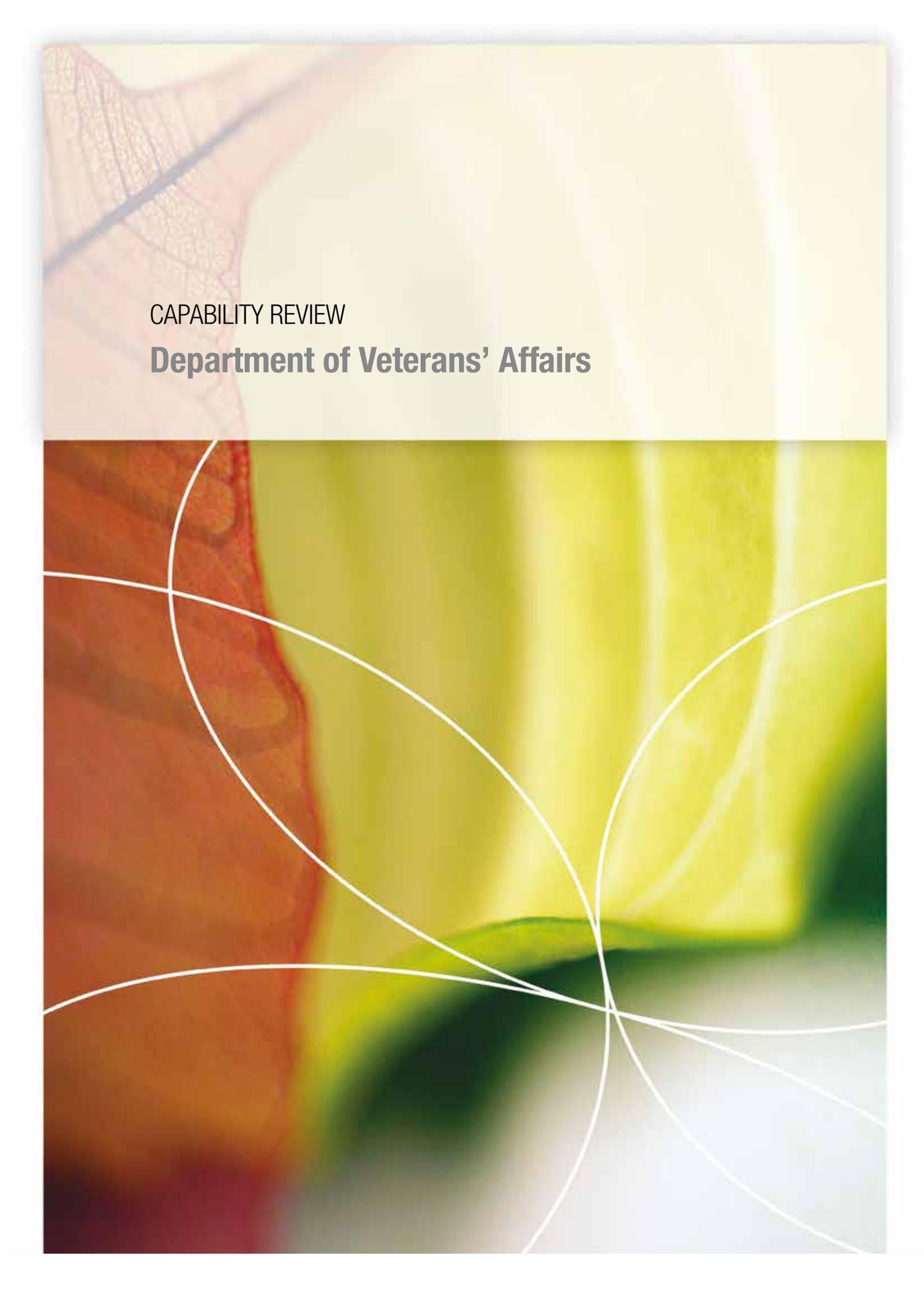
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The background of the page is an abstract composition. The top half features a light, warm-toned background with a faint, intricate botanical pattern, possibly a leaf or petal structure, in shades of pink and light green. The bottom half is dominated by a vibrant, blurred image of a flower, likely a gerbera, with petals in shades of yellow, green, and orange. Overlaid on this lower section are several thin, white, curved lines that sweep across the frame, creating a sense of movement and design.

CAPABILITY REVIEW

Department of Veterans' Affairs



Foreword

In 2011, the Australian Public Service Commission (APSC) commenced a program of systematic reviews to assess capability in key agencies and identify opportunities to raise the institutional capability of the service as a whole.

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

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

I would also like to thank Ms Akiko Jackson, the chair of the review team, other senior members of the team, Ms Penny Armytage and Mr David Kalisch 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



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1 About the review

A capability review is a forward-looking, whole-of-agency review that assesses an agency's ability to meet future objectives and challenges. It is conducted in accordance with the Australian Public Service Commissioner's statutory function to review any matter relating to the Australian Public Service under paragraph 41(2)(j) of the *Public Service Act 1999*.

This review focuses on leadership, strategy and delivery capabilities in the Department of Veterans' Affairs (DVA). It highlights the department's internal management strengths and improvement opportunities using the model set out in Figure 1. A set of 39 questions is used to guide the assessment of each of the 10 elements of the model covered by this report.

Capability reviews are designed to be relatively short and to take a high-level view of the operations of the department. 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, clients and central agencies.

During this review, over 300 documents were reviewed, four site visits were undertaken, over 80 interviews were conducted and nine workshops were held with agency staff.

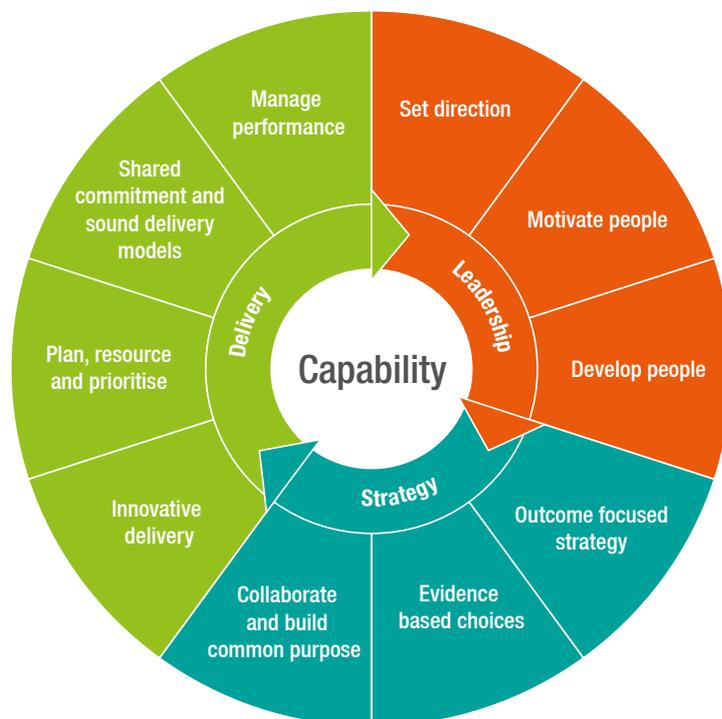


Figure 1—Model of capability

2. About the department

The Department of Veterans' Affairs (DVA) is responsible for developing and implementing policies and programs that assist the Australian veteran community.

The Australian veteran community totals more than 300,000 and includes: veterans, widows and widowers and dependants; serving members of the Australian Defence Force, including reservists; Australians who participated in British nuclear testing on Australian soil; and Australian Federal Police officers with overseas service.

DVA's youngest client, the child of a deceased soldier from Operation SLIPPER in Afghanistan, is under one year of age, while its oldest, a war widow, is 107.

More than 160 widows of World War I veterans continue to be supported by DVA, out of approximately 85,000 war widows and widowers, and there are still some 58,000 surviving veterans from a World War II service population of 1 million. Approximately 60,000 men and women served during the Vietnam War, a number roughly equivalent to the number of Australians who have served in 'contemporary' post-1999 operations. Of the estimated 46,000 Vietnam veterans surviving as at June 2013, DVA provides support to approximately 42,000. The department also supports Australian personnel involved in warlike, peacekeeping or peacetime operations.

DVA spans the generations and the department has proven to be an important resource and source of support to many. The services it provides to its clients include access to health and community care, rehabilitation and counselling. It also provides income support, compensation for incapacity and war caused conditions and/or injuries, pensions to war widows and widowers, education assistance for eligible children, home insurance, home loans and commemorative activities.

Last year DVA received 3.55 million client and provider phone calls, 9,596 client emails and 68,082 client visits to its shopfronts. It also assessed some 29,000 compensation claims, processed around \$3 billion in income support payments, provided more than 73,000 counselling sessions through the Veterans and Veterans Families Counselling Service (VVCS), and administered close to \$5.5 billion in health services provided to Repatriation Card Holders; including some 330,000 inpatient hospital separations.

As at 30 June 2013, DVA had:

- departmental appropriations of \$370.5 million
- administered appropriations of \$12.059 billion
- 2,058 staff
- 28 SES members (not including statutory office holders) of which 42 per cent were female.

The department works with and through the Repatriation Commission and the Military Rehabilitation Compensation Commission which determines the policies and programs for beneficiaries under the *Veterans' Entitlements Act (VEA) 1986*, the *Military Rehabilitation and Compensation Act (MRCA) 2004* and the *Safety, Rehabilitation and Compensation Act (SRCA) 1988*. The department also administers other legislation including, amongst others, the *Defence Service Homes Act 1918* and the *War Graves Act 1980*, and conducts commemorative programs to acknowledge the service and sacrifice of Australian servicemen and women.



As at June 2013, DVA's client base included approximately 313,880 beneficiaries, with 18,557 MRCA and SRCA beneficiaries.¹

DVA projects that its VEA client base will decline by almost half over the next decade. While the department does not currently have projections for its MRCA and SRCA clients, it is working with the Australian National University to develop a predictive modelling capability to support the expected increase of these clients in coming years following recent Australian Defence Force deployments.

The department's three stated outcomes are to:

1. maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements
2. maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependants through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements
3. acknowledge and commemorate those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations.

DVA maintains a geographically dispersed footprint with staff in each state and territory delivering localised services to the veteran community as well as performing national functions. Most policy functions are centrally managed in Canberra. DVA maintains national reporting lines for the majority of its functions, most of which report centrally to Canberra.

