

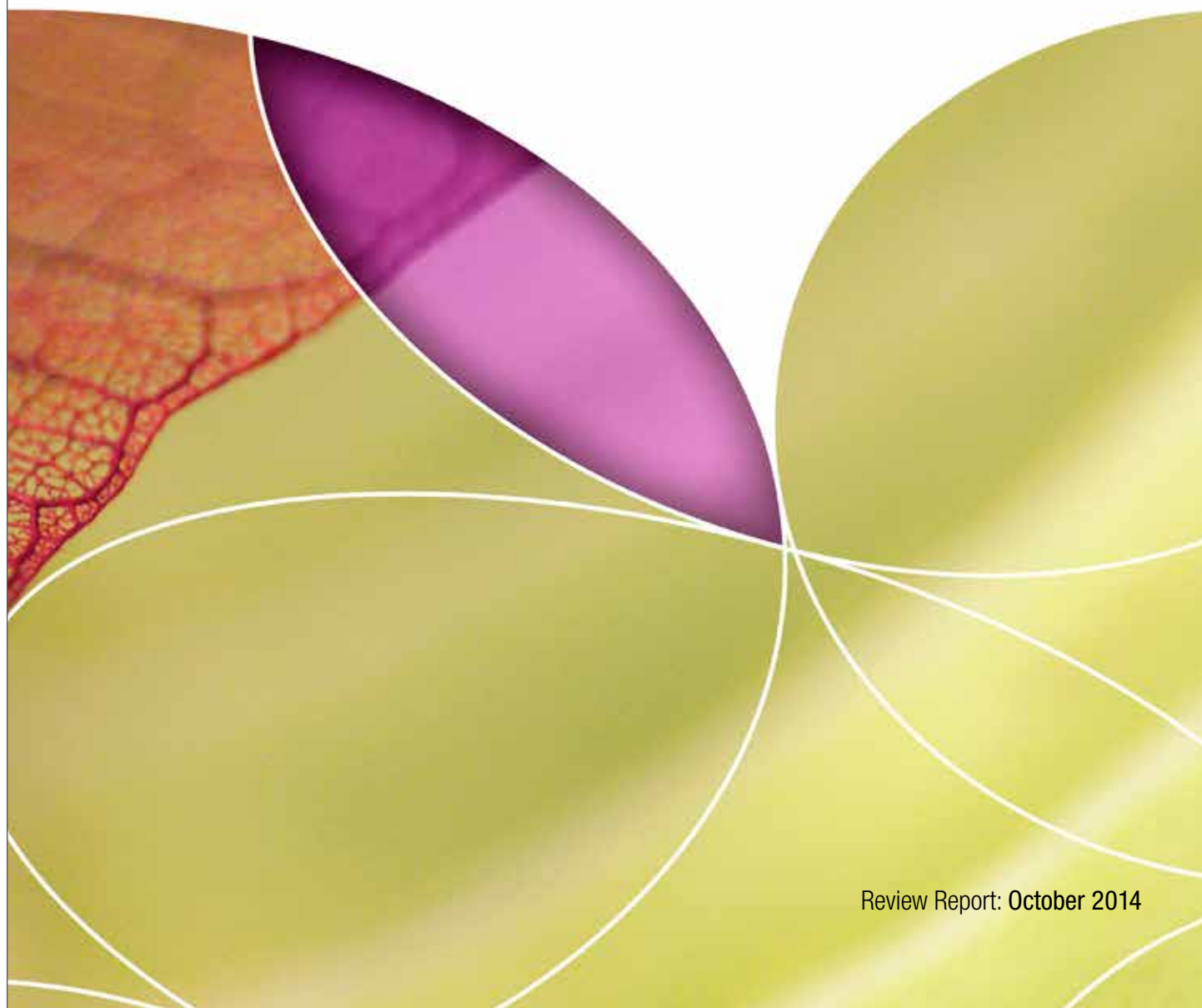


**Australian Government**  
**Australian Public Service**  
**Commission**

CAPABILITY REVIEW

# Department of Health

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



Review Report: October 2014



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CAPABILITY REVIEW

**Department of Health**

The first part of the document discusses the importance of maintaining accurate records in a business setting. It highlights how proper record-keeping can help in decision-making, legal compliance, and financial management. The text emphasizes that records should be organized, up-to-date, and easily accessible.

In the second section, the author explores various methods for data collection and analysis. It covers both qualitative and quantitative research techniques, providing insights into how to design surveys, conduct interviews, and analyze the resulting data. The importance of sample size and statistical significance is also discussed.

The third section focuses on the application of these research findings in a practical business context. It discusses how market research can be used to identify customer needs, develop new products, and improve existing services. The text also touches upon the ethical considerations involved in data collection and analysis.

Finally, the document concludes by summarizing the key points and offering recommendations for further research and implementation. It stresses the need for a continuous and systematic approach to data management and analysis in a dynamic business environment.

## 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 Australian Public Service as a whole.

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

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

I would also like to thank Rachel Hunter, the chair of the review team, other senior members of the team, Paul Fegan and Nigel Ray, and my own team from the APSC who supported and advised them. This review has demonstrated the advantages of bringing together a team of this calibre.



Stephen Sedgwick AO  
Australian Public Service Commissioner





## Context

### Review scope

This review did not consider the capability of these three specialist areas of the department:

1. Therapeutic Goods Administration
2. National Industrial Chemicals Notification and Assessment Scheme
3. Office of the Gene Technology Regulator.

The review considered the capability of all other areas of the department.

### The department's operating environment

Consistent with other Australian Public Service (APS) organisations, the department operates in a complex and changing environment. Its external challenges include:

- Australia's ageing population, coupled with the growing prevalence of chronic disease
- increasing life expectancy with pressure being placed on the health system for a more sustained period
- increasing prevalence of 'social diseases' arising from lifestyle factors across the population
- continuing disparity in quality and equity of health outcomes
- geographic distribution of Australia's population and the health workforce
- rapid advancements in medical research and technology (including clinical translation) in Australia and globally
- increasing globalisation of health issues and the risks associated with porous international borders
- threats to the integrity of sport both nationally and internationally
- interplay of responsibilities between the Commonwealth and state and territory jurisdictions
- numerous, diverse, vocal and influential stakeholder groups
- increasing number of policy issues that cross APS organisational boundaries
- resource-constrained environment
- long-run, unsustainable rate of growth for government health expenditure and the need to maintain Australia's health standards amidst a backdrop of increasing citizen expectations.

In addition, the change of Government in 2013 introduced an increased focus on regulatory reform, smaller government and improved public service efficiency. The department was subject to Machinery-of-Government changes which returned the sport function, separated the ageing and some Indigenous functions, and consolidated a number of portfolio agencies.

There is further significant change ahead, including potentially in the context of the forthcoming White Paper on the Reform of the Federation.

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## 1 About the review

A Capability Review is a forward-looking, organisational 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 Health (the department). 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 take a high-level view of the strategic operations of a department or agency. The report is primarily informed by interviews with Ministers, senior leaders and external stakeholders, though also considers the views of employees who attend a series of workshops and round-table discussions. External stakeholders interviewed include relevant ministerial staff, central agencies, state and territory organisations, peak bodies, interest groups and private sector companies.

This review considered more than 243 documents, conducted 15 internal workshops with more than 140 employees, 45 individual internal interviews and 67 external interviews.

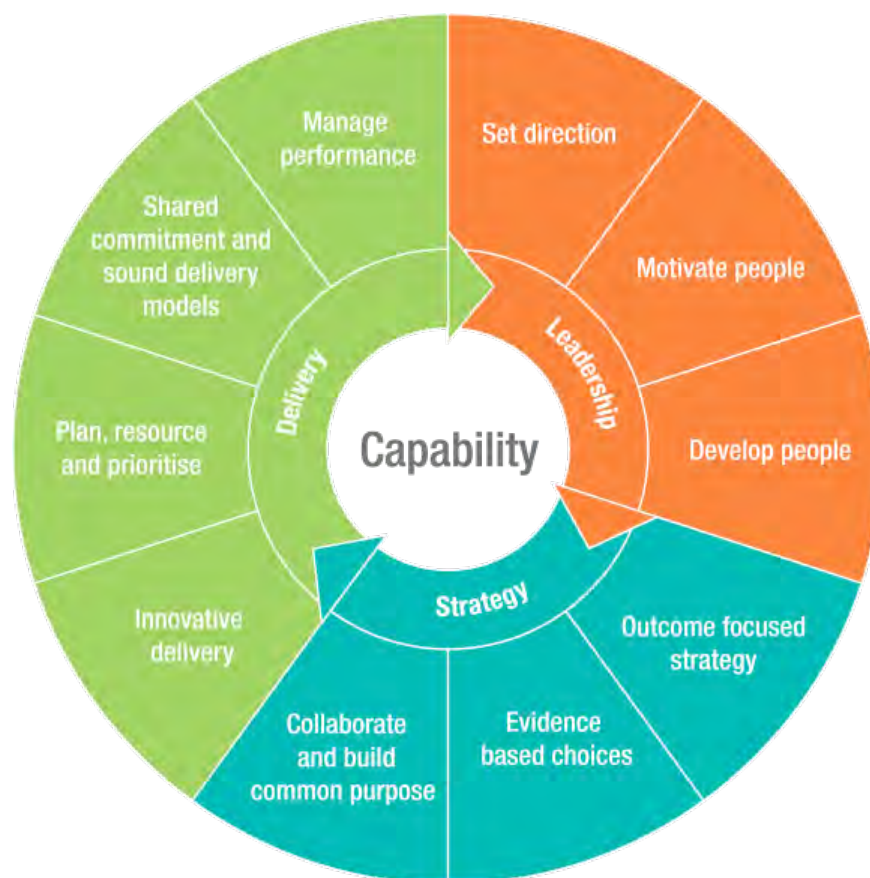


Figure 1—Model of capability

## 2 About the department

### History

The Department of Health was established in 1921, in part to deliver a national approach to the management of communicable disease in the wake of the devastating effects of the Spanish influenza pandemic of 1919. Since then, its work has evolved to encompass: administering and funding pharmaceutical benefits and medical benefits, hospital financing, and a broad range of health policy and program delivery activities.

Since 2010 the department has undertaken a significant internal change process, with the implementation of the DoHA National Alignment (DNA) program. This change process has affected nearly every aspect of the department's work, including grants administration, business processes, information technology, workforce structure and profile, and employee development activities.

### Departmental purpose

The department has an ambitious vision—'creating better health and wellbeing for all Australians'. Within the Department of Health Corporate Plan 2014–17, the department aspires to:

- support the Government to be at the forefront of national and international developments in evidence-based health and sports policy
- provide leadership in the Australian and international health communities
- be internationally recognised for a best-practice approach to safety and quality through regulation
- deliver innovative programs through partnerships and collaboration with health and sport sector participants, organisations, professionals and advocates
- remain contemporary and flexible by identifying opportunities for innovation and continuous improvement and learn from what works well.

In supporting the work of the Government of the day, the department currently works to two ministers, the Honourable Peter Dutton MP, Minister for Health and Minister for Sport, and Senator the Honourable Fiona Nash, Assistant Minister for Health.

### Departmental outcomes

The department's work is focused on the achievement of these 10 primary outcomes:

**Outcome 1**—Population Health: A reduction in the incidence of preventable mortality and morbidity, including through national public health initiatives, promotion of healthy lifestyles, and approaches covering disease prevention, health screening and immunisation.

**Outcome 2**—Access to Pharmaceutical Services: Access to cost-effective medicines, including through the Pharmaceutical Benefits Scheme and related subsidies, and assistance for medication management through industry partnerships.

**Outcome 3**—Access to Medical and Dental Services: Access to cost-effective medical, dental, allied health and hearing services, including through implementing targeted medical assistance strategies, and providing Medicare subsidies for clinically relevant services and hearing devices to eligible people.



**Outcome 4**—Acute Care: Improved access to, and efficiency of, public hospitals, acute and sub-acute care services, including through payments to state and territory governments.

**Outcome 5**—Primary Health Care: Access to comprehensive primary and mental health care services, and health care services for Aboriginal and Torres Strait Islander peoples and rural and remote populations, including through first point-of-call services for the prevention, diagnosis and treatment of ill-health and ongoing services for managing chronic disease.

**Outcome 6**—Private Health: Improved choice in health services by supporting affordable quality private health care, including through private health insurance rebates and a regulatory framework.

**Outcome 7**—Health Infrastructure, Regulation, Safety and Quality: Improved capacity, quality and safety of Australia's health care system to meet current and future health needs, including through investment in health infrastructure, regulation, international health policy engagement, research into health care, and support for blood and organ donation services.

