SERVICE PRIORITY REVIEW

BACKGROUND PAPER

AGENCY CAPABILITY REVIEWS
This background paper was authored by the Service Priority Review secretariat in consultation with, and to inform the work of, the Service Priority Review Panel. Every effort has been taken to ensure accuracy, currency and reliability of the content. The paper is not intended to be a comprehensive overview of the subject nor does it represent the position of the Western Australian Government. Changes in circumstances after the time of publication may impact the quality of the information.

The following background papers are published in full on the Department of the Premier and Cabinet website: www.dpc.wa.gov.au

1. Agency capability reviews
2. Best practice regulation
3. Overview of the budget process
4. Counterproductive rules and processes
5. Digital transformation
6. Engaging with the community
7. Functional leadership
8. Government boards and committees
9. Government trading enterprises
10. Leader performance management and accountability
11. One sector workforce
12. Privacy and information sharing
13. Procurement of goods and services
14. Public sector employment framework
15. Role of the centre
16. Service design and delivery
17. Successful implementation of reform
18. Whole-of-government targets
Introduction

In considering public sector improvement, there is often a focus on workforce capability because services cannot be delivered unless there are people with sufficient skills to devise and implement them. The question of organisational capability – the extent to which public sector agencies have appropriate internal business processes, culture and leadership – is less well interrogated.

This is changing, however. Starting in the United Kingdom civil service in 2005 and spreading to other jurisdictions including New Zealand, Canada and Australia, capability or performance reviews are proving valuable indicators of corporate health and the extent to which agencies are ready and able to deliver on government priorities.

This paper examines how agency capability reviews are structured in other jurisdictions and considers their relevance and applicability to Western Australia.

Background

Why review capability?

Capability directly influences the quality and quantity of services delivered to the community. While the need for performance improvement is well recognised, strategies to support performance improvement are rarely practised at a whole-of-sector or whole-of-agency level. Instead, the focus tends to be on the performance of individuals rather than on the systems, processes and outputs that constitute the combined efforts of individuals.

If the Western Australian public sector is to adapt, evolve and respond to the challenges identified by the Service Priority Review, it will need diagnostic and support tools to guide change and identify focus areas for improvement at organisational and systemic level. Agency capability reviews or performance improvement reviews are proving to be powerful agents for change and a means of driving a culture of continuous improvement within government sectors.

For example, when first introduced in the United Kingdom, capability reviews were a unique approach to assessing organisational capability, and the process was considered to be a catalyst for cultural change to make the civil service “more collaborative, dynamic, customer focused and innovative”.

These themes are central to the objectives of the Service Priority Review and the use of capability assessment to assist in facilitating change in the WA context is worthy of further consideration.

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**What is a Capability or Performance Assessment?**

While methodology may differ from jurisdiction to jurisdiction, the fundamental intent of capability reviews is to assess systematically the organisational capabilities of individual departments and to publish results that can be compared across departments. In response to weaknesses identified in its review, each department must draw up and follow an action plan to ensure that it can meet the challenges to its current and future delivery. ² The method of inquiry is qualitative, using a combination of desktop analysis, one-on-one interviews, and focus groups, and is usually run by an independent review panel.

The reviews are not an audit, however. They are not intended to record or measure compliance with particular frameworks or process requirements. It is not a report card and agencies do not receive accreditation or certification for participating.

Unlike the retrospective or issue-specific compliance-based audits conducted by the Western Australian Office of the Auditor General, capability reviews consider the current state of an agency and how well placed it is to deal with the issues that confront it in the near- to medium-term future. They also include a response from the agency that proposes areas where it will do the most work to make itself fit for purpose and fit for the future.³ They link to the notion of stewardship and give leaders an insight into how well positioned their organisation is to deliver on outcomes for the community and to contribute to the development of the public sector overall.

The body of knowledge and data amassed through multiple reviews across a range of agencies can be a rich repository from which to draw on to develop new solutions to common problems, or to share experiences and strategies with others. Central agencies can use this information to develop support strategies and plan for future sector capability needs.

**Jurisdictional analysis**

**United Kingdom**

In the United Kingdom, capability reviews were instigated by Gus O’Donnell, then-Cabinet Secretary and head of the Home Civil Service, as a means of assessing how readily agencies were positioned to meet current and future challenges. Specifically, the reviews were designed to:

- improve the capability of the civil service to meet contemporary delivery objectives and be ready for future challenges
- assure the public and ministers that the civil service leadership was equipped to develop and deliver departmental strategies
- help departments to act on long-term key development areas and therefore provide assurance on future delivery.⁴

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The framework was refreshed in 2009 to focus more on delivery, to increase the relevance of the process to the changing economic environment, to put greater emphasis on the need for departments to develop strategies and policies through collaboration with partners – both in central government and beyond – and to engage with citizens and stakeholders at the earliest stages of strategy development.

The first two phases of reviews were conducted by independent reviewers and comprised 40 questions (see Appendix 1) spanning three areas of investigation: Leadership, Strategy and Delivery. The model underpinning the review process is shown at Figure 1 below. The results of each review were published and follow-up stocktakes of progress made at three, six and 12 months.