As at June 2013, DVA's staff headcount comprised:										
	ACT	NSW	Qld	SA	NT	Tas	Vic	WA	Total	% of Total
APS	348	285	362	135	16	71	252	104	1571	76.34
Executive Level (EL1 or EL2)	257	40	71	23	3	4	42	12	454	22.06
Senior Executive Service (SES)	21	2	1	1	0	0	2	1	28	1.36
Statutory	4	1	0	0	0	0	0	0	5	0.24

DVA's client base continues to change with increasing client diversity across the generations and varied client expectations. This also includes a new, non-traditional client group of active Australian Defence Force members who access DVA services through the On Base Advisory Services (OBAS) arrangements established in the latter part of 2011.

¹ DVA Annual Report 2012–13, pp. 17–18. Beneficiaries include persons receiving pensions or allowances or who hold a Gold, White, Orange Repatriation Health Card or Commonwealth Seniors Card. It includes veterans (approximately 48 per cent of total VEA beneficiaries), war widows and widowers (approximately 28 per cent) and dependants (approximately 24 per cent). VEA, SRCA and MRCA beneficiary figures are not mutually exclusive and cannot be tallied.

DVA clients' geographical footprint and psychosocial profile are also changing and expectations for increased access to online services are growing.

DVA will need to continue to maintain strong relationships with a growing range of Ex-Service Organisations (ESOs) that represent, to a greater or lesser extent, different portions of its veteran community client base. While DVA's remit is unique in the Australian Government, its challenges are not uncommon to the APS and the department faces a number of pressures to increase its organisational capability in a changing external environment. It is also experiencing the same fiscal constraints as other APS agencies, and the same continuous pressure to increase efficiency.

3. Summary assessment



Introduction

The Department of Veterans' Affairs is not often at the forefront of the Australian public's mind. Its work is rarely the subject of major policy debate or front-page media attention and it does not have a high profile within the APS.

Yet DVA is one of the oldest and most stable of Australian Government agencies and its work is well understood, recognised and acknowledged by its clients.

DVA is also one of the more unusual Australian Government agencies in that its operations are closely bound to the statutory entities of the Repatriation Commission and the Military Rehabilitation and Compensation Commission; both of which have broad powers with respect to veteran entitlements and veterans policy.

DVA is a department that looks back into history; perhaps never more so with the upcoming centenary of the World War I. It is also a department that looks to the future; recognising that many veterans from recent conflicts and operations will require support for decades.

It is evident to the review team that DVA staff are strongly committed to supporting the Australian veteran community. There is a palpable, sincere and passionate sense of mission among client-facing, administrative and policy staff within DVA; namely, to support those who serve, or have served, and to commemorate their sacrifice.

However, the environment in which DVA operates has changed at a much faster pace than the speed with which the department has allowed itself to change. The older client base continues to decline while the new younger client base has different expectations. The fiscal pressure facing government today coincides with public expectations of efficiently run government agencies. The concept of shared services—where scale economies are achieved with consistent and increased service levels—is widely spread in the public and private sectors.

The review team acknowledges that the Secretary of DVA and many members of its leadership team have a sense of urgency to bring the department up-to-speed to transform it into an efficient, modern organisation. However, the review team concludes that the department also faces significant challenges to enhance its capability and mobilise its workforce so it can transform into an efficient and effective modern public sector organisation meeting government and community expectations.

The review team has identified three key focus areas needing urgent attention for DVA to transform:

1. operating structure, governance arrangements and information and communications technology (ICT)
2. approach to clients, culture and staffing
3. efforts to formulate effective strategy, establish priorities and use feedback.

These changes should be bound to, and driven by, a fierce commitment to efficient and effective 21st century client service principles and practices which match the passionate and personal dedication of DVA staff to their clients.

Such principles and practices are for DVA to define and express in its own language, but typically would include a commitment to being responsive, providing good access, offering timely service, being clear and accountable for decisions made, and searching continuously for opportunities to improve performance and the client experience.

The department today

Overseen by a new Secretary who has occupied his role for less than six months, DVA is a department with some considerable strengths. It has a professional, diverse group of SES officers; a stable and experienced workforce; significant data holdings; a well-established framework for engaging with stakeholders and providers; and a track record of delivering successful commemorative events, both in Australia and overseas. It has also pursued a number of service improvements, such as the MyAccount online initiative and the establishment of the OBAS, to better meet the needs of Defence personnel who will one day become clients of DVA.

The Secretary has also increased the visibility of leadership throughout the department with his decision to visit state, territory and regional offices wherever possible. The leadership team, along with DVA staff more broadly, appears to be keen to see substantive change for the benefit of clients and stakeholders. As acknowledged by the Secretary and DVA leadership team, there are a number of large challenges including, but not limited to, the need to better communicate strategic direction, improve planning processes and take decisive action to address areas of poor performance.

The scale of change required is significant given that successful whole-of-department improvements have been modest in recent years. A major transformational forward leap is required.

Key focus areas

The department's three key focus areas are discussed below:

Operating structure, governance arrangements and ICT

In the opinion of the review team, there are many challenges that may impact on the long-term viability of DVA's delivery efforts. The most threatening of these challenges concern the department's operating structure, its governance arrangements and its ICT systems.

In assessing DVA's operating structure, it is evident to many inside and outside the department that the old approaches established for servicing a high volume of clients through multiple mainstream systems are no longer sustainable in the context of a resource-constrained environment and shrinking client base.

A new, more efficient approach needs to be found as a matter of urgency.

A precedent for such reform was established in the 1980s and 1990s when DVA transformed its provision of hospital services to the veteran community by withdrawing from the direct management of its network of repatriation hospitals, but expanding the range of possible providers—public and private—and increasing the levels of localised access to health services. Using this purchasing model, DVA extended its outsourcing arrangements to include allied health and other health services in order to maximise outcomes for clients.

Just as the reformation of hospital services has translated into improved outcomes for veterans, a review of what other activities can properly be considered 'fundamental' to the department, and what can be better delivered using the expertise, experience and infrastructure of others, should



be approached through the prism of maximising outcomes for clients. The question that needs to be asked is: What is the benefit or 'value-add' delivered to the client by DVA for those services the department directly provides; and what level of risk could be managed better by leveraging established service providers outside of DVA.

Serious attention also needs to be given to DVA's complex 'matrix' delivery model which sees geographically dispersed staff trying to provide consistent and efficient services to the veteran community across Australia.

At issue is not the degree to which the model provides for centralised versus decentralised delivery but whether staff can operate effectively within the delivery model and the degree to which it supports or hinders the offering of a comprehensive service to clients. Indeed, to prove successful any such matrix delivery model requires clear and comprehensible lines of accountability, as well as an appropriate scale of operation.

Yet the model operating in DVA today often produces sub-optimal outcomes for clients, with various external stakeholders and staff within DVA commenting that it is disjointed, inconsistent and slow. In fact, the current model encourages operations that are sub-scale and financially unsustainable, such as the running of 18 separate call centre functions across the portfolio.²

Given the diversity, volume and significance of the services DVA provides, and the importance of maximising operational efficiency, the review team was surprised that the department does not give greater attention to an integrated client and delivery approach coordinated at a senior level.

The fragmented delivery model further inhibits the development of a unified DVA culture, making it difficult to establish career paths, and presenting challenges in managing individual staff performance. It leaves many staff operating in isolation from their colleagues with such 'small cells' typically presenting a greater integrity risk to the department and frustrating management's efforts to effectively allocate workloads across functional areas.

The current governance arrangements equally tend to work against the conduct of vital strategic conversations within DVA. The number of committees, duplicated membership and confused accountabilities inhibit decision making. Sometimes agendas seem to overlap, while other times it seems that important matters are not aired or discussed at the appropriate level. For example, the composition and agenda of the Executive Management Group (EMG), the primary governance committee within DVA, appears to the review team to be overly focused on operational matters. Across the governance framework more generally, it is unclear where strategic discourse is being conducted.

Noting that the governance arrangements have been reconfigured on a number of occasions in DVA's recent history, any further structural change in these arrangements should endeavour to simplify these arrangements and create an environment where strategic discussions and the making of tough decisions are encouraged.

The review team also heard much during its inquiry about the inadequacy of DVA's ICT and the number of antiquated stand-alone systems.

DVA has an ICT strategy in place. However, the review team questions whether the strategy is adequately linked to the department's current and future business requirements. It is imperative that the strategy align with the overarching departmental strategy, describe an end-point for staff and set forth a roadmap for managing change over time.

² The review team notes that the department in October 2013 the department initiated a review of its telephony strategy, including the possible consolidation of its call centre operations.

Ideally, a sound ICT framework for DVA would provide efficient access to systems and integrated business applications which support program delivery. However, the reality is that the ICT platform has not been developed to support contemporary service delivery practice and investment in ICT for many years has been inadequately planned or provided an insufficient return. This has resulted in sub-optimal, patchy solutions.

For example, there are some 200 individual ICT systems operating in the department with a dated desktop. Typically a client facing employee or assessor may need to open three or four separate applications, none of which ‘talk to the other’, in order to deal with a single client request or claim. Furthermore, staff or assessors may need to access additional separate applications (likely through another staff member) to determine if a client had a transport booking, or to check a client’s eligibility for glasses or dental treatment.

In the absence of a single client number or reference point, it is impossible for staff to see the full range of services that may be given to, or purchased for, an individual at any one point in time. This is somewhat ironic given the commitment of individual staff to their clients.

Indeed, the array of disparate and ageing systems works against developing an integrated view of the client and is inconsistent with the principles of good client service. It creates a considerable number of legacy challenges for the department and tends to reinforce existing processes rather than encouraging more comprehensive process re-engineering to deliver more effective and efficient client services.

It is commendable that DVA, in 2011, adopted a shared services arrangement with the Department of Human Services which saves DVA approximately \$11 million a year. This took place after long-standing ICT contracts with IBM expired. DVA needs to continue to modernise its ICT infrastructure. The decision to suspend the ‘Veterans First’ initiative—intended to provide an integrated claims system across multiple legislation—represents the type of challenge DVA faces in improving its legacy ICT systems as it seeks to transform its business.

In the opinion of the review team, mapping future ICT system needs should start with the client journey and processes should be built accordingly. Ensuring that DVA business processes are clear and ICT systems are designed in synchronisation is all the more important from an integrity viewpoint given the high levels of devolved authority within large parts of the department.

In short, there is much work to be done in reforming DVA’s operating structure in the interests of greater efficiency, establishing good governance arrangements and reconfiguring its ICT in a way that supports rather than acts as a barrier to high quality, client-focused service delivery.