**Outcome 8**—Health Workforce Capacity: Improved capacity, quality and mix of the health workforce to meet the requirements of health services, including through training, registration, accreditation and distribution strategies.

**Outcome 9**—Biosecurity and Emergency Response: Preparedness to respond to national health emergencies and risks, including through surveillance, regulation, prevention, detection and leadership in national health coordination.

**Outcome 10**—Sport and Recreation: Improved opportunities for community participation in sport and recreation, and excellence in high-performance athletes, through initiatives to help protect the integrity of sport, investment in sport infrastructure, coordination of Australian Government involvement in major sporting events, and research and international cooperation on sport issues.

### Stakeholders

The department's stakeholders include:

- state and territory government ministers
- health portfolio agencies
- other APS and state and territory agencies
- health industry peak bodies
- Australian non-government organisations
- international health organisations
- Australian citizens.

### Workforce statistics

As at 31 March 2014, the department's headcount was 2621 ongoing and non-ongoing employees (down from 4567 as at 30 June 2013). The reduction in staffing is attributed to Machinery-of-Government changes (1368) and efficiency activities (578). As at 30 June 2013, the department had a considerable workforce in state and territory offices (543 employees). This number was reduced to approximately 175 employees following Machinery-of-Government changes. Most employees are now based in the department's central office in Canberra. Average staffing levels through to 2017-18 reveal a further reduction in employee numbers as per Figure 2 below.

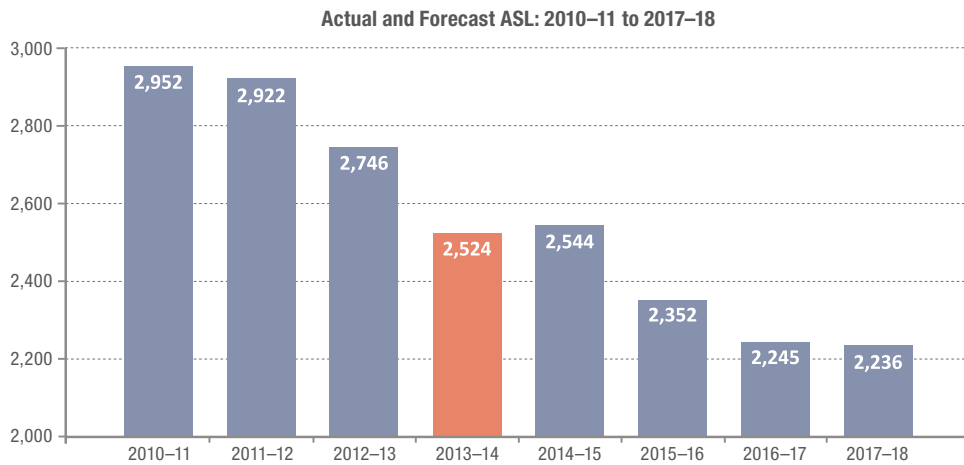


Figure 2—Departmental staffing (Health core). Note that staffing numbers in this figure have been adjusted to take account of the impact of Machinery-of-Government changes.

A typical departmental employee is a female APS 6, aged 41, with six years of service in the department and seven years of service in the APS.

### Staffing trends in the department

Diversity trend data since 30 June 2012 indicate a slight increase in the number of employees identifying as Aboriginal and/or Torres Strait Islander from 1.8 per cent (30 June 2012) to 1.9 per cent (31 March 2014). A total of 5.5 per cent of employees identify as having disability (30 June 2013), which is well above the APS average of 2.9 per cent (State of the Service Report 2012-13).

The department comprises the six clusters shown in Figure 3.

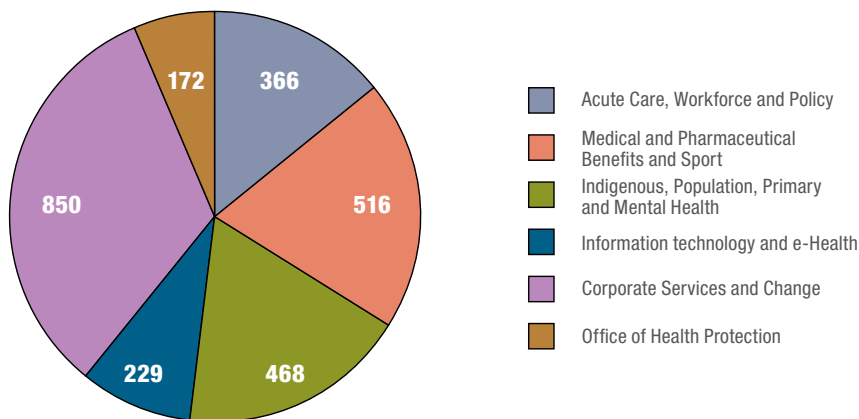


Figure 3—Departmental staffing by cluster (excluding departmental Executive, Therapeutic Goods Administration, National Industrial Chemicals Notification and Assessment Scheme and Office of the Gene Technology Regulator).



## Budget

The department’s actual and forecasted annual revenue is illustrated in Figure 4, its administered budget is illustrated in Figure 5. The departmental budget comprises approximately half of the portfolio’s operating budget as shown in Figure 6.

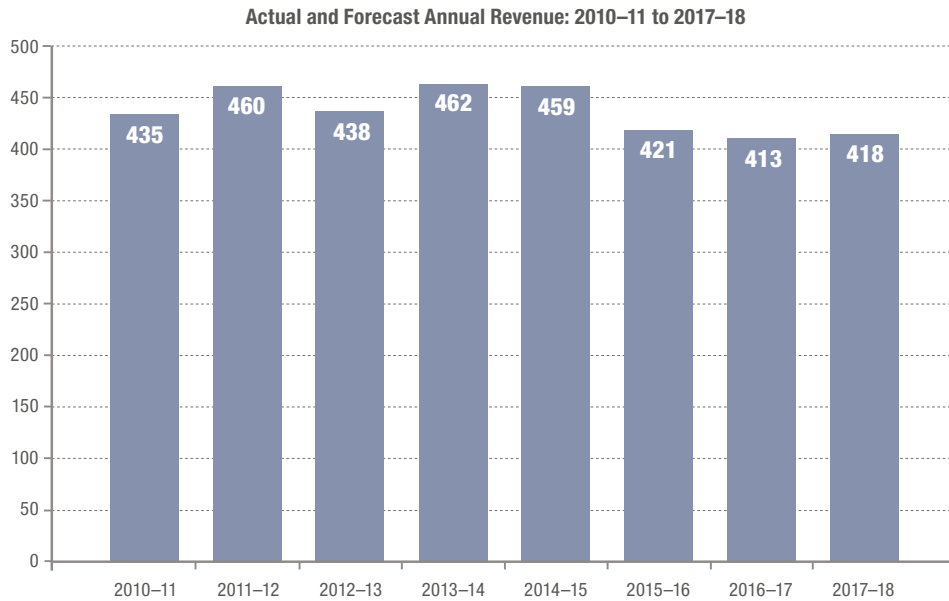


Figure 4—Annual appropriations’ 2010–11 to 2017–18 for the core department adjusted for Machinery-of-Government changes.

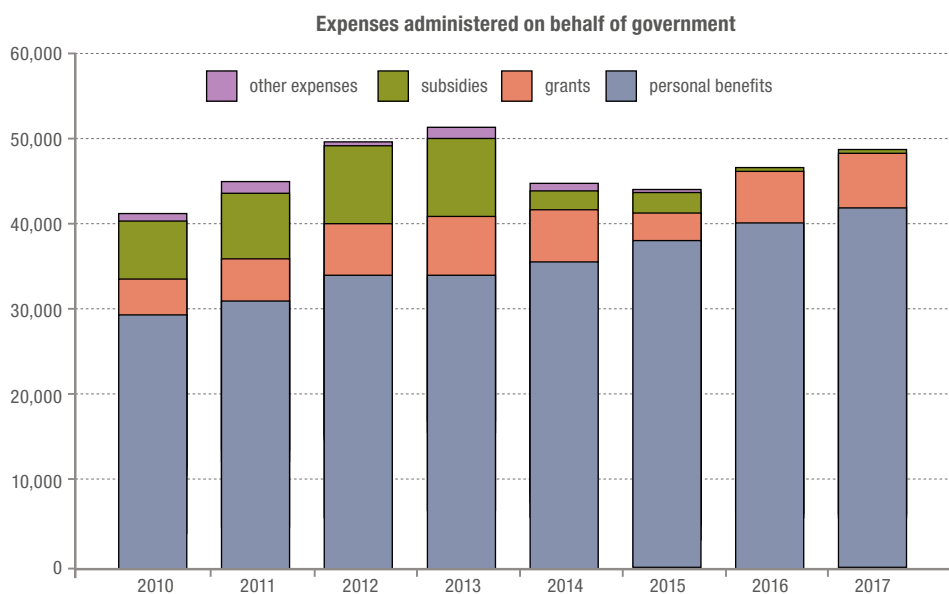


Figure 5—Expenses administered on behalf of government. Note: Expenses administered on behalf of the Australian Government exclude National Health Reform and National Partnership health payments made by the Treasury.

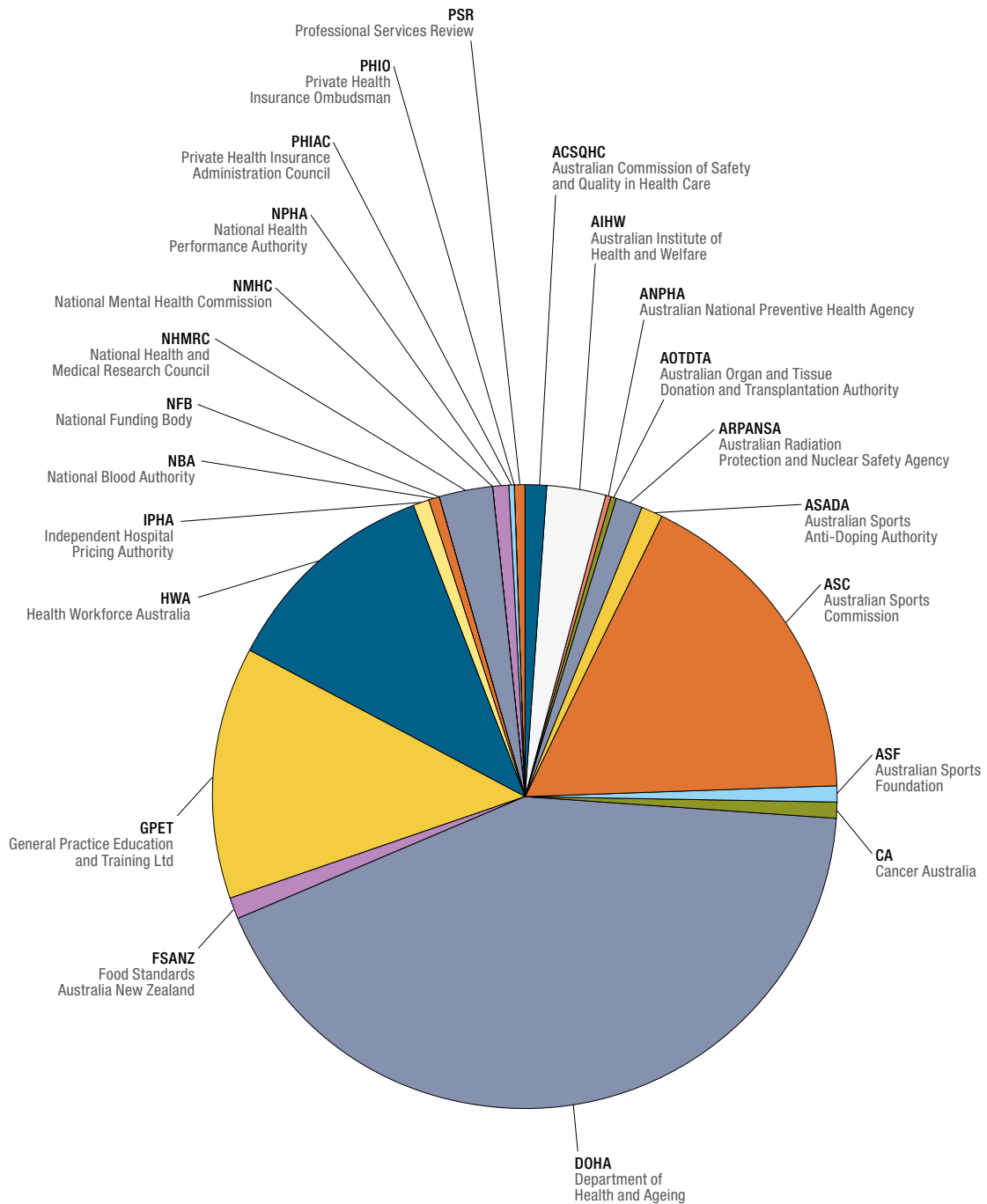


Figure 6—Health Portfolio, 2014–15 Estimated Departmental Expenses.