Clients, culture and staffing

DVA’s mission is clear to its staff and for staff the mission is compelling.

The SES brings a diversity of experience from across the public sector and a friendly and collegiate quality is evident amongst this leadership cohort.

However, the leadership is not currently working together strategically at a department-wide level to fulfil DVA’s mission. As a cohort, the leadership group needs to better drive its efforts, and the efforts of its staff, towards higher quality and more consistent performance through clear department-wide prioritisation.

In the opinion of the review team DVA leadership should increase their visibility to staff, particularly in the regions, and better communicate the department’s priorities, the need for change, and improved ways of working. The leadership needs to be open, facilitate two-way



communication between themselves and staff, and draw on the insights from the department's technically skilled and experienced staff in decision making.

Indeed, the review team was struck by how many operational staff, as a consequence of DVA's fragmented delivery model, are disconnected from the department, work in isolation as opposed to in teams and can, as a consequence, feel under-valued. Many operational staff in the state/territory and regional offices mentioned there is often little appreciation of what a colleague in an adjacent workstation is doing. Indeed, one staff member commented to the review team that their work in DVA is 'so interlinked, yet so removed'.

Such a siloed and rules-bound culture means that opportunities for improvement are lost, agility is forsaken, risks are exaggerated in the absence of a broader perspective, and motivation to support veterans and their families can be hard to sustain.

Openness to discussion and a visible presence are all the more important given that SES and middle management do not have credibility in the eyes of some operational staff; which from the perspective of operational staff, rightly or wrongly, is contingent upon technical knowledge. It would be beneficial if DVA's leadership could build a culture that valued variety and diversity of skills, including business acumen and leadership as well as technical competence.

Attention needs to be given to establishing a unified and values-based workplace culture through more focused communication, modelling of positive behaviours and genuine staff engagement. A culture that supports and nurtures staff, fosters formal and informal opportunities to learn more about the department's business and each other and encourages cross-divisional effort. A culture that is consistent and recognisable irrespective of whether a client or other agency is interacting with the department's health services, rehabilitation and income support operations or its commemoration unit. A culture that measures what is valued and uses that to drive for excellence. A culture that see merit in clear, consistent and expeditious decision making. A culture that acknowledges the worth of differing skillsets, whether managerial or technical, which encourages new ideas and creative contributions and above all else echoes the commitment of staff to the client.

Building such a high-performance culture also involves valuing efficiency and securing value for money on behalf of taxpayers. This is important to any government department servicing the needs of its clients in a timely, equitable fashion. As positive as the focus on the client is within DVA, leadership needs to inculcate a stronger sense of responsibility for efficiency and effectiveness throughout the department on behalf of the Australian Government and the community. These challenges require a balanced approach, with careful management of the high levels of expectation and support required for all veterans against the broader efficiencies expected by the Government.

At present there is concern that the keenness of DVA staff to meet veteran expectations, in the absence of well-articulated parameters, is at times leading to inconsistent service levels. Perversely, prompt access to service may also be denied at times by virtue of an excessive aversion to risk grounded in fear of giving offence to the veteran community; and not being sufficiently well equipped to communicate fair decisions to clients when the outcomes under legislation do not meet client expectations.

Indeed, genuine client service should not be confused with acquiescence to every demand. SES and middle management need to lead staff to strive for greater efficiency and effectiveness for their clients, by being as consistent and clear about their decisions as they are in their commitment to client service.

When considering the DVA workforce it is noticeable that the average staff age is among the highest of APS agencies and that length of tenure is also long.³

Experience and stability are important to any workforce but may also represent a challenge. Just as there is little sense that the department is sufficiently confronting its significant cultural challenges, there is little sense that it is actively dealing with its key person risks or succession planning or that it is gaining the benefits of a more diverse workforce that blends tenure with fresh ideas and approaches.

There is equally limited appreciation that the skills of the department's future workforce will likely look markedly different as transactional activities shift online, manual processes wind back, and more intensive case management requires greater levels of understanding and judgment. These attributes will become the norm to support the subset group of veterans within an overall declining client population.

In the immediate term, DVA should fill gaps in expertise relating to change such as project management, contract management and procurement. For the department to successfully transform itself, the review team suggests that DVA consider bringing in external expertise, particularly in project and change management. Comments were made throughout the review that as much as the department needs deeper technical 'bench strength', it has an equivalent need for breadth of skills which are applicable across various roles. In the opinion of the review team, there is equally a need for a higher level of business acumen throughout the department.

Finally, there is scope for DVA to improve the skills and willingness of management to deal with existing performance issues. At present, there is not a strong culture of managing poor performance or inappropriate behaviour and this is having an adverse impact on staff morale and overall productivity.

Strategy, Prioritisation and Feedback

As clear as the DVA mission is to staff, its translation into strategy is proving problematic for the department.

A more fulsome understanding of the changing environment and the different needs of the contemporary veteran is emerging within the department, but DVA is yet to articulate how it will redesign its business in response.

Indeed, what strategic thinking and policy development occurs within DVA seems often ad hoc and silo bound. Insights are not usually shared or actively sought across the department and subsequent service offerings are seen as disjointed and at times appear to overlap or allow for gaps. It is notable that the functional area responsible for defining the strategic framework and bringing the client's perspective to bear in service design is comparatively under-resourced given the imperative for major reform.

In short, the review team's view is that on the current trajectory the department will continue to struggle to formulate a tangible roadmap.

The review team suggests that in overcoming this barrier, a fundamental shift be made to conceptualise the service offer by client cohorts, and across client lifecycles, rather than by current service lines. A shift from a vertical product focus to a horizontal client focus which is supported by systems that provide a single view of the client as opposed to a fragmented view would see staff less concerned about whether individual determinations will be overturned at review, to one which was concerned about getting to the right decision quickly in the majority of cases. A shift in approach which provides for more intensive, deliberative processes for the

minority of complex cases and regular updates to clients and advocates on the progress of their matters. A shift which is less concerned with audit, towards greater monitoring and evaluating of outcome effectiveness.

Such a shift would also have to align with modern client service practices and there is much recent APS experience in redesigning service delivery along these lines that DVA could tap into. Such experience would aid DVA in that many of these reforms have been driven to enable agencies to manage increased demand within existing or shrinking resources, recognising the reality that discipline and commitment to driving efficiency without compromising quality of service needs to be embedded in the lexicon of DVA leadership and management.

Equally the service offer, particularly in the field of claims assessment, needs to be more closely linked with the risks and return-on-work effort. At present, the fractured design of DVA's operations in the liability, compensation and rehabilitation areas can distance the client to the extent that, as one staff member explained to the review team, a claim "is not seen as a person but an exercise in processing paper".

A transformation in service approach from one-size-fits-all to a risk-based model that triages urgent and complex claims could help streamline processing to deliver more timely client outcomes. This would be consistent with the objective driving most contemporary insurance operations—early intervention and expeditious reintegration of clients into the labour market and society. It is all the more important in DVA since claims assessment experience sets the tone for all future interactions between veterans and the department.

In short, the benevolent philosophy that has been much promulgated throughout the department, and actively looks to provide veterans with their entitlements, needs to be matched by benevolent design.

Processes for setting priorities through divisional and branch planning are also problematic for DVA. Despite the availability of forums, such as the Staff and Resources Committee, to consider how best to align available resources to strategic priorities, it appears that DVA's resourcing decisions are largely based on historical trends without due reference to the changing client population and evolving needs. This increases the pressure in some areas over time, lessens it in others and generates a sense of inequity across locations.

DVA nevertheless has the potential to be far more flexible and agile when allocating resources and should not allow matters such as its old siloed processes and legacy ICT systems to stifle its approach.

The significant state and territory-based presence of DVA is an asset in better understanding the client and working with external stakeholders. It is also a source of intelligence on how business practices can be improved. However, this resource could be drawn on more systematically within DVA. For example, there is a lack of systematic feedback loops—from the coalface to those who develop policy and design national programs.

DVA can be congratulated for its willingness to invest in research, particularly in health care. In fact, there is much potential for the department to become a model of better practice within the APS in this area. To do so requires DVA to more fully exploit the wealth of evidence and data it has to improve its own operations and help inform whole-of-government policy and influence its service delivery agendas. This has occurred in a number of instances with DVA's health and community-service activities.

Notwithstanding its well-established framework for engaging with traditional stakeholder groups outside government, interview and survey analysis demonstrated that DVA faces challenges in connecting with contemporary clients who do not favour traditional consultative approaches. The department needs to connect better with this cohort and secure the buy-in of contemporary stakeholders to effect the strategic realignment necessary for DVA to continue to effectively serve the veteran community.

If it is to secure political support for necessary changes in strategy and operations, the department needs to leverage its relationships within government, secure more return from its collaborative efforts with other agencies (like Defence and Health) and better inform its authorising environment.

In the last two decades of the 20th century, prior to the deployments in Timor Leste, the Solomon Islands and the Middle East, the accepted thinking within public administration was that DVA was approaching its use-by date.

Today, the need for a stand-alone department dealing with veteran entitlements and health is the subject of bipartisan political agreement.

The demand for veteran services is inevitably a consequence of the Australian Government's foreign and defence policy. If it is to secure its future as a highly regarded department, DVA's challenge is to be agile in the face of new deployments and find the best methods of delivery in the context of the broader imperative facing all government agencies to prove their worth.

For DVA to build its capability to efficiently and effectively carry out its functions it needs to:

- Reform its operating structure in the interests of greater efficiency, amend and more effectively utilise its governance arrangements and configure its ICT in a way that supports rather than impedes good service delivery
- Build a genuinely client-focused business supported by a high performing and collaborative culture and leadership that values and develops DVA staff
- Formulate a service design that is holistic and strategic, is given effect through the priorities set within DVA and is regularly recalibrated on the basis of business intelligence and feedback.

4. More detailed assessment of departmental capability

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

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

	<p>Strong</p>	<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.
	<p>Well placed</p>	<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.
	<p>Development area</p>	<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.
	<p>Serious concerns</p>	<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 4–Rating descriptions

The review team’s assessment of the Department of Veterans’ Affairs capability is outlined in the tables below.