### 3 Summary assessment



The Commonwealth Department of Health plays an integral role in the development of health policies and the administration and delivery of health programs, to support improved Australian health outcomes.

Over time the department's role has changed, with functions such as sport and ageing moving in and out of the organisation through successive Machinery-of-Government changes. Nevertheless, the department's core purpose of responding to national health trends, risks and emergencies has remained fairly consistent since it was established in 1921.

Australia's health delivery responsibilities are distributed between the Commonwealth, state and territory jurisdictions and the private sector. By necessity, the department regularly interacts with its state and territory counterparts, industry and the non-government sector in its pursuit of health outcomes. The significant involvement of the private sector in the health system requires a high level of commercial acumen in the department in order to understand the business drivers and market forces that influence decisions made by the private sector.

The department operates in a complex and fluid environment, both because of its role in the health system and as an agency within the broader APS. In this context, the review team found that the department needs transformational change to develop the agility and capability required to operate strategically and contemporaneously.

The department takes pride in its record of delivery, with 94 per cent of key performance indicators reported as met in its annual report. However, in the context of shifting roles and relationships in the federal health system, combined with a policy of smaller government, it is highly feasible in the future that the department will be less engaged in service delivery and more in health-system strategy. This will require a shift in the department's capability profile and in the way people work together.

In recognising the department's capability strengths the review team also identified the following five overarching themes for capability improvement:

- prioritise focus on organisational culture and people leadership
- develop a high-level organisational and policy strategic capability
- address inadequate governance arrangements and delivery frameworks
- foster a culture that appropriately embraces and manages risks within defined tolerances
- lead purposeful engagement and partnership with external stakeholders.

These themes are consistent with the almost 1500 free-form suggestions for change made by departmental employees in the 2014 APS Employee Census (the Census). These suggestions focused on the need for improved leadership and management, communication, training, skills, change and performance management.

The following sub-sections provide further explanation of the review's overarching findings.

#### The department's strengths

Most employees interviewed during this review expressed deep sense of pride in, and commitment to, helping improve Australian health outcomes. They also expressed strong motivation and alignment with the department's vision of 'creating better health and wellbeing for all Australians'. The review team heard that the department's high level of

employee commitment has served it well in its pursuit of what has often been a voluminous policy agenda.

The department has many highly capable employees, with deep subject matter expertise and a well-educated workforce (67 per cent of employees have university qualifications compared to 60 per cent across the APS). The department employs highly credentialed medical officers and other professionals with relevant health qualifications to help inform internal policy and program decisions. It has access to rich data repositories, is developing an Enterprise Data Warehouse and is working on a broad e-Health program which has the potential to strengthen the department's platform for evidence-based approaches to policy development.

Throughout the review, employees consistently noted that a central aspect of the department's culture is its focus on delivery, especially at the tactical policy and program level. Similarly, the review team heard that employees and business areas across the department have effectively and consistently delivered on urgent work in short timeframes.

The department is widely recognised for its ability to deliver the initiatives and reforms required of it by Government. Examples include the tobacco plain packaging strategy—an international first to reduce smoking levels—National Health and Hospital Reform, and reforms to mental health and aged care. The department has, over many years, also implemented policy ideas across a broad range of areas to improve health outcomes in Australia and internationally. These include reforms to ensure the sustainability of the Pharmaceutical Benefits Scheme, increasing private health insurance coverage rates, e-Health initiatives such as the Personally-Controlled Electronic Health Record (PCEHR), and enabling more sophisticated debate around health productivity. The department has demonstrated its ability to implement organisational change in response to external pressures such as the 2010 Strategic Review and its more recent internal changes aimed at realising improved financial efficiencies. Employee confidence in the department's ability to manage change has also improved, up by seven percentage points from 2013, with 2014 Census data reporting that 50 per cent of employees believe senior leaders effectively lead and manage organisational change, compared to 52 per cent in like policy agencies.

External stakeholders recognised the department's track record of mobilising and working with public service agencies across jurisdictions and other external stakeholders to help lead the national response to domestic and international health risks and emergencies. Similar to its national efforts, the department is recognised for its positive contributions and leadership role in the international health arena.

Until recently, the department has been led by Ms Jane Halton PSM, a respected and long-term Secretary who left to take up her appointment as Secretary of the Department of Finance before the start of this Capability Review. The review team heard that the former secretary provided clear task and policy direction for the organisation and was recognised by employees and external stakeholders for her in-depth knowledge of the health sector. Ms Halton also played an important role in her interactions with the World Health Organization, including as the chair of the World Health Assembly in her final year with the department. Ms Halton was instrumental in leading national and international health reforms and provided a strong profile and an identity for the department.



### The department needs an increased focus on organisational culture and people leadership

The review team found that the department will need to undergo significant cultural change to develop a greater focus on people leadership and capability development.

Throughout the review, employees described the department as strongly focused on tactical delivery and issues management with limited acknowledgement of the toll its ambitious work program had on employees. Most Senior Executive Service (SES) employees advised the review team that they work excessive hours, with many noting an average of more than 80 hours a week, substantially in excess of the reported APS Employee Census data. Executive Level (EL) 2 employees reported to the review team that they also regularly work long hours, with most volunteering that they have no desire to progress to a senior leadership position due to concerns about a further anticipated diminution of work–life balance. Evidence before the review indicated that much of this workload was attributed to inefficiency of systems and processes, duplication and rework, which all lead to significant resource and capacity waste.

Employees and external stakeholders regularly noted that the department lacks sufficient focus on the contribution of highly skilled people to its achievements. While some individual leaders were recognised for their focus on people leadership, the review team found that the broader department has not sufficiently invested in the development of its culture, in line with high-performing organisations. Contemporary research is clear: when an organisation's culture lacks a sufficient focus on people this can lead to a decline in productivity, negative external perceptions and the eventual devaluation of the organisation.<sup>1</sup>

Despite the efforts of the former secretary to break down silos, most employees and stakeholders described the department as hierarchical and siloed. The review team heard a strong desire from some employees for consistent communication and greater leadership visibility. This is supported by Census data, which reported that 51 per cent of employees perceive that senior leaders are sufficiently visible, compared to 57 per cent in like policy agencies.

The review team found strong emphasis on contributions of 'the individual' over collective collaboration. Employees commented that there is a lack of a sense of a united leadership 'team' and a lack of whole-of-organisation ownership from employees and leaders with a strong corporate versus policy–program–regulatory divide.

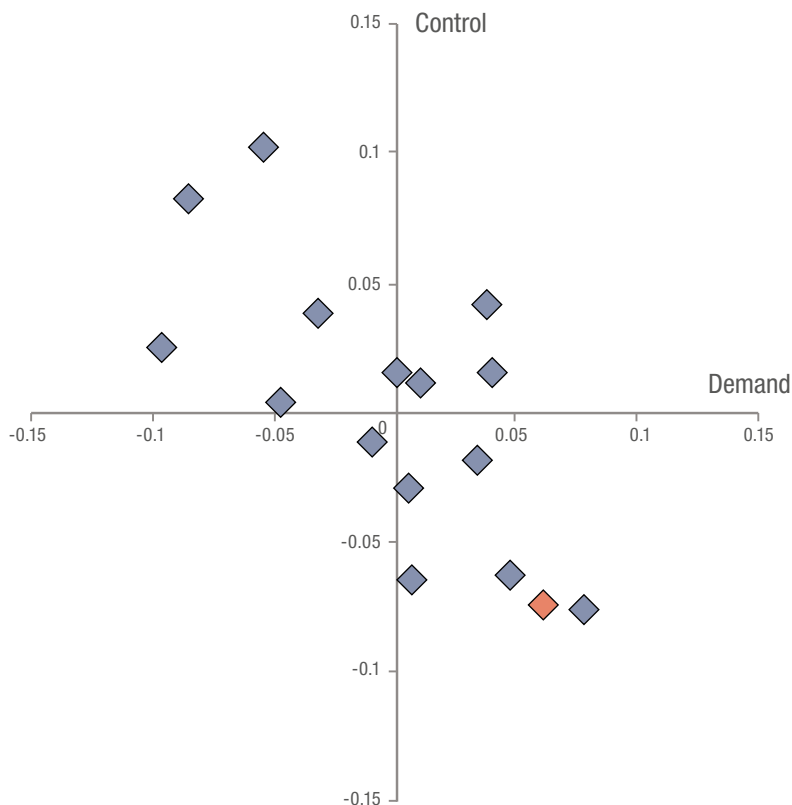
The review team regularly heard evidence from employees and external stakeholders of a culture of 'inappropriate' behaviour in some areas, including bullying and harassment. The 2014 Census rate of 19 per cent compares with an average 15 per cent in like policy agencies. The relatively high reported rate of bullying in the Census does not correlate with the data held by the department on formal complaints about inappropriate behaviour. The department has acknowledged that this is an issue and has implemented a targeted communications campaign to encourage employees to report inappropriate behaviour and seek support.

A number of employees reported a need for greater transparency regarding SES placements and performance pay. Many senior employees commented that they received no input into or rationale regarding their placement to a position, with many in long-term acting positions. Others advised that they had received a telephone call only days before a move with no accompanying explanation.

<sup>1</sup> James L Heskett, W Earl Sasser, J Wheeler, 'The Service-Profit Chain Today', <http://hbr.org/web/extras/2008/12/service-profit-chain-today>, 2012.



APS Census data in 2014 reports on the climate of workplaces by considering the demands placed on employees and the control employees have in relation to these demands. Figure 7 plots the distribution of departments. Those in the lower right-hand quadrant represent employees experiencing the highest demand and lowest control in relation to workload. In relative terms, the department, represented in 'red', is a high-strain workplace. Evidence demonstrates that high demand–low control workplaces face an elevated risk of ill health among employees.



however policy discussions are largely constrained within work silos. The review also found limited evidence of horizon-scanning or internal discussion on whole-of-health-system policy.

The forthcoming White Paper on the Reform of the Federation, the consequences of the Williams II High Court decision, and broader government health and economic policy decisions have the potential to change the department's role within the Australian health system. While the department is providing input into these processes, the views expressed by external stakeholders, and by some within the department, is that greater internal consultation and connection is needed to leverage expertise and draw on policy ideas from across the department in order to provide the best advice to the Government.

Internal and external comments to the review team also highlighted a sense of reluctance from the department to consider new or changed policy direction. While there are many examples of the department using evidence to inform policy and decisions, the review team also heard examples where new evidence did not result in a change of policy or program direction. It seems likely that the department's lack of high-level strategic policy direction is hampering policy and program agility.

Internal and external stakeholders described the department's desire to maintain existing work programs, with 'trimming around the edges' and a limited appetite for decommissioning work. This has resulted in a lack of agility in resource allocation. The department's current budget re-basing exercise is, in part, recognition of the need for greater flexibility in resource allocation. The review team found that greater alignment of work programs through strategy, combined with more analysis of the comparative return-on-investment in the health system, could assist the department to prioritise work activities and provide policy options to the Government.

### **There is an urgent need to address inadequate governance arrangements and delivery frameworks**

Decision making within the department has been largely centralised at senior levels, with a number of senior leaders being described by employees and stakeholders as exercising a command-and-control leadership style. While this approach may be appropriate in responding to a crisis or national emergency, the review found that its application in day-to-day management has resulted in the disempowerment and poor use of its workforce, reinforced vertical silos, limited corporate ownership and potentially hampered innovation.

The department's governance arrangements appear disconnected, which may be a function of their design. The accountability relationship between some committees and the Executive is unclear, with some areas (such as audit and risk) assuming greater prominence on the executive-leadership agenda than others. Minutes of meetings provided to the review team indicated that the department's People and Capability Committee has met only once in the past 12 months.

The review team identified a number of people, system and project risks that have not been sufficiently documented through risk frameworks or identified through internal or external audits or management reports. The department needs to review its internal governance and accountability arrangements to ensure decision-making frameworks are fit-for-purpose.

Throughout the review, employees often commented on significant inefficiencies in the department's operations due to internal workflows, especially regarding clearance and coordination processes. The review team found that the department would benefit from streamlining internal workflows, further delegating responsibilities and ensuring that people

at all levels are appropriately empowered. This shift would also help refocus SES time from detailed management to leadership and strategic matters.