Leadership

Set direction		Development area
Motivate people		Development area
Develop people		Development area

Strategy

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

Delivery

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

4.1 Leadership summary

Set direction

- There is a professional and collegiate atmosphere amongst the leadership group, who bring diverse experience to DVA.
- DVA's mission is clear, but identifying and communicating strategic priorities, setting ambitious goals and making tough decisions are generally not handled well across the department.
- There is a level of cynicism from many in the department which is manifested as reluctance to embrace change, due to a history of incomplete reforms and projects.
- The SES group is not working as a corporate resource on behalf of the department or focused on driving high quality, consistent and efficient performance for DVA as a whole. It needs to strive for greater efficiency and effectiveness to the client's benefit.

Motivate people

- DVA staff are intrinsically motivated to do the best for their clients and there is significant goodwill towards the department among clients, stakeholders and the broader community.
- DVA lacks a unifying and values-oriented culture focused on operational excellence. The department operates in a siloed, rules bound and unnecessarily risk-averse environment.
- Leaders are not visible to the workforce and middle management. Many staff are frustrated by poor communication and lack of direction from leaders.

Develop people

- DVA's workforce is technically experienced and knowledgeable.
- While there are pockets of excellence, DVA lacks an adequate strategy and implementation plan to build its future workforce and foster career paths for staff. There is little sense that DVA is actively dealing with key person risks— as there are only limited efforts to capture knowledge from experienced staff.
- Individual performance plans have been inconsistently developed across the department. There is not a strong culture to proactively manage underperformance or inappropriate behaviour.
- DVA requires a broader range of skills than it currently possesses. A focus on improving strategic thinking and the problem solving skills of middle management will enhance leadership, complemented by sufficient technical training when required.

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

Set direction

Guidance Questions		<ol style="list-style-type: none"> 1 Is there a clear, compelling and coherent vision for the future of the organisation? Is this communicated to the whole organisation on a regular basis? 2 Does the leadership work effectively in a culture of teamwork, including working across internal boundaries, seeking out internal expertise, skills and experience? 3 Does the leadership take tough decisions, see these through and show commitment to continuous improvement of delivery outcomes? 4 Does the leadership lead and manage change effectively, addressing and overcoming resistance when it occurs?
Rating		Development area

The DVA mission

The department’s mission is ‘To support those who serve or have served in the defence of our nation and commemorate their service and sacrifice⁴, as articulated in its recent draft strategic plan. All levels and locations in the department have a clear understanding of and support for the mission.

In considering how the mission manifests in a practical sense through DVA, there is a view that cases are becoming multifaceted and more complex and that contemporary veterans have higher expectations of the department than those of earlier conflicts and operations. These cases, accompanied by an increasingly resource-constrained environment across the public sector generally, an ageing workforce and complex operating structure, are seen as significant challenges for the department.

While DVA recognises these challenges, identification and subsequent communication of strategic priorities is less clear.

There is no consistent understanding within or external to the department of the type of organisation DVA wants to be, what good client service means or how the department will organise itself to deliver this.

In the review team’s opinion, DVA must focus on ensuring its staff understand the department’s goal and strategy and how their roles support the department to achieve its aims. This fundamental knowledge is essential for staff to appreciate their contribution to DVA and thrive within the department.

Without a strong vision for how DVA will operate into the future, clearly articulated throughout the department and among stakeholders, DVA will struggle to maintain and potentially enhance the service it provides to the veteran community.

⁴ The consultation draft strategic plan—‘DVA Towards 2020’—notes the mission as outlined in this report. The department’s purpose, as stated in the Corporate Plan 2012–13, is: ‘To ensure enhanced financial wellbeing, quality of life, self-sufficiency and community recognition for those we support’. This can be used interchangeably for this example.

Collaboration

DVA undertakes a wide range of activities, across numerous locations delivered through a complex service design. This set of circumstances requires strong collaboration (vertically and horizontally) which the department is struggling to facilitate.

Currently, the department operates in silos, not only across offices but equally within offices with staff predominately identifying with their own particular functional area. Sometimes the silos are a consequence of DVA's fragmented regional delivery model. This is compounded by separate pieces of legislation and lack of encouragement to work across the department on strategic priorities (possibly in the form of a task force), which has allowed silos to flourish and led to diminished collaborative practice.

DVA's leadership group, while professional and collegiate, at times reinforces the silo mentality with its 'patch protection' attitude. The group is not seen to be working as a united corporate resource on behalf of the department in making tough trade-off decisions.

The leadership group would benefit from collectively focusing on fewer high-priority strategic initiatives and driving consistent performance for DVA as a whole through collaborative effort. Staff at all levels would benefit from gaining a better understanding of wider department and APS priorities. In turn, the department could make better use of resources and effectively deliver services to clients on behalf of the government and taxpayers.

Internal communication

Within DVA a lack of communication manifests itself horizontally across offices and work areas, as well as vertically. There are no consistent insights and contributions from lower-level staff adequately communicated to the top. Similarly, strategic priorities and whole-of-department messages are not always sufficiently communicated from the top down and staff generally feel they are 'talked at' rather than being part of the dialogue.

The review team consider that communication between policy development and service delivery areas, particularly in Rehabilitation and Compensation, needs to be improved and consultation with front-line operational staff valued. The fragmented delivery model—where staff are often remotely supervised or operate in dispersed teams—adds an additional layer of difficulty to communication. A conscious effort to communicate relevant information using different communication methods and channels could develop a sense of direction and trust towards the leadership group.

For a few staff, the fear of losing control of their personal roles and responsibilities, or changing long-standing processes may create change resistance. But for many, particularly those in state and territory offices, poor consultation and communication about departmental changes, particularly on initiatives that directly affect their daily work, is what creates a reluctance to support change.

The failure to consistently communicate vertically and horizontally across the department has resulted in some duplicated effort, lost learning and lost opportunities for sharing improved practices within DVA.

Change management

It is fair to conclude that change has not been managed well within DVA, and multiple incomplete or poorly implemented projects and frequent structural change have led to a level of cynicism. Examples include structural changes which centralised and subsequently decentralised many activities over a few years without adjusting for shortfalls and allowing the department to realise the benefits. Several large system-improvement projects, such as the recent suspension of the Veterans First Program and the Rehabilitation Transition Project—intended through retendering to provide a suite of more focused rehabilitation offerings—were not completed for various reasons, including poor articulation of goals, inadequate scope management and project management skills. Additionally, there is limited sense of an imperative for performance improvement or continuous improvement within the department.

While the Secretary and some senior leaders appear to be mindful of the issue, the current leadership environment around change is ineffective without clearer accountabilities for driving whole-of-department priorities. Without a significant improvement in change management skills and a collective willingness to overcome resistance where it raises its head, DVA will likely be unsuccessful in implementing new major projects or any type of large transformational change. Nevertheless, the review team found a strong desire for change among many sections of the department and most notably among newer staff, the SES Band 1 cohort, and those in operational roles who are feeling the pressure of inefficient processes.

Effective change management is crucial for DVA to meet the expectations of its clients and government. Well planned, communicated and implemented initiatives aligned to strategic priorities and driven by strong leaders will assist the department in securing its future and ensure that consistent and improved services are provided to the veteran community.

Motivate people

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

Commitment to clients

A key strength of DVA is overwhelmingly the commitment of departmental staff to their client base. The department strongly believes it provides an important service to veterans and their families and that the work it does makes a real contribution to the veteran community. This extends

not only to staff who have direct interaction with veterans, but also those providing indirect support or enabling services in the department and through DVA's extensive commemorative program.

There is a strong sense of pride in the work the department does, and a feeling that staff go above and beyond to get the best result possible for clients. This approach was strongly encouraged by the former Secretary, is supported by senior management and underpinned by legislative provision which promotes a positive or benevolent approach to the granting of possible entitlements.

However, this commitment to clients does not translate into efficient, modern client service where claims processes, particularly complex ones, could be more timely and easy to navigate from the client's point of view.

The department needs to consider how it can better capitalise on the intrinsic motivation of its staff, to harness their desire to serve veterans as a powerful tool to drive performance and efficiency.

A high-performance culture

Generally, staff see DVA as a nice place to work, with a family friendly environment that allows for a good work – life balance. The department offers a variety of rewarding work and provides opportunities for deep specialisation. Longevity of service has been actively encouraged in the interests of preserving technical knowledge but this has not been balanced by a department-wide effort to sustain creativity and energy among the workforce. Rather it has taken place at the expense of innovation and fresh thinking in most areas. In addition, lack of mobility seems to have created many separate subcultures. Currently, DVA seems to lack a unifying, values-orientated culture focused on operational excellence. There is a sense that the department is uniquely positioned and therefore protected from broader public service reforms.

DVA's stable workforce and good technical capability is an asset, but the department needs to leverage this by creating an underlying culture of operational excellence to continue to meet client demands and government expectations.

The replacement of almost one-third of the SES over the last four years, with officers having broad experience across a range of organisations is a positive step in injecting vitality. To work towards creating a reinvigorated department, DVA leadership must bring together and balance enthusiasm and fresh perspectives brought into the department with the technical knowledge and experience of its long-tenured workforce. In doing so, DVA has the potential to establish itself as an 'employer of choice' and attract and support the best and brightest recruits.

Currently, staff are not necessarily motivated by their managers and there is no equivalent sense of commitment to the department or the APS as there is to clients. DVA should not rely solely on the intrinsic motivation of its staff, and it must actively engage in resetting staff expectations as the department transforms itself to meet client needs.

Visibility of leaders

Since joining the department the new Secretary has made a conscious decision to increase the visibility of the senior leadership group. He has visited DVA state, territory and regional offices where possible and encouraged his SES colleagues to do the same. Nevertheless, the visibility of senior leaders is patchy across the department. This is felt most in state and territory offices, but is also true within the Canberra office.

DVA recognises this issue, as evidenced by State of the Service Census results, but with little consistent or sustained improvement year-on-year. Many state/territory office staff indicated to the review team a level of disconnect from senior leadership, exacerbated by the distant physical location of their managers.

Opportunities to interact with senior leaders are made possible in Canberra through formal and informal occasions, but these opportunities are less frequent in state/territory offices. Staff who work in state or territory offices but report to Canberra often do not feel connected to the office in which they physically work, nor are they buoyed by the Canberra office.

The term 'orphans' is regularly used to describe staff members who are part of dispersed teams and who are remotely managed. DVA's Deputy Commissioners (DCs) have a responsibility to guide, manage and generally support local staff including 'orphans', but unless an issue is raised interaction can be minimal.

Many state and regional office staff believe that Canberra-based staff do not have adequate exposure to clients and that decisions are made in Canberra with little regard for the experience and understanding of operational staff. There is limited interest or enquiry in the state offices about the department, or about how individual roles relate to each other. These silos within the department result in staff not having a real appreciation for the work of their colleagues, that results in a culture that lacks incentives to collaborate.