Additional financial investment is required to modernise and ensure the department's information and communications technology (ICT) environment is secure and fit for purpose. While the department is acutely aware of the shortcomings and associated risks of its ICT systems, resolving this to an appropriate standard will likely require accelerated, concerted and sustained focus.

### **The department needs to foster a culture that appropriately embraces and manages risks within agreed tolerances**

The review team regularly heard examples of risk aversion, tight control of information, micro-management, elevated decision making and an excessive focus on issues management. This approach, coupled with a reluctance from a number of employees to report potential risks or mistakes due to fear of being blamed for failures, has created 'blind spots' to risk exposures, disempowered people, increased residual risk and stifled innovation. Employees provided the review team with examples where red traffic lights were not placed on management reports until risks were quite advanced as they felt that bad news would not be welcomed, and they would be better off trying to mitigate risks rather than report them.

Employees regularly commented to the review team about personal fears of making a mistake, with some commenting that the department 'does not make mistakes'. The review team found a variable understanding of, and sophistication regarding approaches to, managing risk. This is compounded by risks being elevated or escalated to the Executive to manage.

The department needs to engage with a broad range of risks on a daily basis. Due to the scale and complexity of its operations, it is inevitable that some risks will eventuate, regardless of mitigation efforts. Significant work is needed to change the department's cultural appetite towards risk and acclimatise all levels of the department to embrace and engage collectively to manage risk as appropriate.

### **The department should lead more purposeful engagement and partnership with external stakeholders**

The department maintains good relations with a number of external stakeholders, particularly when those relations have been managed at the most senior levels. The former secretary was highly respected by the majority of external stakeholders for her knowledge of the health system and her capacity to steer solutions to difficult issues in national and international fora. Many stakeholders also commented on the good relationships maintained with individual departmental officers at lower levels.

However, a majority of external stakeholders, including agencies across the APS, reported they have experienced the department as increasingly insular and often outwardly defensive. Stakeholders often commented on the difficulty in interacting with the department compared to other APS policy departments which were seen as much more open, though still professional and able to manage competing interests.

The review team heard from external stakeholders from across the broader APS, and the health portfolio and sector, that they would like to develop stronger, more collaborative relationships with the department. External stakeholders often noted that they understand the department is not always able to be open with them in a timely manner, or to cater to

their views. Still, they perceive the department's approach to consultation as excessively risk averse, narrow and at times perfunctory.

Some senior departmental employees noted the need to ensure that junior officers are not 'captured' by stakeholders who can often be quite influential in their advocacy for a certain policy position. This has led to a rotation of employees or the management of relationships at senior levels in the department.

In an increasingly contested policy environment, the department needs to ensure it adequately captures the views of stakeholder groups who often hold positions of authority and influence within the community. Incorporating a broad range of external policy perspectives into the department's advice remains crucial to its continued position as a trusted and key policy adviser to the Government.



## 4 More detailed assessment of agency capability

This section provides an assessment framed by the leadership–strategy–delivery structure of the capability review model. Assessments were made according to the rating assessment set out in Figure 2.








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

Figure 8—Rating descriptions

The review team’s assessment of the department’s capability is outlined in the tables below.





### Leadership

Set direction		Development area
Motivate people		Serious concern
Develop people		Development area

### Strategy

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

### Delivery

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

## 4.1 Leadership summary

### Set direction

- The department has an ambitious vision which resonates with employee values and deep subject-matter expertise.
- There is evidence of a risk-averse organisational culture, cultivated by a leadership focus on delivery of outputs and transactional policy and programs.
- Notwithstanding a 'cluster' structuring of responsibilities and accountabilities at executive-leadership level, employees and stakeholders describe siloed decision making with little sense or organisational experience of a united leadership team.
- The department has demonstrated a capability to make tough decisions and respond to change, particularly when externally imposed.

### Motivate people

- The department benefits from the contribution of many intrinsically motivated and skilled employees who are highly committed to their subject expertise and to improving health outcomes for Australians.
- There is evidence of a prevailing culture of risk aversion and fear of failure often linked to the way leadership is perceived to be exercised in the department.
- Excessive workloads and a relentless focus on delivery limit the scope for employees to negotiate work programs and resource priorities.
- Leadership behaviours cultivate self-censorship and passive compliance, rather than energising employees and ideas.


### Develop people

- The department has demonstrated recent signs of investment in a range of people-development initiatives, led by capable and committed corporate teams and individuals.
- There is no evidence of a strategic people capability development framework linked to organisational strategy.
- The department has a history of centralised control, lack of consultation and transparency in decisions about SES placements, movements and performance development. This reinforces a short-term focus on immediate outputs over the long-term development of capability.
- There is compelling evidence that performance management and people development needs greater collective ownership and attention from all leaders.

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



Set direction

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

The department has a compelling vision for the health and wellbeing of all Australians which is well recognised throughout the organisation. The former secretary was recognised for setting clear expectations for the department’s performance and she was respected for her intellectual and results-focused leadership. However employees reported the need for an overarching narrative that communicates a clear and coherent direction for the future. The lack of such a narrative limits the whole-of-enterprise view of the department, and importantly, the ability to understand and influence future direction for the broader health system.

*Internal communication*

The Executive Leadership Team (Secretary and deputy secretaries) has focused on improving internal communication in recent years. The Secretary communicated to the department through video messages and face-to-face addresses at regular intervals throughout the year. Regular ‘Exec Connect’ email updates are distributed to inform employees of departmental priorities, SES movements and corporate-service messages.

The 2014 Census data reported that 51 per cent of employees believed that most senior leaders are sufficiently visible compared to 57 per cent in like policy agencies. Employee feedback during the review stressed the importance of greater visibility from senior leaders. While employees have reported improved visibility of senior leaders in the SES over the past 12 months, they raised the need to better understand the role of the six deputies within the department and have the opportunity for greater and more meaningful interactions with this leadership cohort.

Informally, the department relies on the SES to cascade communication through business lines. The effectiveness of this approach is variable with employees reporting inconsistent access to information in some business lines, with confused or frequently changing direction for day-to-day priorities. In addition, employees regularly commented that information was tightly controlled and shared on a perceived need-to-know basis. This has resulted in a number of employees, including some at SES level, expressing concern that they lacked sufficient understanding of the context in which they are operating, which has affected their ability to complete tasks efficiently and effectively.

By way of example, employees reported to the review team that documents were frequently revised, some more than 20 times due to a lack of clear direction on work tasks or lack of understanding by employees of work requests. The Departmental Activity Survey reports that EL2s spend around 50 per cent of their time re-drafting and gaining clearance of correspondence, ministerial briefs, briefing of senior employees and coordination requests. This creates inherent departmental inefficiencies and costs.

#### *Issues management focus*

Internal and external interviewees commented on the department's centralised and elevated approach to decision making, which they identified was the product of a command-and-control leadership style and a risk-averse culture. While this approach may be useful for emergency or crisis management, employees and a number of external stakeholders observed it has disempowered the SES, created vertical work silos, limited ownership of direction setting and decision making, and stifled innovation.

Regular weekly meetings convened with the Secretary, deputy secretaries and first assistant secretaries (SES Band 2) largely focus on managing issues, reputational risk and matters related to corporate services and systems. There was little evidence in Executive Leadership Team meeting agendas provided to the review of high-level discussions on organisational strategy or policy.

#### *Lack of a unified team*

The department's Executive Leadership Team and SES broadly have been focused on timely delivery of expectations and risk management, both being strong features of the department's culture. Employees across all levels focus on measuring delivery against their individual policy or program key performance indicators (KPIs). The tight control of information limits the ability of the SES to understand the work of the broader department. This, in turn, limits their ability to make connections between information and expertise that could enhance the work produced in their areas. The restricted access of the broader SES cohort to whole-of-enterprise decision making also limits their ability to contribute to departmental stewardship.

Internal and external stakeholders report the need for SES officers to collectively step out of 'doing' and into 'leading'. This includes developing and mentoring people, proactively engaging ideas, and developing efficient and effective processes and systems for shared decision making. The SES cohort recently gathered on a couple of occasions, however there are no formal networking opportunities for the SES Band 1 cohort. As such, there is no formal mechanism to unify the SES leadership team. The SES report limited opportunities for interaction with peers, many only interacting with members of the Executive within their direct reporting lines.

#### *Reactive change management*


The department has demonstrated a capacity to undertake organisational change. The review team found evidence of successful leadership of large-scale internal change in response to external pressures, such as the 2010 Strategic Review. Recent examples of successful change programs include the Department of Health and Ageing National Alignment program which arose from the 2010 Strategic Review, and recent internal restructures to meet the requirements of a tightened fiscal outlook. More recently, the Business Services Centre was established to redeploy employees who were surplus to needs as a consequence of the

department’s restructure. Despite some early cynicism about its role, the centre has been successful in supporting workforce restructuring.

Employee change resilience appears to be improving as the department’s confidence in senior leaders’ ability to manage change effectively. Confidence increased to 50 per cent in the 2014 Census by seven percentage points, similar to like policy agencies at 52 per cent.

That said, change was often described by employees as being managed centrally, lacking systemic rationale or strategic context, and not supported by consistent communication. Employees have raised the issue of change fatigue stemming from recent major changes, particularly in areas that have experienced previous long-term stability.

### Motivate people

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

Prevailing evidence in high-performing public and private sector organisations is that highly motivated, valued and skilled people are the competitive and sustainable points of difference.

Employees in the department regularly commented to the review team that they are intrinsically motivated by their roles and the nature of their work. They universally reported strong interest and commitment to their subject matter as a key motivator and reason for working in the department. This commitment is reflected in the department’s record of employee retention, with many also reporting good working relations within their immediate teams.

However, with the exception of a bonus pay system for some leadership levels, and a program of employee awards, there was little evidence provided to the review team that the department’s leadership placed sufficient priority on motivating and recognising people, and celebrating their achievements.

### *Delivery focused culture*

The department has a reputation for delivery. It has been recognised by government and stakeholders as a ‘safe pair of hands’ for delivering a number of highly challenging reforms—tobacco plain packaging, National Health Reform, and Mental Health and Aged Care reforms are some examples. Much of the department’s reputation for delivery was attributed by stakeholders and employees to the leadership of the former secretary.

Employees consistently described the focus on delivery as one for which there was an expectation to deliver at any cost. They reported that the emphasis on delivery led to a 'results over people' culture.

Going forward, many employees and stakeholders commented that the requirement to deliver at all costs on all commitments is increasingly unsustainable in an environment of declining resources. Employees report that they work long hours and under immense pressure to deliver. This is a workplace health and safety risk. The department has experienced a history of high levels of unscheduled leave, with 14.1 days taken on average per person in 2013–14, compared to 12.3 across the APS.

#### *Leadership style*

Many employees and stakeholders have expressed respect for the intellectual leadership displayed by the former secretary and, in individual cases, the deputies, particularly in a range of external national and international fora. The former secretary's decisive leadership was respected, and the profile she provided the department over 12 years as its leader was significant.

The prevailing departmental leadership style has been variously described by employees and stakeholders as directive, command and control, risk averse, outwardly defensive and internally siloed. While the Executive Leadership Team communicate a 'no surprises, no blame' approach to risk management, employees at all levels have overwhelmingly reported that the Executive Leadership Team had zero tolerance for bad news or failure. Employees reported they are fearful of making a mistake or failing to deliver. They report that this has encouraged a departmental culture of compliance and self-censorship, influencing avoidance behaviours such as the escalation of decisions and a reluctance to report 'red lights'.

#### *Excessive workloads*

The review team found that departmental employees demonstrated a strong commitment to delivering on expectations, with many working exceedingly long hours to acquit their responsibilities. Census data reported that employee engagement statistics are similar to like agencies, with some exceptions. For example, the 2014 State of the Service data reports that 43 per cent of employees feel valued in the department, compared with 50 per cent in like policy agencies. Also, 41 per cent of employees reported that when someone praises the department's accomplishments it feels like a personal compliment, compared to 45 per cent in like policy agencies. The 2014 Census data revealed that effective communication between senior leaders and employees is perceived to be less than in like policy agencies (45 per cent versus 49 per cent).

An internally driven work program, heightened risk aversion, lack of information sharing and inconsistent internal communication all have an impact on the way the department operates. These features and their impact on the workloads of the SES especially affect the ability of employees to deliver their work program efficiently. Many employees reported they were often asked to complete a task without full information, leading to a high level of rework, inefficiency and unnecessary cost. Many SES and some executive-level employees have reported a requirement to be available to the Executive Leadership Team at all times, with some working long hours regularly, including all weekend to deliver on expectations. Census data stated that more than 50 per cent of SES level employees work more than 100 hours a fortnight. Many EL employees state they have no desire to be promoted to SES level.

These workload levels are neither productive nor sustainable, yet there appears to be no mitigation strategy to address them, other than the Departmental Activity Survey which seeks information on the allocation of an officer's time to duties. However, if the genesis of the survey was to ascertain employee workloads, there was no sense from employees that excessive workload issues had been addressed.

#### *Unacceptable behaviour*

For several years the department has demonstrated consistently high rates of bullying and harassment. In the 2014 Census, 19 per cent of employees identified being subjected to harassment or bullying during the last 12 months (compared to 15 per cent for like agencies) and 24 per cent identified having witnessed someone else being subjected to harassment or bullying in the past 12 months (compared to 21 per cent in like agencies).

Internal commentary from some senior leaders suggested this was more prevalent at junior officer level and related to performance expectations. These senior leaders also suggested that some employees lacked an understanding of the difference between performance management and genuine bullying and harassment. The view that the data on bullying and harassment is a product of performance management is not supported by analysis of Census results which attribute a fraction of reports to performance issues and a larger number to more serious issues.

Some senior employees are dismissive of the issue entirely, referring to the low rates of formally reported complaints and low employee turnover. The evidence collected throughout the review describes behaviours including verbal abuse, throwing of documents, withholding of information, intimidation and exclusion. There are reports of exclusion behaviours regarding information and communication. Internal and external to the review, concerns were raised about the control of information at senior levels.

The department has committed corporate resources to analyse the data on harassment and bullying and has recently launched a communications campaign to promote the reporting of inappropriate behaviour and encourage employees to use the service provided through the department's Harassment Contact Officers.

#### *A need to acknowledge hard and good work*


The department has a formal award system for performance recognition, including on Australia Day, for length of service, and through the annual National Aborigines and Islanders Day Observance Committee (NAIDOC) awards. However, employees reported that these awards predominately focus on delivery performance.

Australia Day award categories include descriptors such as 'resilience', 'tenacity', 'energy' and 'stamina'. More broadly, there appears to be little recognition of hard work and the contribution of employees outside of these awards. Many SES raised a concern that exemplary leadership behaviour or people leadership is not valued or recognised, and that recognition of employees is left to the discretion of individual leaders and managers, and is therefore inconsistent across the department.

SES employees are eligible to receive annual performance pay, whereas Executive performance pay arrangements recently ceased. SES performance pay is determined by the Executive Leadership Team. There is a strong internal view, (particularly among the SES cohort) that performance-pay arrangements have been based on 'personality politics', and favoured those working on high-profile tasks, which were bestowed on some and not

available to others. To those eligible for the scheme, there is no evidence of moderation and decisions are seen to be opaque and feedback limited.

### Develop people

Guidance Questions		<ol style="list-style-type: none"> <li>1 Are there people with the right skills and leadership across the organisation to deliver your vision and strategy? Does the organisation demonstrate commitment to diversity and equality?</li> <li>2 Is individuals' performance managed transparently and consistently, rewarding good performance and tackling poor performance? Are individuals' performance objectives aligned with the strategic priorities of the organisation?</li> <li>3 Does the organisation identify and nurture leadership and management talent in individuals and teams to get the best from everyone? How do you plan effectively for succession in key positions?</li> <li>4 How do you plan to fill key capability gaps in the organisation and in the delivery system?</li> </ol>
Rating		Development area

The review team found that the department has historically under-invested in people capability. Employees reported that people development has not been a priority in the department, with people matters managed as the remit of the human resources or people and capability areas, rather than being seen as the responsibility of the broader leadership cohort.

The department has developed a skilled corporate team focused on enabling people development, however it remains significantly behind other APS departments in terms of sustained investment in people. There are early signs of united leadership efforts to improve the level of investment, however the challenge is to sustain this focus on and accountability for people development.

#### *Recent signs of an investment in people*

The department has strengthened its corporate people area and started a workforce management plan, which provides a greater focus on fit-for-job roles, capability mapping, job families and job sizing. The Health Capability Framework, introduced in June 2014, includes job roles and descriptions for the People, Finance, Communication, IT, and Grants Services Job Families. The first module will be in production by December 2014 and a pilot with one division will start early February 2015.

The department's Learning and Capability Development Strategy 2013–17 includes a range of activities that started in early 2014. To inform the strategy, a department-wide Capability Needs Analysis was conducted using de-identified Performance Development Scheme data. A consultation process with divisional executive teams was undertaken to promote the findings, explore actions and create shared ownership in implementing the strategy's local action plans.

The department is developing some modern human capital tools, including human resources metrics, a talent management program for some SES and EL employees, peer mentoring for SES, diversity networks, and a pilot program of People Business Partners to support line areas by embedding a human resources specialist in each to grow people management capability. An informal mentoring network for employees was established by a Band 2 officer. The network would benefit from being endorsed by and invested in by more SES to demonstrate that they see people development as central to their leadership accountabilities.

Workforce planning and related strategies for people development are at an embryonic stage. A number of initiatives are underway, however without aligning these with the department's strategic intent and organisational development strategy, it is difficult to ensure the department will have the people capability it requires for the future.

#### *Leadership capability*

Many senior leaders have expressed concern that the department undervalues people leadership capability. Senior leaders are perceived to have been promoted based on the value of their technical skills or track record of delivering, to the exclusion of their ability to lead and manage people. Investment in leadership and management capability development has been historically low in the department, with the more recent delivery of middle management and talent management programs being exceptions.

Employees reported an internal view that human resource issues are relegated by leadership to the department's corporate 'people' area and that there is a need to recognise that people matters are matters for attention by all leaders, enabled by the corporate area.

This has resulted in a perceived lack of united leadership commitment to engaging in genuine performance management, mentoring employees and investing in their professional development. Some SES reported a desire to spend more time on people leadership, but they noted that work pressures and the requirement to deliver their work program often consumed them.

The department has recognised this as an issue. A new Performance Development Scheme template was implemented in July 2014 for SES officers to highlight the importance of people leadership. The template consolidates the SES Band 1 and SES Band 2 templates used previously. The updated template has a new rating system which now includes equal ratings for leadership behaviours and business outcomes.

#### *Individual performance*

The review team received extensive feedback about the lack of effective performance management in the department, particularly in relation to underperformance. The 2014 Census data reported that 15 per cent of employees considered that the department managed underperformance effectively, compared with 18 per cent reported for like agencies. Reasons given for underperformance included: variable policy capability and work standards across all levels of the department; and mismatches between employees and roles (noting that some have been promoted for technical skill and lack broader management or public administration skills). Some employees have noted that managing workloads is at the expense of spending time managing underperformance or developing people.

*SES management and development*

Many SES have expressed concerns about having little control over their careers, with some identifying that they have never had a discussion about their future career aspirations or the opportunity to express their interest in future appointments within the department. Heightened workloads, and limited provision of formal feedback, have resulted in many SES feeling they have been commoditised. Feedback throughout the review suggested that frequent informal and formalised performance feedback opportunities would be welcomed by the broader SES cohort.

SES officers generally reported a lack of transparency around appointment processes and expressed concern with being moved from role to role with limited consultation, explanation or notice. There appears to be a 'trouble shooting' approach to employee appointments, driven by unforeseen changing organisational priorities. A number of SES observed the need for greater attention to longer-term planning, succession planning, talent management and career development.



## 4.2 Strategy summary

### Outcome-focused strategy

- The department does not have a high-level strategic policy framework to help it ascertain upcoming demand, model environmental factors and shape policy decisions and work programs into a strategic roadmap that can be articulated and understood across the department. A clear and articulated health system strategy is required.
- Stakeholders believe the department needs to take a proactive rather than reactive leadership role in shaping the health policy agenda, to keep pace with customer demands and the changing global health landscape.
- The department lacks a high-level organisational strategy which is vital to ensuring it has the resources and capability to deliver on a forward-looking strategic policy agenda.
- The department needs to demonstrate a greater capacity for responsiveness and strategic flexibility to Government. It needs to be more proactive in its advice and provide a range of options, including alternate policy options in line with the Government's agenda, rather than waiting for direction.

### Evidence-based choices


- At program and policy levels, the department has a strong focus on evidence-based choices to drive health outcomes for customers.
- Overwhelmingly, external stakeholders have highlighted that the department is leading and influencing the international sport agenda through a period of increasing complexity.
- The department should do more to position itself on new and emerging issues with a stronger focus on the whole of the health system and a strategic policy 'lens' that cuts across multiple stakeholders and time horizons.
- There is an opportunity to underpin strategy development and policy formulation through more effective analysis and harnessing of data, within, across and beyond the APS. To this end, the current development of an Enterprise Data Warehouse requires ongoing investment to realise its potential.

### Collaborate and build common purpose

- External stakeholders have noted positive working relationships with individual officers, particularly at executive level.
- The department does not have a strategic or coordinated approach to stakeholder engagement.
- The department has been described by many APS agencies and other external stakeholders as having a track record of being insular, defensive and not acting in a collaborative way.
- Stakeholders often perceive consultation as highly orchestrated and sometimes perfunctory, describing engagement as being undertaken very late in the development process.
- Many employees and external stakeholders suggest concerns over political sensitivities and media scrutiny has resulted in a cultural reluctance to share information or seek stakeholder input.

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

## Outcome-focused strategy

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

The department lacks a high level, long-term organisational strategy, required to deliver on the Government's agenda, effect change and keep pace with customer demands and the changing global health landscape. Interviews with internal and external stakeholders highlighted limited evidence of holistic thinking, engagement and discussion about the department's role in an evolving health system. The department interprets 'strategy' as an amalgam of tactical policies and programs, rather than holistic-thinking about the operation of a federated health system, and how to improve its efficiency and effectiveness. The White Paper on the Reform of the Federation provides a significant opportunity for the department to exercise strategic influence on future health system thinking and strategy.

### *The absence of a clear and articulated health strategy*

The review team concludes there is no alignment between the department's vision, organisational strategy, and policy and capability frameworks. The Executive Committee agenda does not emphasise high-level strategy leading to focused outcomes. While many employees have confirmed that a horizon-scanning capability exists within work areas, the strong focus on tactical, transactional and reactive delivery distracts from the development of a proactive, long-term and system-wide strategy.

There is broad acknowledgement that the growing prevalence of chronic disease, continued disparity in health outcomes, increasing citizen expectations and unsustainable long-term rate of growth of government health expenditure are some of the many challenges facing the health system. However, notwithstanding the existence of a Corporate Plan 2014–17, the department has not engaged with its authorising environment to help develop a high-level strategy to seek to address these and other systemic issues. The department maintains the belief that policy strategy is not sought by stakeholders or the Government. This view is not supported by evidence gathered as part of this review.

Many stakeholders talked to the need for the department to develop a whole-of-system view and the business or commercial acumen to inform a high-level health strategy. In addition, development of an organisational strategy would help unite and mobilise the workforce towards shared goals, identify measures of organisational progress and SES stewardship.

The review team found that a clear strategy with articulated objectives and measures is needed to help guide discrete sections of the department to achieve its overarching vision. A high-level strategy should be developed with government, external stakeholders and employees and be used as a central guide to achieve a unified, cohesive approach that is clearly articulated and aligned across the department.

Such a strategy would also underpin better communication on the rationale for change. Importantly, it would be a tool to understand the interplay between individual programs and policies and how changes to the department's work program will either move it towards or away from its higher level objectives.

Stakeholders believe the department needs to take lead ownership for developing and driving the broader health policy agenda with the objective of a more sustainable, efficient and connected system. This needs to be undertaken in consultation with key external stakeholders, including central agencies, and portfolio bodies. Stakeholder engagement should be actively sought and viewed as a major opportunity for the department to improve efficiency and effectiveness in the health system, particularly given the Government's current agenda and forthcoming White Paper on the Reform of the Federation. The White Paper has the potential for significant change and opportunity for the department, its future role and business model.

#### *Transformative policy for the health system*

The department has shown evidence of a strong ability to implement organisational change in response to external pressures, and a determination to deliver on the agenda of the Government of the day. However, a number of external stakeholders believe the department has the opportunity to more proactively lead the health policy agenda. Many stakeholders suggest that a deeper understanding of the broader health system is required to help the department influence policy direction and develop better policy options.

There is strong external perception that the department is reluctant to consider new or changed policy direction. A focus on maintaining the status quo and lack of agility in resource allocation has resulted in the department undertaking incremental change rather than looking for and evaluating fresh approaches. External stakeholders believe the department has largely retained similar policies and programs for an extended period and their view is that there may be a diminishing return on investment from some of these interventions.