Some leaders and managers already conduct regular branch or team meetings using video conference or presentations and some travel interstate to conduct occasional face-to-face meetings to improve the disconnect between leaders and across groups. The review team would like to encourage senior leaders to further seek opportunities to have strong engagement with staff, to inspire a united and motivated workforce and build a culture that encourages active engagement with peers and colleagues.

Develop people

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

Workforce of the future

The department has a stable cohort of staff with a passion for their work. It also has one of the oldest age profiles in the APS, with many long-serving, knowledgeable staff members. Yet this key strength is also a major risk due to DVA's inadequate succession and workforce plan.

Informal or ad hoc succession planning is undertaken in pockets, but there is little sense that the department is actively addressing key person risks. In fact there are limited strategies for transferring knowledge from experienced staff to ensure continuity when long-standing staff retire or transfer from DVA.

The nature of the department's operational work is moving from more straightforward transactional or procedural work to more focused needs assessment work requiring greater analysis and judgment. This means DVA's future workforce will likely look different. Staff will be required to manage cases with greater consideration to individual circumstances. Enhanced communication skills to walk clients through the subtlety and complexity of the regulatory environment will also be required.

The department will need to adjust the capability of its workforce to meet client needs and communicate complex decisions going forward. For many years, DVA has leveraged its graduate program to bring in fresh perspectives and build capability. However, without a clearer understanding of the current workforce or the workforce required for the future, the department will more than likely not match its workforce composition and skills mix to its business requirements. The high volume of long-term acting arrangements evident among lower-level staff partly indicates the failure to strategically manage the DVA workforce.

Performance management

Despite the expectation that all staff have performance agreements, only around 50 per cent have formal agreements recorded. This percentage supports the perception that scant attention is paid to management and improvement of staff performance in DVA. Leaders and managers are not driving higher productivity consistently across the department, or supporting a culture where 'going the extra mile' is encouraged enough. This lack of rigor is concerning given that lifting the performance of competent staff represents a major potential productivity gain.

DVA is trying to increase compliance with the performance management framework through training and provision of tools. To ensure it does not become merely an administrative 'tick and flick' exercise, managers must understand the value of compliance, be committed to the process, have the ability to nurture staff, and engage in timely performance assessments.

The review team heard there is lack of visibility within the department to proactively manage underperformance or inappropriate behaviour, even though policies and procedures are in place. It was further commented that there was limited capability to manage underperformance. This situation is exacerbated by the department's fragmented delivery model, with distance making it difficult to monitor performance. Additionally, senior management or corporate areas do not always support management of poor performance, and often there is little obvious real consequence for underperformance.

The review team noted that managers have been trained in giving and receiving feedback. However, training itself is not sufficient to build a high-performing culture and there is an imperative for DVA to better coach and lead middle management in dealing with performance issues and conducting difficult but critical performance conversations. In fact, contemporary approaches to performance management within modern government agencies means effectively dealing with underperformance and complementing this with appropriate strategies designed to drive and encourage better performance across the department.

In summary, recognising, celebrating and promoting good performance and actively managing underperformance will be an important step in motivating DVA staff.

Development opportunities

Currently, there is limited staff movement across divisions and locations, and although DVA's Intra-Agency Network is a positive initiative, the time and cost pressures associated with releasing staff have limited the success. This lack of movement reinforces silos and limits career progression opportunities since it is more difficult for staff to know what other areas do.

The current fragmented delivery model, which lacks scale, also limits development opportunities for the 'orphans' in some areas. Antiquated systems and processes provide little incentive for potential staff hoping to develop their skills to join the department. Old ICT systems also limit opportunities for existing ICT staff to keep their skills current and remain competitive in the broader labour market.

It will be useful, therefore, for DVA to consider structuring its workforce to provide indicative career paths which can facilitate broader skills development and understanding of the department as a whole. For example, DVA could consider instituting a regime of bulk recruitment at APS3 and APS4 levels with some degree of exposure to the Veterans' Access Network before advancement into more specialised roles. In addition, comprehensive induction training needs to be developed, including DVA's strategy and service model, and be consistently implemented across all locations. The department should equally think about how it can encourage greater mobility across locations and across functions, particularly between policy and operational areas.

The department also needs to set clear expectations around professional development so that staff are ultimately responsible for and actively manage their own careers. DVA's role should be to encourage development through training, mobility, mentoring and supervising at all levels to provide opportunities for staff to improve their skills.

Skills

There is a range of expertise across the department, but many of those interviewed by the review team feel this is not appropriately leveraged. For example, Executive Level staff with technical or in-depth legislative knowledge feel their skills are not being appropriately used by the SES who may not have the same skills. Conversely, many SES staff question the basic management skills, such as strategic thinking, people management and even writing, of many at Executive Level.

DVA has recently focused on leadership and staff management training, including its leadership development framework, Executive Leadership Program and Looking Forwards Program. More than 50 per cent of DVA staff have undertaken the Looking Forwards Program since 2010 and close to 400 have participated in the Executive Leadership Program. Still, DVA should develop the technical and leadership skills required for staff below SES to enable sound and timely decision making.

It is evident to the review team that project and change management is a key area of development for the department. A series of poorly planned and implemented projects have resulted in wasted effort and resources, and damaged the faith of staff in the department to deliver on promises. This is an important skill for DVA to significantly enhance if it is to better manage expected future changes.

The department has a significant number of contracts and commercial arrangements. There are pockets of contract management expertise in the department, but this is another area for improvement. Day-to-day management of contracts is effective, but there are inefficiencies in contracting arrangements. DVA would benefit from further development in this area to consolidate existing contracts where possible, ensure lead times are sufficient so the full benefits of competitive contracting can be realised and achieve value for money on behalf of the taxpayer.

Finally, the department could consider leveraging off of APS-wide training in the fields of leadership, staff management, strategic thinking and policy development to ensure knowledge of contemporary practices and a whole-of-government perspective are more broadly based across DVA.

4.2 Strategy summary

Outcome-focused strategy

- DVA has pockets of forward looking, strategic initiatives, but strategy development has not been comprehensive. The department is developing its updated strategy and is yet to design its business to achieve this, including what areas it will directly manage and where it can use the experience, expertise and infrastructure of others.
- Service design is not being developed with the end-to-end 'lifecycle' client experience in mind or differing client needs. The department's service offerings are generally reactive, disjointed and delivered in isolation.
- Strategy is not consistently cascaded through divisional, branch or individual development plans.

Evidence-based choices

- DVA has one of the most valuable health datasets in the country. While this dataset has been used to achieve positive health initiatives, greater whole-of-client analysis would inform future service provision.
- Opportunities exist for DVA's data to more broadly influence the social policy agenda across government, including health and rehabilitation policy. Much greater collaboration with other departments and health organisations would help DVA unlock greater potential for further analysis of core information.
- Feedback from practical experience and lessons learned are not adequately valued. Strategic work and insight is not being shared and knowledge management is not systematic.
- While maintaining individual privacy, the Veterans and Veterans Families Counselling Service (VVCS) has a wealth of mental health knowledge and insights that need to be better fed into the department.

Collaborate and build common purpose

- There is a well-established framework for engagement with traditional ex-service organisations. There is an opportunity to better leverage these relationships to educate stakeholders on the strategic direction of the department. DVA could also build on its current strength in stakeholder engagement to forge new and strengthened alliances.
- DVA is yet to fully connect with contemporary clients who are not sufficiently represented through traditional consultative approaches. The department's environment will continue to change and it should continue to build its awareness of its environment and client base and ensure it feeds into DVA's strategic positioning.
- Relationships with Defence are expanding and improving. DVA is yet to generate common ownership for improved service delivery and a seamless client experience.
- There is a greater opportunity for DVA to leverage its relationship with other agencies to fully understand whole-of-government policy and service delivery agendas. In light of its current budgetary limitations, the department will struggle to achieve efficiency without a proactive whole-of-government approach.

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

Outcome-focused strategy

<p>Guidance Questions</p>		<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?
<p>Rating</p>		<p>Development area</p>

Awareness of the need to change

Until the late 1990s, DVA had undergone an extended period of time without significant changes in its client base. Its business remained primarily the same and moved incrementally with its ageing clients.

The exception was the reconfiguration through outsourcing of hospital services, which occurred for the benefit of the client. This was not followed by additional reforms in other parts of the department, however. In many respects, DVA avoided the public sector reforms that dramatically impacted on other large, public service delivery agencies at the time.

Since the early 2000s, military operations have seen the emergence of a younger cohort of clients with different and potentially more complex needs. These clients are more informed and expect greater levels of professionalism and timely access to high-quality services. This cohort has been referred to as ‘clients of contemporary service’, or the ‘contemporary client’.

Until recently, DVA focused its service delivery and understanding of client circumstances on ‘traditional’ veterans, who are by far its largest client group. The department’s approach to supporting contemporary veterans has been slow and largely reactive in response to specific issues such as the care of wounded, the service model for war widows and/or dependants, and the move to online services.

A more proactive and integrated approach to DVA’s new client base would mean a swifter, more holistic and effective service offer. The department has long recognised this as an objective. However, DVA struggles to make this a reality and the review team heard that the department’s ‘wheels have been spinning’ for a long time.

Nevertheless, isolated areas in the department have recognised the need for change and reacted. Examples include addressing the mental health of contemporary clients, providing new counselling services and introducing the OBAS. While such initiatives are positive, they are generally isolated and remain individual steps that do not yet contribute to department-wide thinking.

DVA of tomorrow

While DVA is now aware of the need to change and is considering a new service delivery strategy, it has struggled to fully articulate a department wide, client-centric strategy that will shape the design of its business and service delivery model.

Service offerings and how these are delivered are usually considered within individual business areas. Among the contemporary cohort, for instance, rehabilitation needs to concentrate more on getting the client back into the workforce where possible and aiding social integration. However, with the range of services DVA provides, thinking about vocational rehabilitation appears to be less well developed in the context of the sum of all services that contribute to the overall health and social wellbeing of the veteran.

Such a true client focus is not yet shaping how the department interacts with veterans. Limitations such as the lack of a single claim form or unique client number by state are adding to this disjointed service design.

Equally, no holistic approach focuses on the end-to-end 'lifecycle' client experience and the concept of client segmentation is absent.