The opportunity exists for the department to put forward broad-reaching, creative policy ideas with the aim of improving high-level outcomes.

#### *Responsive and strategic flexibility to work with Government*


The department is known for its commitment to build effective relationships with ministers' offices and many employees stated good relations exist with ministerial advisers. Relationships with ministers are generally undertaken at senior levels (First Assistant Secretary level and above) within the department. Further development of systems and relations that ensure timely and frank advice and discussion will assist the department to perform its stewardship role as a trusted advisor.

Some employees reported limited opportunity for interaction with ministers and their staff. This often meant they were not able to understand the full context for requests or

demonstrate sufficient flexibility and responsiveness to the Government's agenda. The recently developed Corporate Plan 2014–17 is largely a revision of the previous plan and not seen by some stakeholders to reflect the change in Government and subsequent change in policy priorities.

Some stakeholders perceive that the department does not always seek to engage with ministers on difficult or ambitious policy matters and there is a sense that the department is assuming ministers' appetite for strategy rather than soliciting it directly. The department has the opportunity to be more proactive in its advice and provide a range of options, including alternate policy options in line with the Government's agenda, rather than waiting for direction.

### Evidence-based choices

Guidance Questions		<ol style="list-style-type: none"> <li>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?</li> <li>2 Does the organisation ensure that vision and strategy are informed by sound use of timely evidence and analysis?</li> <li>3 Does the organisation identify future trends, plan for them and choose among the range of options available?</li> <li>4 Does the organisation evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process?</li> </ol>
Rating		Well placed

The department has considerable potential to leverage its own data and the evidence of other stakeholders and agencies in building and refining policy. The review team found that employees place high personal value on the use of evidence to support decision making.

### *Evidence-based choice at the program and policy levels*

Overwhelmingly, external stakeholders have highlighted that the department is leading and influencing the international health and sport agenda through a period of increasing complexity. Employees have expressed personal pride in applied research work they see as 'world-leading', such as melanoma treatment, the introduction of immunisation against Human Papillomavirus for girls and boys, and integrity in sport policies. There are also positive examples of evidence-based decision making in health-related communication campaigns, developed on the basis of market research and guided by stakeholders and subject matter experts. In addition, the Medical Benefits Scheme and Pharmaceutical Benefits Scheme processes for listing medicines and medical services are recognised internally as strong evidence-based processes, though some external stakeholders have raised concerns about the sustainability of these processes. There are pockets of evaluation capability, including the work on plain packaging of tobacco products, particular Indigenous programs and post Grant Services Division establishment.

The department's Strategic Policy Unit provides a system-wide and strategic policy capability focusing on long-term challenges facing the government and health system. Employees across

the department suggest that the unit is not used to its potential, with a primary focus on budget and modelling activity rather than strategy development. The department should do more to position itself on new and emerging issues with a stronger focus on the whole-of-the health system and a strategic policy 'lens' that cuts across multiple stakeholders and time horizons, for example, consideration of broader impacts on health, such as education, employment and housing.

#### *Data management and analysis*

The building of an Enterprise Data Warehouse is expected to ultimately support the storage of health data in a secure environment, where it can be accessed for reporting and research purposes. The objective of the warehouse is to enable shared health information, greater accountability and unprecedented data transparency so future generations of Australians can be confident of a sustainable, nationally unified, locally-controlled health system.


A work in progress, the Enterprise Data Warehouse requires ongoing investment to realise its potential by the department and others, as well as solve data storage and privacy obligations in legislative requirements.

There is an opportunity to underpin strategy development and policy formulation through greater analysis of data, within, across and beyond the APS. Rich repositories of data exist at policy and program levels, particularly in the Pharmaceutical Benefits Scheme and Medical Benefits Scheme. These data sets have the ability to help shape the strategic agenda. It is important to ensure data is available to support policy both within and external to the department and that the department actively seeks data and expertise from outside of the department as it develops its insights.

#### *e-Health*

The Government has indicated it remains committed to an e-Health system that delivers real benefits. It has made a further \$140.6 million available in 2014–15 for the operation of e-Health and the PCEHR system while it considers the recommendations of a review undertaken in May 2014. The review has the potential to influence e-Health system design, implementation schedule, and planning for communication, education and risk management. The department needs to evaluate and measure outcomes relative to original expectations and investments made to date in the PCEHR against a strategic agenda.

## Collaborate and build common purpose

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

The department operates in a highly complex stakeholder environment with numerous, varied and highly influential stakeholders. The department interacts with APS agencies, state and territory jurisdictions, private sector organisations (including industry bodies and individual companies) and non-government organisations across a range of activities. It recognises the importance of stakeholder relationships. Generally, stakeholders describe positive interactions with departmental employees in established relationships. The department has demonstrated numerous positive examples of establishing and leading stakeholder engagement forums.

The department has access to extensive experience and insights into the health sector. Many stakeholders express a desire to work more closely with the department to improve health outcomes. The department should consider how it could better leverage expertise and insights from proactive, coordinated stakeholder engagement for shared outcomes.

The department has a demonstrated capability to co-ordinate a national response as evidenced by a track record in mobilising and working with other agencies and stakeholders on national and international health emergencies and risks.

### *Insular, defensive and the opportunity to be more collaborative*

An increasing number of policy and contextual change pressures will reshape the Australian health landscape as the Government seeks to address strategic issues. The department, which operates in an increasingly complex environment where it cannot have all of the answers, needs to initiate collaboration with various stakeholders to develop shared ownership of solutions.

Some stakeholders described positive relationships with the department noting constructive interactions over complex issues, and, at times, competing agendas. Many stakeholders however, including agencies across the APS and within the portfolio, described the department as insular and defensive.

Some stakeholders also noted that the siloed approach to interactions meant it could be difficult to get a coordinated view on issues that cross departmental divisions without escalating the conversation to senior leaders. They reported that once a matter was escalated it was often resolved quickly and effectively by the Executive.

Stakeholders also indicated it could be difficult to communicate insights back into policy development, for example many grant recipients commented that their relationship with the department was often narrowly focused on contractual arrangements, rather than on policy outcomes.

Engagement with stakeholders by employees below SES level is minimal resulting in the concentration of relationships with individual departmental representatives. Many stakeholders noted that the regular rotation of SES officers is disruptive to relationships. In many cases, changes to SES employees are made without notice to stakeholders and with limited handover to the incoming officer. Stakeholders suggest greater consideration should be given to the time and effort required to ensure continuity of relationships and the best methods for preserving corporate knowledge.

Stakeholders value engagement with the department, but regularly describe it as 'a closed shop'. Within the department, engagement with stakeholders is seen as a risk and elevated to senior ranks. Many employees and external stakeholders suggest concerns over political sensitivities and media scrutiny has resulted in a cultural reluctance to share information or seek stakeholder input as a means to mitigate these risks.

The review team heard that stakeholders often perceive consultation as orchestrated and sometimes perfunctory, often describing engagement being undertaken very late in the process. A well-considered and evidence-based product is often provided during these late engagements, but this method limits stakeholder ability to contribute to or influence the outcome.

Throughout the review, stakeholders stated that they clearly understood that it was not always possible for the department to consult extensively due to time pressures or sensitivities. However, in these circumstances, a clear understanding of the operating environment and stakeholder perspectives meant the department could build upon their ideas even when formal consultation is not possible.

The department has the opportunity to consider its strategic and potential role given the dynamic interplay of responsibilities between the Commonwealth and state and territory jurisdictions in a changing policy and operational environment.

## 4.3 Delivery summary

### Innovative delivery

- The department has a latent capability for innovation, including significant employee appetite.
- Cultural barriers to innovation include risk aversion, elevated decision making, hierarchical silos and an inward focus.
- The department has an opportunity to leverage the knowledge and skills of external stakeholders as a catalyst for innovation.
- The department has recently undertaken formative work to help foster innovation through the establishment of an innovation committee and the appointment of an innovation champion.

### Plan, resource and prioritise

- The department's business plans provide an opportunity for employees to align their performance agreements to their division's direction.
- The department tends to focus on short-term, incremental budgeting and immediate work crowds out longer-term strategic priorities. The current re-basing budget process is an opportunity for a more strategic and flexible resource allocation model.
- The whole leadership team needs to collectively own the process and outcomes of resource allocation decisions, both dollars and people.

### Shared commitment and sound delivery models

- All leaders need to share ownership of, and responsibility for, core management activities and enabling systems.
- Employees and stakeholders describe the department's operations variously as bureaucratic, siloed, inefficient, old-fashioned and complex.
- Senior leadership needs to empower enterprise decision making through revised and integrated governance arrangements and appropriate devolution of authority and accountability.
- There is an urgent, ongoing need to continue investment in the development of secure and contemporary ICT capability.


### Manage performance

- The department reported achievement of 94 per cent of its numerous key performance indicators in its 2012–13 annual report.
- The department constructs its activity around outcomes but tends to measure outputs and there is no direct alignment between these measures and the vision.
- The department has developed a risk framework which commits to the intelligent management of risk, though in practice it is highly risk averse which in itself creates risk blind spots.
- The department needs to develop further its management of organisational performance.

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



Innovative delivery

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

The review team found that the department has latent capability to undertake, and empower its stakeholders to drive, innovation. But, this capability is constrained by significant cultural barriers. The department’s latent capability derives from the desire of employees to deliver world-leading health initiatives and from the breadth and depth of its stakeholder community.

*Appetite for innovation*

Health employees derive a strong sense of satisfaction from applying their expertise to health subject matter, and the potential to be world-leading by implementing innovative policy and programs provides significant intrinsic motivation and pride. When discussing innovation, employees often cited Government-led initiatives such as tobacco plain packaging, and other top-down innovations, such as the introduction of immunisation against Human Papillomavirus for girls and boys, as success stories.

The department has demonstrated that it can change course, when prompted. Business improvement initiatives cited by employees as innovation include the DNA program and the Business Services Centre. Modelled on initiatives undertaken in other APS agencies, these measures were designed to increase departmental efficiency and redistribute employees in response to reducing administrative budgets.

These initiatives have been evaluated. The impact of the DNA change process is being tracked by the Departmental Activity Survey, and is demonstrating positive efficiency outcomes. Similarly, the establishment, process and operations of the Business Services Centre have been internally reviewed to identify opportunities for process improvements.

The department does not have a routine system of evaluation of programs and policies to identify areas of excellence, or for improvement. The review team did not consider that these programs and activities were evidence of a systemic innovative culture and capability within the department, particularly noting their external genesis.

Employee appetite for innovation is demonstrated through responses in the Census—within which 64 per cent of respondents indicated they felt their supervisor supported them to

innovate. This response replicates the APS average of 63.8 per cent. The review team also found a small number of local level innovations in place, including the development of a website to encourage knowledge sharing and best practice among clinicians. While there is significant appetite to undertake innovative approaches, there is significantly less evidence of successful bottom-up innovation.

#### *Cultural barriers to innovation*

The department's extremely risk averse and siloed culture is a significant barrier to innovation. Notwithstanding the efforts of the former secretary and a number of local-level attempts to drive integrated business activities, the department's hierarchical silos are seen by a number of internal and external stakeholders to inhibit sharing of lessons learned and hamper collaboration.

Additionally, highly elevated decision making has the effect of disempowering people and constrains innovation. Some senior employees noted that junior employees would simply not raise ideas in case they proved unsuccessful. This view is supported by the lack of tolerance for making mistakes. The reluctance to identify as having made a mistake also limits the capacity to undertake continuous improvement initiatives.

The review team found that innovative ideas need to appear to have originated outside the department, or be driven by external stakeholders (outside of the department's hierarchy) to gain traction. The department operates in a stakeholder environment which has the potential to yield a wealth of ideas, networks and information that could stimulate innovation within the department and, more broadly, within the health system. Departmental stakeholders have an appetite for more collaboration to drive better health outcomes, but consider that the department is often a 'closed shop'. A number of stakeholders also noted that employees viewed conversations with them as risky, and sought to avoid interactions. There is an opportunity for the department to develop more continuous improvement and innovative approaches by better leveraging the knowledge of its stakeholders.

#### *Innovation structures*


Within the last year the department has established a range of structures in an attempt to foster innovation, including the following:

- departmental Change and Innovation Committee
- Communities of Practice (for example, Finance and Shared Outcomes forums, including on mental health and dementia)
- All Ideas Matter initiative
- Innovation Champion at First Assistant Secretary level.
- There has also been an attempt to recruit employees from outside of the department at senior levels to stimulate innovation.

These initiatives are yet to reach maturity and realise benefits, but they may support innovation if cultural change and a differential risk appetite is achieved.

The department will continue to operate in an environment with constrained resources. Innovation in business systems and practices within this environment has the potential to be highly beneficial—delivering financial efficiencies, better health outcomes, and productive employee engagement. The review team encourages the department to tackle cultural barriers to innovation, and harness and empower employees and stakeholders to drive innovation internally and externally.

**Plan, resource and prioritise**

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

The review team noted that budget pressures across the Commonwealth Government and possible changes to the role of the department following the White Paper on the Reform of the Federation will continue to pressure the department’s resources.

The review team found that the department is not well equipped to adapt to significant resource reductions, and should focus immediately on developing a holistic, transparent and organisation-wide approach to managing resources to meet current and future challenges.

*Results over people*

The department has a strong focus on delivering results. Employees express a sense of pride in the department’s ability to achieve, but acknowledge that delivery of results comes at a cost. The review team found that the department pursues results with little consideration of the impact on its people. There is notable lack of commitment to, and focus on, long-term strategic planning and work activities. Coupled with the reactive and relentless nature of the results focus, this leads the department to pursue ‘urgent’ over ‘important’ work.

*Business planning without agility*

In the absence of an organisational strategy, the department can only deliver activities with reference to its 10 outcomes. This approach does not facilitate comparative weighting of priorities, or strategic deployment of investments and resources to meet current or long-term goals.

The department undertakes an annual business planning process, with individual divisional business plans developed with reference to the Corporate Plan 2014–17. Employees have a good level of awareness of these divisional business plans and the requirement for their performance agreement to be linked to them. This is a positive starting point for developing a clear line of sight from organisational strategy to individual performance.

A clear limitation of the department's business planning process is the absence of treatment strategies for emerging ad hoc work programs which the department regularly undertakes. The department's business planning and allocation process incorporates formal reviews of departmental budget allocations in November and March, however there appears to be limited appetite for 'stopping work', with employees noting that the Executive Leadership Team's rhetoric does not match its actions in this regard.

Additionally, no mechanisms are in place to monitor the impact of compounding work programs. As such, the drive to respond to ad hoc work constitutes an added burden that employees are obliged to carry. Diminished resources, failure to de-prioritise and cease work programs, combined with the department's delivery focus present a significant issue for managers and reduce the capacity of the department to develop or respond to new directions or requirements, including for or from the Government.

Similarly, business plans do not provide appropriate consideration of long-term priorities and require divisions to project only into the next financial year. There is a strong sense that the immediate is crowding out longer-term strategic priorities.

#### *Prioritisation*

The department views itself as mobile and responsive to deliver on the key priorities of the Government. Employees are aware that working to the Government of the day is core to their role as public servants. The review team noted that employees see the department's ability to prioritise and resource work required by Ministers and the senior executive employees—particularly the Secretary—as a strength. While acknowledging that the department acts in response to requests, external stakeholders have a view that the department needs to do more to support and drive Government priorities. There is an opportunity to align better ministerial priorities, business-planning activities and the department's prioritisation of tasks as desired by the Government.

#### *Portfolio, program and project management*

While there are enterprise approaches to activities such as procurement and grants funding, the department does not have consistent systems in place for managing other day-to-day work. For example, while areas of the department have solid project management approaches to implementing policy, such as the Primary Health Networks, there is no single embedded enterprise approach to this work.

The management of grants is an area where efficiencies have been achieved through revision of business process. The establishment of the Grant Services Division has delivered consistent grant management processes and practices. As this change continues to be embedded, there is an opportunity to refine the roles of grants employees, program management and policy employees. This will help build collaboration and communication to enable best-practice delivery of grants and ensure continued feedback from 'on-the-ground' implementation into the policy creation process. It is noteworthy that the Grant Management System, adapted from the Department of Social Services, has been rolled out across other APS agencies.

The department has mixed relationships with portfolio agencies, and there is opportunity for a greater leadership role to build cohesion across the portfolio. While these stakeholders regularly report professional and collegiate officer-to-officer level interactions, the absence of an organisational strategy within the department limits the alignment of these agencies' work programs. The department has the opportunity to work more collaboratively and transparently with its portfolio agencies in delivering tasks so that agencies are confident the department is responding to their views and championing their interests. This may also increase uptake of the department's shared services offerings. There is also an opportunity for greater collaboration across the portfolio through increased sharing of information and data.

#### *Budget allocations*

For a number of years the department's budget has been managed in an incremental 'base-plus-new-measures' approach. This incremental approach to budgeting has not enabled regular, strategic whole-of-department reallocation of funding. Since the 2010 Strategic Review, a similar process has been put in place to drive efficiencies within divisions. This process has continually 'shaved off the top' of annual divisional budgets. The review team found that this approach resulted in divisions doing largely the same amount of work with fewer resources.

The recently initiated re-basing process represents the first significant reconsideration of divisional budgets for some years, complementing the November 2013 departmental restructure and consolidation of grants administration into one division. The review team noted that this process has the potential to be an important circuit breaker, allowing for more strategic deployment of departmental resources, providing the process is consistently applied across divisions.

#### *Financial management*

Two separate functional areas manage finances within the department. The Portfolio Strategies Division is responsible for the external Budget process, including consolidation of the portfolio entities, negotiation of new policy proposals and management of the relationship with the Department of Finance. The Office of the Chief Financial Officer is responsible for internal management of departmental resources through business planning, as well as all reporting of 'actuals' and 'variances to budget', both administered and departmental.

There is some role ambiguity between these two areas, which appears to stem from a lack of role clarity and integrated work processes. This lack of clarity may be driving some of the frustrations of portfolio agencies, which report that the operations of the two sections are opaque, and express concerns that their interests are not being appropriately represented through the Federal Budget process.

At an operational level, a new budget management tool was recently implemented by the Office of the Chief Financial Officer to provide a consistent approach to tracking expenditure of funds across the department. This important tool should boost the ability of divisions to manage their resource allocations.

There is evidence that at times funding is expended without considering all outcomes to be achieved, and/or without appropriate long-term consideration of investments. This practice has led to detrimental impacts on the ongoing management of the department's work program. An example is the procurement of ICT assets and solutions by divisions across the

department over a number of years. This ICT requires ongoing operational funding that was not considered and is now not available. The department is continuing to operate many of these systems with inadequate resourcing support. These assets and solutions present an ongoing risk to the department for which there is no mitigation strategy. In recent years the implementation of better processes has driven a more appropriate enterprise approach to the management of ICT initiatives and this type of ICT procurement is less likely to occur, but the broader practice of expending money without appropriate strategic consideration is ongoing.

### *Resourcing*


The review team found the department's approach to resources focuses on the short-term, providing 'just-in-time' solutions to business requirements. Without an organisational strategy, the department cannot make considered judgements about the relative requirements for people and financial resources across the organisation, and into the future.

Employees across the department regularly reported working at heightened capacity, taking on additional hours daily and on weekends. Responsibility for key priorities is repeatedly allocated to a discrete group of employees across the department. There is evidence that employees are 'spread too thinly' to enable strategic work to take place. This is in spite of recent efforts to redistribute employees to priority areas through initiatives including the Business Services Centre and an internal expression-of-interest process.

Notwithstanding these limitations, the department has demonstrated an ability to marshal stakeholders and resources to respond very efficiently to incidents of national and international health emergencies.

The review team encourages the department to develop a holistic and organisation-wide, flexible resourcing model, which consistently aligns resources with short and long-term strategic priorities. This approach must be owned by all SES, and resource allocations must be transparent to the department, to build broad understanding of the weighting of priorities across the organisation. The review team encourages senior leadership to consider the short and long-term benefits (and costs) to employees affected by these decisions. The department should also consider an 'investment' focus on financial management, in preference to its current short-term resource allocation approach.

### Shared commitment and sound delivery models

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

The review team found that the department lacks an enterprise approach to managing its work program and to interacting with stakeholders and service providers. The department’s systems and structures do not encourage or support employees to work efficiently or collaboratively. Considerable sustained investment is required to build a modern, secure and fit-for-purpose ICT environment to equip the department to deliver current and future work programs.

#### *Policy, program and regulation versus corporate*

Tension exists between the policy, program and regulatory areas and corporate services areas of the department. This has developed over time with corporate areas historically operating with limited ‘professional expertise’ and not valued by other divisions. Notwithstanding the more recent investment in the corporate team’s capability, the review team found a sense that the corporate area is not providing enough support to the broader department. As efficiency measures, such as the centralisation of grants, have generally affected divisions undertaking policy and program work more than the corporate area there is, if anything, heightened tension.

This issue is reinforced by the department’s delivery focus. Leaders are recognised for achievement of business goals, but are not generally encouraged to take responsibility for business-management activities. Financial expenditure management is viewed by some employees to be the business of the Office of the Chief Financial Officer, and elements of people management, strategic workforce planning and performance management are viewed by some employees to be the business of the people and capability branches, rather than a core part of every manager’s role.

There is an opportunity to begin to address this issue by clarifying expectations of service provided by corporate areas, as they are not clearly documented or understood. More importantly, leadership commitment to shared ownership of these matters is essential to driving better organisational outcomes. The development of a more a cohesive and collaborative culture should be led by the department’s senior leaders.

*Pillars rather than tapestries of work*

The review team found that employees value collaborative behaviours and have an appetite to pursue more integrated and shared work programs. However, the department largely operates in hierarchical silos. This hampers collaboration and information sharing. Employees focus on delivery of the work programs assigned to their divisions.

A new organisational structure was introduced as part of the department's November 2013 restructure—with divisions grouped together to form clusters. This initiative aimed to break down silos by grouping divisions with complementary activities or systemic connections. The intent behind this restructure was sound. But, in practice, the divisions grouped together do not always have the requisite alignment in strategic priorities to drive better integration, and cluster groupings have not delivered the desired connectivity. There appears to be a lack of support for and facilitation of this connectivity at senior levels of the department—for example only some clusters encourage SES employees to meet regularly to discuss shared strategic concerns.

*Bureaucratic, old-fashioned and complex processes*

The department has inefficient internal processes, which drive the creation of unnecessary workloads. Departmental work is largely progressed through approval processes in hard copy. The review team found widespread employee frustration at the regularity with which documents repeatedly travel up and down chains of command. There is evidence of documents being rewritten numerous times in response to feedback from SES. It is unclear whether these multiple iterations are driven by frequently changing circumstances, unclear delegation or insufficient capability of the employees preparing initial drafts. Due to the scale of this issue, and the internal work program it generates, provision of clearer guidance at task commencement, appropriate feedback on drafts and up-skilling of junior employees could deliver the department significant efficiencies. In addition, a review of accountabilities and responsibilities to ensure they are at the lowest appropriate level could deliver efficiencies, empower managers and employees and lift morale.

Coordination tasks, such as whole-of-department reporting and/or briefings are regularly not filtered and directed appropriately. This creates unnecessary time pressures and workload burdens on individuals, who must carefully screen all requests to ensure they do not miss an important work task. This issue is driven by work distributed for coordination from Business Management Units (and like functions within divisions). Employees noted that allocation of work by the Parliamentary and Ministerial Services Branch is performed well. There may be efficiencies to be achieved by harnessing the knowledge and processes in this area to better manage broader departmental coordination tasks.

The review team found that stakeholders also experience the department's processes as inflexible and state that the department does not always tailor processes to ensure high-quality outcomes. There are also variable approaches to grants management activities undertaken in different divisions, in spite of the recent centralisation of grants activities. The review team found that the department does not adequately take into account the impact that the negotiation of complex funding agreements close to the end of a previous contract or at the end of a financial year has on recipients/applicants, and at times treats the establishment of funding agreements as an outcome within its own right—as opposed to a driver of outcomes. As the Grants Services Division has been established relatively recently, there is potential for greater consistency to be achieved in these activities once the division reaches organisational maturity.



### *Governance structures*

The department's governance committees include:

- Executive Committee
- Policy Advisory Committee
- Finance, Risk and Security Committee
- People and Capability Committee
- Information, Knowledge and Technology Committee
- Change and Innovation Committee
- Audit Committee.

The review team found that a number of committees had not met regularly, with one committee meeting only once in the past 12 months. The current governance structure is relatively new and has the potential to help support decision making if priorities and accountabilities are clarified and committees are authorised by appropriate delegations.