Considering service delivery improvement in stove pipes means opportunities to fully leverage benefits from improved collaboration with other agencies are missed. For example, better collaboration with Defence presents real opportunities with transitioning service personnel through to DVA and more efficiently sharing health records through an agreed arrangement between the two departments. This could significantly increase the department's ability to process claims and deliver swifter service.

DVA might also consider service design from a risk perspective. For instance, the current approach sees compensation claims processed through the same channels which do not differentiate complexity. The department might look to models used by other organisations, such as insurance companies, that triage claims based upon risk and complexity. This approach would push low complexity claims through high volume, light-touch channels and enable DVA to focus resources on more complex claims. Likewise, where claim types have a significantly high approval rate the department might take a more risk-based approach, which would require less rigorous validation of claims or even an assessment of them on face value with later review. Using data to identify trends such as high likelihood of social or health conditions might similarly help inform such risk-based processes.

There is also little evidence that DVA is actively considering what services it should continue to deliver and what services it could provide through alternative delivery partners. The department has taken some steps in this area, for example using the Medicare system for handling most payments to medical and allied health providers, private hospitals, pharmacy and community nursing. However, far greater opportunities exist to leverage the experience, expertise and infrastructure of other organisations. Exploiting such opportunities could help DVA leverage economies of scale and ensure it maintains efficient and sustainable service delivery while remaining a one-stop-shop for veterans, especially in the context of ageing ICT systems that are not fit-for-purpose. Shifting processing and transactional loads to delivery partners will allow DVA to focus on client interaction and ensure quality services are delivered through smart procurement and contract management. It might also help secure necessary investment in collaborative solutions, where such investment in DVA alone is not forthcoming and would be prohibitively expensive.

To transform its service design along these lines, the department needs to commit sufficient resources and pay sufficient attention. Currently, however, the resources allocated to strategic, whole-of-department service design are not commensurate with the task at hand.

Enabling strategic discussions

Service design work is also an issue for the leadership generally. However, DVA's top-level forums are not adequately used for strategic discussions or to facilitate a joined-up approach. Rather its primary governance committees tend to focus on operational issues and there is not enough discussion around strategic positioning and future business design.

Strategy does not adequately cascade down from these forums through business planning processes to divisional, branch, team or individual roles.

In the absence of a forum and internal governance practice that adequately supports strategic discussions and decisions, staff have often looked to DVA's two commissions (the Repatriation Commission and the Military Rehabilitation and Compensation Commission) for answers. The commissions are critical points of reference and authority in the development of policy and strategy. However, the review team believes their deliberations should be informed by strategic discussions emanating from the department rather than as a substitute for them.

Evidence-based choices

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

Extensive veteran data and its opportunity

DVA has a long, close relationship with its unique client base which allows the department to collect a wealth of data relating to health and social wellbeing, such as income support, compensation and rehabilitation information. This data in many cases spans the entire life of a veteran.

The department recognises the value of its health data and has used it to deliver initiatives that have translated into real health outcomes. One such initiative is the Medicines Advice and Therapeutic Education Service (MATES), a data matching service that assesses the overall mix and effectiveness of a veteran's medication. When possible conflicts or issues are found, the department writes to the veteran and their doctor to recommend a medication review.

However, the department does not put the same value on the myriad of social data it holds.

Throughout the review it was suggested that opportunities exist for greater, holistic analysis of client data. An example is the work currently underway with the Australian National University to develop a predictive modelling capability. This analysis has the potential to inform more preventive actions, front-line medical services, and long-term support of a veteran post-service. It is also argued that use of DVA's data could be used to inform the broader APS social and health agendas, including in the field of aged care.

The department has undertaken some ventures with other organisations on the analysis of data, including joint data research projects such as MATES with the University of South Australia, and BUPA Health Dialog for the Coordinated Veterans' Care program. It has similarly coordinated its research program with Defence and its international equivalents such as comparing data on the reservist experience.

It is understood that DVA has developed memoranda of understanding with agencies such as Defence, the Australian Institute of Family Studies and the Australian Institute of Health and Welfare. It also has strong, regular involvement with organisations such as the Australian Centre for Posttraumatic Mental Health, and overseas veterans' affairs agencies. However, there are questions around the department's ability to deliver a greater level of analysis in-house, meaning it may want to consider seeking further collaborations with other departments and organisations. Relationships like this could also help the department achieve greater value from its data without the need to build or rely on significant internal capability.

DVA must also recognise that its multiple ageing ICT systems pose a significant threat to its data holdings and careful management and consideration of the data items it captures is imperative if DVA is to maintain some of the most valuable health data in Australia.

Shared ownership of research outcomes

DVA has a considered, coordinated approach to its research, driven by a strategic agenda. It is a strong collaborator with other agencies and countries on overlapping areas of research.

The department has a wealth of research, commissioned or supported by some key areas. Some examples include the future of health services generally, mental health, ageing and dementia care. However, while valuable research is conducted it is not fully shared or translated into the strategic positioning of the department.

While there are some examples of cross-agency engagement on research, greater follow-through of research outcomes is required to ensure these feed into strategic discussions, inform policy development and shape broader service offerings. Opportunities also exist through collaboration with other departments or organisations to develop shared responses to research outcomes where there are common interests. This includes the National Consultation Framework developed to provide a strong foundation for DVA and its commissions to work closely with ESO representatives.

Service delivery feedback informing policy and strategic discussions

DVA provides the full range of public service administration with policy development, program and front-line service delivery. Through its significant state-based presence, it also serves very different client groups, ranging from a mixed cohort in the north of Australia where the majority of younger veterans reside, to a much older veteran cohort in the south.

Despite this, feedback on service delivery does not systematically feed into policy development, program design or overall strategic positioning. Feedback from frontline service delivery arms is also vital to informing policy that meets the needs of client groups. Aside from individual issues or case escalation, feedback is limited and reliant on individual relationships rather than on a culture of active learning. Lessons about clients also tend to feed only into local initiatives which, in turn, are not always aligned to national strategy or integrated across locations.

This is also true for lessons about clinical practices, with the progressive evolution of clinical theory and practice not being adequately shared within the VVCS network, let alone more broadly across the department.

As the department looks at its future service design it should consider how lessons from the coalface are fed into strategic discussions about service offerings and delivery approaches. In addition to formal channels, DVA should consider how to better support informal feedback channels.

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 cross-cutting 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		Well placed

Building a common purpose with client groups

DVA has an extensive consultation framework and consults regularly and nationally with traditional ESOs. It has been regularly praised for its level of engagement and is well respected in this regard. Relationships are also very strong with the department's older veteran cohort, with client satisfaction surveys returning consistently favourable results.⁵

Opportunities exist to further leverage these long-standing relationships with clients and ESOs to educate and align stakeholders to the department's transformational agenda. However, despite its strong relationships and the significant goodwill it can call upon, the department is seen as reluctant to engage its stakeholders in discussing the future state of DVA.

As suggested to the review team, every effort spent on unnecessary administration is effort directed away from better supporting the veterans, and this is understood inside and outside the department.

⁵ DVA annual reports, <http://www.dva.gov.au/aboutDVA/publications/corporate/annualreport/Pages/index.aspx>

Changing service design, improving the advocacy model, and generating new channels of engagement with contemporary clients requires proactive engagement and clear articulation of the outcome the department intends to achieve. Generating joint ownership of change will also enable DVA and its interest groups to move towards a single outcome.

DVA also needs to explore how it better connects with its newer contemporary clients noting that for some time successive surveys have identified low satisfaction rates for clients under the age of 45 years.

These clients are not seeking out traditional, membership-based ESOs and the department is yet to discover how to fully engage with these veterans and their representative bodies despite initial efforts to find new ways of communicating online and through social media. Indeed, in this regard, DVA will need to work with the ESOs that provide advocacy services to the contemporary client to ensure they are properly supported through the claims process. Failing to do so will have an adverse impact on the reputation of the department and ESO network.

Moreover, continuing to build an understanding of this cohort will allow the department to ensure it maintains an awareness of emerging issues and shape its mix of services appropriately.

Relationships with Defence

Given their shared client base, strong relationships between DVA and Defence are vital to providing effective support to serving and retired personnel. The two departments are part of a single health care continuum—the actions of Defence have a direct impact on DVA and DVA informs more effective frontline and preventative healthcare for Defence. DVA increasingly works with Defence, for example through the provision of OBAS, the Support for Wounded Injured or Ill program, and the management of the Defence Home Loan Assistance Scheme.

Relationships over recent years have improved significantly with developments in how the two departments work together and engage in sharing information. For instance, there has been a program of work looking to streamline records from Defence to DVA in order to assist timely responses to those who are injured where there is considerable scope for further improvements.

However, there is still room to grow and develop improved services for clients as DVA is yet to secure a truly shared ownership of common issues. Greater investment is required by both parties.

Collaborating across the APS

DVA is comparatively smaller than the other departments with which it regularly engages and often struggles to be heard. While it has ‘punched above its weight’ at times, it is not regularly at the table helping to shape policy agendas. As a result, DVA is often not front-of-mind in the development of policy that will affect it. This often sees them consulted very late in development and missing the opportunity to help shape policy.

If DVA is to be an active contributor to broader policy agendas it needs to continue to build a stronger presence with larger agencies. In fact, the department has a significant knowledge base and wealth of experience in a number of social support and health areas and many of the social and health challenges it faces are also faced by other Australian Government agencies.

It therefore makes sense that DVA play a more active role in influencing broader health and social policy agendas across the APS. This would also help the department leverage the lessons learned by other departments and align or strengthen its own responses to issues.

4.3 Delivery summary

Innovative delivery

- The department has pockets of innovative programs, primarily in the field of health care.
- Staff understand the importance of innovation in driving organisational performance and better supporting the client. Many are willing to bring forward creative ideas and solutions.
- DVA lacks a department-wide innovative framework that supports creative ideas and continuous improvement, and is not proactively managing the associated risks that come with innovation. This extends to a lack of methodology for prioritising and resourcing innovative ideas.

Plan, resource and prioritise

- A governance framework exists, but is not used effectively for strategic direction setting. The coverage of agenda topics at times is duplicated across committees as is committee membership. This duplication and the number of committees confuses accountabilities and complicates and slows down decision making. The lack of prioritisation seems to exacerbate the staff workload.
- Divisional and branch planning is not adequately linked to priorities for delivery of the department's broader strategic outcomes.
- Despite some recent successful examples of program delivery, resourcing is generally based on historical trends and allocations are not rebased or strategically aligned, resulting in inconsistent sub-scale processes and uneconomical use of resources.
- The department has insufficient expertise and discipline in change and project management and strategic procurement. This is evident in recent project failures.

Shared commitment and sound delivery models

- The operating structure is disjointed and sub-scale. In combination with the department's financial arrangements this structure is unsustainable and does not easily facilitate shifting resources with changing priorities. The fragmented delivery model inhibits the building of a unified DVA culture and works against the effective use of available staff and resources.
- While desktop modernisation work is underway, DVA's ICT plan does not articulate a clear end point for managing its many long-standing unintegrated legacy systems, supporting front-line staff to be efficient or providing a whole-of-client view.

Manage performance

- DVA's current suite of key performance indicators (KPIs) do not adequately drive the department towards operational efficiency.
- KPIs are not robust or aligned to strategy and performance reporting is largely inconsequential.
- DVA needs to review its approach to risk management, including the setting and review of its risk tolerances and active mitigation strategies.

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

Innovative Delivery

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

Pockets of innovation

The department's Executive leadership acknowledges the importance of driving and supporting innovation and innovative thinking has led to a number of improvements with recent examples predominately in the fields of health and community services.

Particular high-profile examples of innovation include the Mental Health Strategy, the Coordinated Veterans' Care Program and MATES, which seek to facilitate improved health outcomes for veterans and their dependants through early intervention. The Department of Human Services has been engaged to process primary health payments on behalf of DVA. While service delivery innovation has focused primarily on modernising technology to access DVA services online through MyAccount, the use of social media to engage younger veterans is also increasing with recent initiatives including You-Tube videos, mobile applications, Twitter and Facebook communication.

Compared to the Health and Community Services division, innovation within the Rehabilitation and Support business is relatively limited. This is of particular interest given the increased workload pressures on Rehabilitation and Support business and the subsequent threat to the department's reputation, which would normally be a catalyst for innovative thinking.

In considering why this division has not been as innovative as other parts of the department it is noticeable that major reform projects, such as Veterans First and the Rehabilitation Transition Program, have been suspended while their objectives and project controls are reassessed. Nevertheless, it appears that some staff are inclined to be passive in the face of the challenges the business faces and there is a failure to look outwards for inspiration and options to current dilemmas. Factors such as staff longevity, the staff age profile, and risk aversion seem to have been progressively reducing the department's appetite for innovation.

Building an innovation framework

Innovation tools within DVA have incorporated the 'innovation central' intranet page which makes reference to various departmental strategic papers and includes an iblog for innovation ideas. However, this loose existing innovation framework lacks support from senior management and presence among staff and is often only recognised as a place to push for technological improvements.

Regrettably, some successful innovations, like MyAccount, which allows clients to update their details and transact with the department online, have been regarded as merely catching up with the broader APS and private industry. Furthermore, the lack of collaboration across DVA locations means that innovative success implemented in one location is not necessarily or swiftly implemented across the others.

The intranet site on innovation needs to be brought to life and the department could consider implementing an innovation program integrated across business areas, led by a dedicated team. At the very least the framework needs to be encouraged by management and innovative ideas then assessed relative to strategic priorities and those which make sense, supported by appropriate resourcing. Successes should be celebrated and lessons learned promulgated across the department.

DVA could also consider leveraging better practices of other agencies and industry to help the department modernise its business while managing its complexity. Innovation could also be enhanced by making greater use of staff, including those at the front line. By encouraging innovation, leaders could also set the tone for continuous improvement across the department to constantly strive for better ways to serve clients.

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

Effective governance

Effective service delivery in DVA is adversely impacted by its complex governance framework that sees a number of committees overlapping, some committees operating without the right representation, and generally confused accountabilities which complicate and slow decision making. Multiple committees also require similar data or reports, which requires time for staff to prepare the input and forces senior leaders to attend multiple meetings with limited return.

The senior leadership group agrees that the department is 'over governed' and the fragmented framework contributes to inefficient, untimely and ineffective decision making.

Some initial realignment of the governance structure by the new Secretary has occurred and it is understood that more action is likely. At present, however, responsibilities are not shared across senior management, creating tension and impacting, most noticeably on the effectiveness of the overarching governance board, the EMG. The board's membership is unbalanced with seven of the 16 seats occupied by Deputy Commissioners, and the forum lacks a strategic agenda with much of its time devoted to operational issues.

In summary, the review team believes the governance structure needs to be simplified for such a comparatively small department with a focus on providing strategic direction and driving operational excellence. DVA's commissions and governance arrangements should also work in a more complementary way with seamless decision making and follow through.

Business prioritisation

Reform of the governance arrangements to allow for more strategic discussions will be a small but important step in clarifying priorities and moving resources within DVA in accord with these priorities.

The Business Prioritisation Roundtable process within DVA is useful in advising on priority areas for investment of available capital funding but tends to focus on how to support new initiatives

such as the development of the department's online capacity and the OBAS. It does not appear to directly address the alignment of resources to strategic objectives or reappraise the resourcing needs of DVA core business.

There is also a relative lack of review and evaluation of departmental planning and prioritisation with many business initiatives added without reprioritisation or removal of existing initiatives despite the work of the Roundtable.

Similarly, DVA develops divisional and branch plans which reflect its broader strategic plan and enterprise risk framework but are only loosely linked to strategic objectives.

The business planning process is driven principally by the senior leadership, involves limited collaboration across the department and gives minimal consideration to bottom-up input and feedback loops.

It is noted that the strategic plan is being reviewed and updated to move away from a version that was voluminous and not particularly strategic. While the latest draft is improved, the challenge remains to turn this into operational priorities.

Resource management

Within DVA, tools such as the Workload Assessment Reallocation Methodology are assisting in taking an evidence-based approach to resourcing decisions even if the tool itself needs to be developed to better allow for predicting workloads and future volumes. Recent initiatives, such as the reallocation of compensation claims across state offices to address a backlog of cases, also demonstrate a willingness to move resources to priority areas but these have been more the exception than the guiding rule for DVA. The department can equally point to initiatives, such as the establishment of its online service capacity and the OBAS, which were fully funded internally to demonstrate its capacity to resource new programs.

Reform of DVA's financial arrangements and operating structure has been driven by long-standing policy to maintain a visible presence in all jurisdictions.

Nevertheless, current financial arrangements, like DVA's operating structure, are unsustainable in the context of a resource-constrained environment even if this is not immediately evident given that arrangements are based on historical data and incremental change.

In general, resources are not re-based and the department is operating as if there is very little scope to redirect funds for future workloads or changing business priorities. Moreover, business-as-usual processing is rarely critically assessed, translating into perceived and actual inequitable resource allocations.

Furthermore, the financial capability throughout middle and senior management varies, which is inconsistent with a reasonable expectation of the level of sophistication and fiscal discipline required when managing a \$12.8 billion portfolio.

The department would benefit from reassessing its funding model as well as the way it allocates money and inform this by a sound understanding of its capacity and capability needs into the future. To this end, while some areas have strong analytics for resourcing, as previously noted, there is no overarching plan articulating DVA's approach to meeting future workforce requirements.

As discussed later in this report, the department's fragmented delivery model is inefficient, confuses lines of accountability and is unsustainable. This is further impacted by the physical location of staff across offices in capital cities and regional Australia.

For a department of approximately 2000 staff, DVA has multiple full-time and part-time locations comprising Veterans' Access Network offices, VVCS centres, services provided through Centrelink offices, and 33 OBAS locations. Such a dispersed model contributes to DVA's fragmented workforce, translates into a lack of scale, and unclear accountability stemming from national lines of business managed in various locations and independent of each other. It also results in multiple teams undertaking similar work, duplicating efforts and hindering the ability to leverage knowledge. All of which is uneconomical.

While there are some necessary splits in location such as VVCS and DVA, a better organisation design and consolidation of functions would make more efficient use of financial and staffing resources.

In short, the diversity, volume and significance of the services provided by DVA and the importance of maximising operational efficiency, should dictate the need for a function that takes primary responsibility for driving an integrated client and delivery approach, but this is missing from the DVA structure.

The steps taken by the department to reform its approach to planning and priority setting, including the initial reform of its governance arrangements and actions such as reallocating compensation claims across state offices to deal with the backlog of cases, suggest that progress can be made. Matters such as the governance structure and the planning process are issues that are well within the scope of the DVA leadership to address expeditiously.

Given DVA's relatively modest record in seeing major reforms through to completion, the review team strongly encourages leadership to take definitive action to establish the necessary internal processes and tools that will assist in delivering sufficient resources to priority projects, and support this by building greater program management capability and business acumen throughout the department. This in turn will need to be backed up by adopting a more sustainable operating structure and delivery model.

Improving project and program management, and strategic procurement

Project management is internally perceived as a capability required for ICT projects in DVA. While smaller non-ICT projects such as the Mental Health Strategy and private hospital tender process, appear to be managed well, there is limited program and project management capability to deliver larger transformational projects, regardless of whether they involve ICT or not.

Having said that, the Choice and Maintainability in Veterans Services—a large-scale business and ICT project which commenced in 2010—has been successful. Its success can be attributed to the proper management of budget and scope under an experienced project manager. DVA has also implemented a shared services project jointly with the Department of Human Services which required a complex transition from previously outsourced ICT services implemented over two years. Also of note, the Review of Military Rehabilitation and Compensation Arrangements and Veterans Pharmaceutical Reimbursement Scheme, which are not purely ICT projects, are recent examples of successful projects developing policy and liaising with stakeholders.

Tools such as Project City—a suite of online checklists and guidelines—are supported by the Enterprise Project Management Office and there is provision for the accreditation of staff in the Prince 2 methodology.

Nevertheless, DVA generally seems to lack change, project and risk management discipline, particularly in large scale, cross-functional transformation projects. This is evident in project failures such as maximising the use of aDVance—an ICT platform for the support and

maintenance of service delivery departmental applications—and more recently Veterans First and the Rehabilitation Transition Project. It is commendable that these recent projects were suspended although they should arguably have been suspended prior to the engagement of an external audit consultancy.

Of particular note is DVA's unclear project accountability whereby project managers are not accountable for outcomes but the project board is. It has also been noted that the department often aims for 100% solutions for 100% of stakeholders which directly impacts on project scoping.

DVA is involved with numerous procurement activities. This includes (for 2011–12) approximately \$6 million on consultancies, \$63 million in ICT procurement expenditure and \$5.5 billion for arrangements with healthcare providers.