The Executive Committee—the head departmental decision making body—meets weekly and brings together deputy secretaries, the Chief Medical Officer, the Chief Knowledge and Information Officer and the National Manager of the Therapeutic Goods Administration. The work program for the Executive Meeting largely focuses on the progression of corporate matters, rather than on strategic policy or on broad organisational performance indicators. Although the charters for the lower-level governance committees suggest that they provide advice to the Executive Meeting to inform its decision making, there is opportunity to increase visibility of this process.

Due to the department's risk-averse culture, clearance processes are highly escalated within the senior leadership. This has resulted in an EL cohort with limited practical delegation of responsibility and this lessens senior executive ability to focus on strategic issues. The review team encourages the department's senior leaders to focus more on strategic matters, including managing high-level organisational performance, and to enhance and clarify mechanisms for SES and other employees involvement in enterprise decision making. A review of committee membership, purpose and accountabilities could be used to broaden SES leadership and ownership of the enterprise.

### *ICT support*

ICT support has been a critical organisational capability gap within the department over an extended period.

Recently, there have been efforts to address this capability gap, including by recruiting skilled ICT professionals and investing in new systems, but the department continues to face challenges in developing and appropriate ICT capability.

More than 300 bespoke ICT solutions are operating within divisions across the department. These are being rationalised into and consolidated and consistent range of ICT solutions. Employees noted that the department's SAP system has limited functionality and is not integrated with the FaHCSIA Online Funding Management System, and that the recently implemented TRIM filing system has not yet been fully adopted and so is not enabling effective information sharing across the department. In addition, the review team heard


that the department's employees and other systems need to be adapted to support critical functions that operate around the clock.

The lack of a secure ICT platform is a significant risk to the department and one that compromises the integrity of employees who are forced to undertake 'work-around' activities to manage sensitive information.

Without a substantial, long-term investment and commitment from senior management, the department is likely to continue to struggle to develop an appropriate ICT capability. The department might consider reviewing its ICT business model to ensure an optimal mix of outsourcing and self-provision.

The review team encourages the department to build an enterprise approach to managing its work program, by reforming its business processes and structures. More dynamic, active and transparent governance systems would drive better integration of departmental initiatives, and would empower employees through appropriate delegation of accountabilities. The review team also encourages the department to commit to sustained investment in ICT, which will be essential to support more efficient work practices, and enable contemporary policy and program options which take full advantage of technological advancements into the future.

### Manage performance

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

The review team found that the existing operating environment does not support holistic management of performance. The department focuses on risk—particularly at a local level measuring program performance—and achievement of a large number of KPIs.

#### *Targets measured*

A large number of quantifiable KPIs are identified within the department's Portfolio Budget Statement. Achievement of these key performance indicators, which largely focus on measuring outputs, is documented in the department's annual reports. The department documented that 94 per cent of KPIs were achieved in 2012–13. The department's 2012–13 annual report was recognised as high quality by both the Australasian Reporting Awards and the Institute of Public Administration Australia.

There is evidence of pockets of regular reporting of milestone achievement across the department. The department's measurements are often benchmarked against international data through organisations such as the Organisation for Economic Co-operation and Development. Employees take great pride in delivering quantifiable results, such as the reduction in smoking rates.

#### *Outputs versus outcomes*

Due to the absence of an organisational strategy, it is difficult to link measurement of performance to the department's vision. The review team considers the department's vision to be ambitious, and found there is opportunity to develop clearer links between the vision and day-to-day activities.

Additionally, while the department's culture has a strong focus on the delivery of results, an opportunity exists for it to do more to map measurement of interventions to health outcomes. When discussing this issue, employees noted difficulty in attributing health outcomes to departmental initiatives—given the long-term nature of change in health outcomes and challenges in attributing causality. Additionally, while there is some evidence of cross-portfolio reporting—for example in Indigenous health—there is also opportunity for greater emphasis on this style of reporting for its ability to encourage greater integration of departmental work programs.

The review team also questions the impact of frequent movements at SES level, before a sufficient time has elapsed for these employees to develop ownership and take responsibility for the results they have driven.

The review team encourages the department to link its KPIs to its strategic outcomes and mission, and to align and rationalise the indicators to emphasise greater focus on the achievement of strategic outcomes versus outputs.

#### *Risk aversion*

There is near universal acknowledgement within both employees and stakeholders that the department is extremely risk averse. While awareness of the potential impact of risk in the portfolio is highly appropriate, the review team found that the department's extreme risk aversion limits the potential for innovation and delivery of optimal outcomes. It has also resulted in inefficiency—with slow clearance processes and escalation of routine low-risk work.

The department has an internal narrative of 'no surprises', with reporting of potential issues encouraged. Employees note that risks are escalated and managed through weekly reporting to the Executive Leadership Team and through the weekly Secretary's Meeting. There are mixed views on the value of the Secretary's Meeting. While some employees feel it is important for information sharing, others note that its focus on risk management limits its strategic potential.

A tiered approach to formal risk management is in place, with strategic risks identified at organisational level. These risks have an identified First Assistant Secretary-level risk manager who regularly reports on activities to manage strategic risk to the Executive Meeting.

The new Risk Management Policy and grants management and procurement processes were developed to manage risk at an operational level as part of the DNA changes. These processes aim to apply a fit-for-purpose and scaled approach to risk management. However, while

the Risk Management Policy aims to encourage a 'healthy relationship to risk' in which approaches to risk are 'proportional and relevant to the risk concerned, the review team found that this is not reflected in the department's day-to-day business practices.

#### *Risk blind spots*

The continuous focus on risk at micro-level is in contrast to the department's apparent lack of management of major and ongoing risks—such as the ICT environment and the occupational health and safety of its employees. These risk blind spots are of serious concern, and the review team encourages the department to act immediately to address them.

The close focus on risk management also contrasts with the near absence of regular formal organisational performance reporting and quality assurance measures. The department's Executive Meeting agenda primarily focuses on corporate matters. There was no evidence of regular reporting of organisational performance, for example with a dashboard or other management reporting tool. Some employees have suggested that the department's no-mistakes culture impacts on the validity of the reporting that is in place, with employees reticent to highlight potential failures.

The department has the opportunity to be more open to external views, including external program evaluations. The review team found that the department treats external reviews, such as audits and evaluations, as risks to be managed and controlled. A more open approach to external reviews could be embraced as an opportunity to refine systems and develop best-practice approaches.

The absence of an organisational strategy limits the department's ability to consider its overall performance. The review team considers that the development of an organisational strategy would enable the creation of appropriate whole-of-enterprise reporting systems that, among other things, would highlight the department's achievements and provide an appropriate tool to unearth and manage organisational risks. The review team encourages the department to reconsider its appetite for risk, and to empower its employees to engage in contemporary risk-management activities.

## 5 The department's response



The Department of Health was established in 1921 and has a proud 93 year history of achievements in contributing to Australia's reputation as a world-class health system. I credit this to our people, their ability to develop and implement policy ideas, and deliver outcomes across a broad range of areas in a complex and challenging operating environment.

The Capability Review Report ('the Report') acknowledges that our staff have a sense of pride in the work they do and a commitment to helping improve Australian health outcomes. The senior review team also acknowledges the department's overarching strength of having highly capable and well educated people with a deep subject matter expertise. However, sometimes this is not enough.

The Report provides us an opportunity to take the department forward, build our capability for the future and make the Department of Health the best organisation it can be. The department has already taken important steps to address areas of concern by investing in people, capability development, workforce management tools and related strategies. I recognise that the department has been on a journey of strategic reform and this is enduring as we operate in an environment of constant change and tight fiscal constraints. It is therefore critical that we are ready to respond to the future challenges and opportunities. The need for continuous improvement is recognised and welcomed in the department.

I, with the executive leadership team are united in the need to develop an action plan to respond to the Report's five themes to strengthen our people, leadership, culture, performance, governance and capability. Our people are essential for our success and leadership is one of the key issues for me. If we build strong leadership, we can build the capability of the organisation, build a strong team culture to remain relevant and effective in supporting the Government and all Australians.

I would like to make initial comments on each of the identified themes for capability improvement from the Report:

### Prioritise focus on organisational culture and people leadership

The department acknowledges the importance of continuing to invest and build people capability, especially in leadership. Although the department has made significant progress by investing in people development programs, the ambitious work agenda and an emphasis on delivery has, at times, shifted this focus. For this reason, leadership at all levels, across all areas of the business is a key area for focus.

The executive leadership team and I recognise that we need to strengthen leadership engagement and address unacceptable behaviours. This starts with us and modelling the behaviours we expect of others. We will focus on our core values and desired behaviours so everyone is aware of their obligations and committed to change, especially in relation to how we treat each other. It is vital that we continue to motivate our people by involving them. I am strongly committed to strive for a culture in which people have permission to try new things, to learn and develop their capability. Occasionally we will make mistakes, this is how we will learn.

### Develop a high-level organisational and policy strategy

The department is widely recognised for its ability to deliver the initiatives and reforms required by Government, often in short timeframes. Having said this, in light of a rapidly changing operating environment we recognise that more needs to be done to realign our purpose, not only for our people but our stakeholders. We will be focusing on strengthening our organisational strategy and formulating our future direction.

The department will revise its approach to strategic policy development through a reassessment of the Government's expectations. We will reconsider our policy context with consideration of the impacts of government reform, the overall Australian health system and the needs of all external stakeholders. Defining our strategic intent will ensure all staff are clear on how they contribute and position us to be the "advisor of choice" to Government.

The department will undertake internal reform and invest in policy capability development for staff. A commitment to innovation and engagement with risk will enable greater agility and flexibility in the policy arena.

### Address inadequate governance arrangements and delivery frameworks

A review of existing arrangements is currently underway to ensure the department's governance and delivery systems are aligned and sustainable to face future challenges.

One key area I plan to focus on is to ensure decision making is not centralised and that decisions are being made at the right level. Where they are not, responsibility will be delegated to foster innovation and empower staff in making decisions that are aligned with the organisational strategy. It is critical that we are accountable and transparent in decision making at all levels.

As acknowledged in the Report, the department has commenced work to break down silos. Our focus moving forward is to ensure we work across internal boundaries and limit potential duplication while fully utilising our highly capable workforce. It is recognised that the department needs to simplify processes, streamline internal workflows and engender greater support for planning right across the department.

### Foster a culture that appropriately embraces and manages risks within defined tolerances

As highlighted in the Report there is an ongoing need to address the way we manage and engage with risk while building a culture that shares information and makes decisions at appropriate levels. With continued challenges in our operating environment it is increasingly important for us to further develop clear accountabilities and well defined tolerances and support a culture which is willing to engage with risk in a managed way.

### Lead purposeful engagement and partnership with external stakeholders

Although it was acknowledged in the Report that good relationships exist with a number of stakeholders, the department will need to invest in and develop a stakeholder engagement strategy and delivery model that reflects the value we place on having meaningful and considered engagement with our stakeholders. Further focus in this important area will be aimed at sharing information and fostering strong partnerships to maintain situational awareness of emerging issues requiring policy attention.

### Concluding comments

I welcome the Report as it provides an opportunity to refresh and build a blueprint for the department's future. Significant work has been undertaken already and we have the opportunity to build on this report to further strengthen our capability. The Executive Leadership Team and I fully accept the findings of this Report and are committed to working as a leadership team and in particular are committed to the development of our people.

Our next step will be addressing each of the five key findings through detailed action planning and progressing these as part of our business. The department's action plan is being developed through an inclusive and collaborative process involving staff. I am confident that the department has the commitment and ability to implement organisational change utilising the areas addressed in the Report.

I would like to thank the Australian Public Service Commissioner, Mr Stephen Sedgwick AO, for his dedication to the capability review program. On behalf of the department I would also like to also thank the senior reviewers: Ms Rachel Hunter, Mr Paul Fegan and Mr Nigel Ray for their professionalism and engagement throughout the review.

Finally, I am certain that this review will mean that the department will be a more agile, contemporary and best practice organisation for our stakeholders, our people, the Government and the Australian public. The department will benefit greatly from our involvement in this program.



Martin Bowles PSM  
Secretary  
Department of Health

## 6 Abbreviations and acronyms

<b>Abbreviation or acronym</b>	<b>Description</b>
APS	Australian Public Service
APSC	Australian Public Service Commission
BSC	Business Services Centre
Census	APS Employee Census
CFO	Chief Financial Officer
DAS	Departmental Activity Survey
DNA	Department of Health and Ageing (DoHA) National Alignment
EDW	Enterprise Data Warehouse
EL	Executive Level
Executive Leadership Team	Secretary and deputy secretaries
FAS	First Assistant Secretary (SES Band 2)
FOFMS	FaHCSIA On-line Funds Management System
KPI	key performance indicators
PCEHR	Personally-Controlled e-Health Record
SES	Senior Executive Service