While some parts of DVA have good processes for reviewing contractual arrangements, other areas fail to optimise their resources and negotiating position. For example, in some cases DVA has started contract negotiations too late to ensure good return on investment and strategic alignment with departmental priorities or it has done so without the sufficient focus and attention of the senior leadership.

In the opinion of the review team, DVA would benefit from engaging specialist project management and procurement skills to support future major program management activities and ensure sound project scope, budget management, project implementation, benefits realisation, and value for money with appropriate return on investment. In the process, the department should build its in-house project and change-management capabilities.

The recent self-assessment of DVA's Portfolio, Program and Project Maturity Model P3M3 self assessment corroborates this finding by suggesting that the department needs to significantly improve on benefits realisation.

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		Serious concerns

A sustainable operating structure and delivery model

DVA's current operating structure is a complex matrix—an unsustainable hybrid of fragmented national and dispersed business lines, comprising multiple service models, much of which is delivered and processed in-house (with the exception of health services which is outsourced).

This complexity has partially been shaped by the combination of multi-act eligibility and an increase in claims made under the MRCA which is more challenging to administer, but primarily through the division of responsibility for staff, policy and service delivery, all of which can be split across two or three divisions and two or more locations. This complex structure lacks scale and has contributed to the development of fiefdoms in state locations and functional silos to the detriment of consistency and efficiency of performance across key business outcomes, particularly compensation claims processing.

That said, while the department's operating environment is complex, it is not necessarily unique relative to other large public sector service delivery agencies which also operate in complex legislative and operational environments.

In short, DVA's operating structure needs to support service delivery by being effective and efficient, meeting the needs of traditional and emerging clients, and being considerate of the end-to-end client experience. For example, currently case escalation exists for exceptional cases, but into the future the service delivery model needs to allow for increased demand in individual case management. This partially stems from the increasing number of cases falling under the MRCA or across the three Acts and partially from the changing needs of the younger cohort. The reality is, however, that DVA's structure as configured will not allow for such a shift; at least not easily.

In state locations Deputy Commissioners maintain a senior presence and in addition to their ceremonial, representational and stakeholder management role, they oversee the rehabilitation and compensation claims processing, and client-facing functions. As part of their leadership responsibilities, Deputy Commissioners undertake duty of care in supervising state-based staff, however this approach is not consistent across locations resulting in some staff feeling isolated,

particularly those operating in a dispersed team possibly across multiple locations. In turn, this has an impact on the department's ability to provide seamless client service.

It is clear that the operating structure is difficult to navigate and this has an impact on staff ability to share understanding about job roles and responsibilities across and within locations.

DVA's leadership, almost to a person, agrees that the operating structure and fragmented delivery model is not sustainable and needs to be streamlined if the department is to address future challenges.

The review team concurs with this judgment.

A roadmap for information and communications technology

DVA is responsible for providing access to or delivering services to more than 300,000 veterans and their dependants, resulting in a relatively high volume of transactions. The department receives approximately 5,800 client phone enquiries daily, arranges 16,700 individual journeys for clients to receive health treatment per week, sees some 93,000 clients per year, provides access to more than 10 million medical consultations and services, handles 750,000 dental consultations, manages 330,000 hospital separations per year, and finalises approximately 570 claims for compensation each week.

In short it is a sophisticated, high-volume service delivery environment. Yet the department is delivering through some 200 ICT systems which are so antiquated that new staff feel they have been transported back '10 years or more'. Applications are not integrated, making it difficult to obtain a whole-of-client perspective. This is further affected by a lack of a single client identification either within DVA or flowing from Defence through to DVA. Past investment has been a patchwork in the absence of a definitive ICT blueprint, which has generated cynicism and frustration.

The majority of the work undertaken in DVA is ICT dependent and therefore it is critical that the infrastructure and applications support the business and further that there is an ICT blueprint to provide a roadmap aligning ICT with departmental strategy.

The lack of ICT system alignment to support service delivery is a significant issue across the department and transformation is needed to better meet the needs of staff, particularly those in front-line service delivery roles. Given the volume of historical applications and the reality that full-scale and immediate transformation of ICT is unrealistic, this could potentially be addressed, if cost effective, by developing a new temporary front-end system that sits over the old systems until such time as they are updated or are no longer required.

Staff have also expressed concern about the understanding and responsiveness of the shared services arrangement of its ICT infrastructure with the Department of Human Services and consideration should be given to ensuring appropriate and timely escalation of issues to achieve good service outcomes. The ICT strategy beyond 2015 is currently being considered, but it is unclear if the blueprint will link with departmental strategy and drive business solutions that facilitate more timely service delivery. Any transformation will require the business to drive ICT change, not the other way around, while also considering how processes can be re-engineered to minimise the customisation of off-the-shelf products.

The success of any future transformation will also largely rely on project management capability, along with ICT improvements and early, continuous engagement of subject matter experts. Strong project management at program level will ensure the realisation of such a transformation.

Manage performance

Guidance Questions		<ol style="list-style-type: none"> 1 Is the organisation delivering against performance targets to ensure achievement of outcomes set out in the strategy and business plans? 2 Does the organisation drive performance and strive for excellence across the organisation and delivery system in pursuit of strategic outcomes? 3 Does the organisation have high-quality, timely and well-understood performance information, supported by analytical capability, which allows you to track and manage performance and risk across the delivery system? 4 Does the organisation take action when not meeting (or not on target to meet) all of its key delivery objectives?
Rating		Development area

Measuring what is valued

DVA has a number of reports that measure KPIs, the principle one being the EMG Dashboard Report, the latest version of which was established in 2012.

Notably and for a long time compensation claims processing has not met time-taken-to-process targets and while this issue receives the greatest amount of scrutiny at EMG and elsewhere, the results are inconsequential. DVA has recently devoted resources to address the ongoing failure to resolve this issue. Nevertheless, it remains an ongoing and unresolved issue which by now should have triggered more substantive alternative thinking or pilot initiatives such as triaging claims upfront based on potential risk.

The current suite of KPIs could be aligned to the full client service experience. The value of KPI measures for the Executive would be further enhanced by considering measuring not just timeliness, but responsiveness, access, quality, the seamlessness of handovers at critical service points and overall service satisfaction, supported by continuous improvement and benchmarking.

A revised suite of KPIs should be 'SMART' – that is specific, measurable, assignable, realistic and time-related - and drive the behaviour of the department. Indeed for DVA meeting KPIs is more than simply working harder and finalising more claims. As important as this is, the measures DVA values should reflect those valued by the client and government.

It is also important to acknowledge that not everything can be measured. Less tangible elements of the business, like policy and communications, still need to be monitored. This should be carried out in a visible and recognisable way.

DVA needs to be disciplined to rectify failed KPIs, prioritising and prompting action, if it is serious about performance reporting to drive business improvement. Demonstrating real action in meeting targets would be a positive step towards improving DVA's reputation as a truly modern and client focused department.

Effective risk management

Departmental staff have described DVA as being 'terrified' of the risk of adverse media attention, particularly in relation to its rehabilitation and compensation functions, and how the department works hard to avoid risk at all costs rather than proactively managing it.

This is consistent with the review team's observation that there is a level of complacency in the department and that its audit functions appear to focus predominately on compliance rather than as a contributor to service delivery improvement.

The department has established a risk management framework and identified a number of enterprise risks. These risks are measured and regularly reviewed by the Performance and Change Committee. That said, the trigger points for action under the risk mitigation plan are unclear to the review team.

Risk management provides an opportunity to take risks where there is an expected return. However, the concept of risk return seems absent from departmental processes. For example, there is no risk-based approach to claims processing which would seem sensible in the current context. Conversely, given the important and high-profile World War I commemorative activities that will take place over the next four years, which carry significant reputational risk for DVA, it would be natural for the department to lower tolerance levels in this area over the forthcoming period.

Finally, a change in the department's operating structure and delivery model may help mitigate risk by ensuring reporting lines and accountabilities are clearer and by driving consistency with processes and procedures. Further, consolidating functions such as contract management could be approached from a risk-management perspective and help drive consistency and provide further efficiencies.

5. The department's response

The Department of Veterans' Affairs (DVA) welcomes this Capability Review report and on behalf of the department, I would like to thank the Australian Public Service Commission and the senior review team led by Ms Akiko Jackson and supported by Ms Penny Armytage and Mr David Kalisch, for their professional and considered approach.

Like all Australian Public Service agencies, DVA faces a number of challenges. Central to these is the need to ensure the efficient and timely delivery of high quality client centred services in a fiscally constrained environment. I recognise that DVA will need to manage this agenda of change within the context of the changing and differing needs of its traditional and newer client base.

DVA has a long history of delivering high quality services to the veteran community. However, there are a number of key areas where DVA is not keeping up with contemporary practice and improvement is needed. The findings of the Capability Review will play an important role in informing DVA on how to best position itself and ensure it continues to meet the needs of clients into the future.

In particular, the findings from the report identify that DVA must take a fresh look at the foundation of its business, its operating model and by extension, its delivery model. We need to address these first in order to support our key strength, our staff.

We have known for some time that many aspects of DVA's current operating model including scale, processes and systems would become unsustainable. By taking a fresh look, we will be able to more efficiently allocate resources where they are needed most, and be able to better facilitate collaboration through an improved and streamlined governance model. These improvements will be instrumental in bringing the operating model and strategic planning process together.

In the interim we will continue to develop and deliver the new strategic plan, *DVA Towards 2020*, which will underpin our business activities. I look forward to working together with the senior leadership team to address the key findings and build on our successes, while actively tackling our areas of weakness, to create a better DVA.



Simon Lewis PSM

Secretary
Department of Veterans' Affairs

6. Abbreviations and acronyms

Abbreviation or acronym	Description
APS	Australian Public Service
APSC	Australian Public Service Commission
DC	Deputy Commissioner
DVA	Department of Veterans' Affairs
ELP	Executive Leadership Program
EMG	Executive Management Group
ESO	Ex-Service Organisation
ICT	Information and Communications Technology
KPI	Key Performance Indicator
MATES	Medicines Advice and Therapeutic Education Service
MRCA	<i>Military Rehabilitation and Compensation Act 2004</i>
OBAS	On Base Advisory Service
SES	Senior Executive Service
SRCA	<i>Safety, Rehabilitation and Compensation Act 1988</i>
VAN	Veterans' Access Network
VEA	<i>Veterans' Entitlements Act 1986</i>
VVCS	Veterans and Veterans Families Counselling Service