![Figure 1: UK 2009 Capability Model](5)

A 2009 assessment of the program by the National Audit Office found that departments were not yet able to demonstrate whether the actions taken in response to capability reviews had affected outcomes. However, the NAO found that:

- capability reviews had indicated gaps in the civil service’s corporate and collaborative leadership, but had also been a catalyst for strengthening the civil service’s corporate capability
- in July 2008 and December 2008, the Cabinet Office reported the outcome of its second-round reviews of six departments from the first and second tranches of reviews and all received improved ratings against the Cabinet Office criteria
- the changes these departments had made since 2006 led the reviews to conclude that serious capability weaknesses had been eliminated: none now had an element of capability assessed as a ‘serious concern’ and only one of these six departments had one element assessed as an ‘urgent development area’. 6

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Following a change in government in 2010, the UK capability reviews were replaced in 2013 with Departmental Improvement Plans (DIPs) which assess agency status with respect to:

- performance (on progress and outcomes, including the ability to provide and use rigorous and accurate management information)
- efficiency and innovation
- capability (taking forward the capability assessment of the current reviews)
- strategic risk and leadership of change.

The principles underpinning the program are:

- a strong link to departmental operational/business plans
- ownership by departmental boards making strong use of non-executive directors and peer review to provide challenge and build a strong corporate understanding of best practice
- flexible and tailored to meet departmental needs, but with core common elements
- regular enough to be meaningful, so that progress can be seen and tracked and with a focus on driving continuous improvement.  

Crucially, the DIP process is owned and run by agencies themselves, unlike the capability reviews process which was driven by independent assessors. As the Institute for Government notes “the difficulty is that, without any external review against comparable measures of performance or capability across departments, there is no way of being sure how robust DIPs are”.  

New Zealand

New Zealand introduced its Performance Improvement Framework (PIF) in 2011, with subsequent refinements implemented over time.

Building on the UK experience with capability reviews, the PIF is a joint initiative of the State Services Commission, Treasury and the Department of the Prime Minister and Cabinet. The PIF is underpinned by 30 key questions (see Appendix 2) and the starting point is for an agency to ask itself: “what is the contribution New Zealand needs from this agency (or sector or system) in the medium term?” The key questions then focus on various aspects of agency performance including responsiveness to government priorities, leadership and direction, delivery for customers, relationships and people development.

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The review identifies critical gaps and opportunities between the current and desirable future capability and performance (the performance challenge). These are articulated in a summary of the findings around priority areas for performance improvement. This is termed the Four-year Excellence Horizon.

Performance reviews are undertaken by independent Lead Reviewers and the results are published. Follow-up reviews provide the opportunity for targeted assessment of progress against the Four-year Excellence Horizon by one or both of the Lead Reviewers, 12-18 months after a PIF review. Agencies may also choose to undertake a PIF by self-assessment to inform a formal review or to use as a foundation for business planning.

Figure 2: New Zealand Performance Improvement Framework

Having been originally introduced as a diagnostic tool, the PIF is now viewed as “a process designed specifically for the New Zealand state services to ensure chief executives and senior leaders have well-developed views on the most important issues facing New Zealand, what it will take for their particular agency or sector to address those issues, and the role each agency and sector can and should play”.11

10 Source: http://www.ssc.govt.nz/pif-framework
The State Services Commission has clear views on the value of the PIF process, noting that:

The PIF has raised the bar on expectations across the State services, has aided transparency, stretched the thinking of senior leaders across government and helped foster greater collaboration on outcomes for New Zealanders. Senior ministers have commented that the program is one of the best things the public service has done to itself, and it has grown to be internationally regarded as a very useful way to build a spirit of continuous performance improvement in government agencies and drive delivery of improved results for customers.

PIF inspires leaders in the State services to be the best they can be. By using the framework both in formal agency reviews and to assess their own agency performance in internal self-reviews, senior leaders can show that they are working to improve how they deliver services to their customers and that they are open and transparent about how well they are tracking toward achieving their long-term aims. 12

Canada

The Management Accountability Framework (MAF) is a framework for management excellence, accompanied by an annual assessment of management practices and performance in most departments and agencies of the Government of Canada. The MAF is used by the Treasury Board of Canada Secretariat to help ensure that federal departments and agencies are well managed, accountable and that resources are allocated to achieve results.13

Annual rounds of assessment were introduced in 200314 and assessments provide individual organisations with observations on where performance meets expectations on the specific performance indicators that are reviewed, and where there may be opportunities to improve.

Figure 3: Canadian Management Accountability Framework15

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The objectives of the MAF are:

- to inform the Treasury Board of Canada Secretariat about the state of policy implementation and practices
- to support the management accountability of deputy ministers and heads of agencies by providing information about their organisations’ management capacity
- to communicate and track progress on government-wide management priorities
- to obtain an organisational and government-wide view of the state of management practices and performance in order to identify areas of management strength and any areas that require attention
- to continuously improve management capabilities, effectiveness and efficiency government-wide.

The MAF assessment process sets out the expectations of public sector managers and deputy heads in specific Areas of Management (AoM) and measures organisational performance against these expectations. Each AoM represents a key internal business function that is critical to a strong performing organisation.

There are seven AoM, identified as either core or department-specific.

The core AoM are considered central to good management. All organisations participating in the MAF assessment are assessed annually on the core management areas:

- Financial Management
- Information Management and Information Technology Management
- Management of Integrated Risk, Planning and Performance
- People Management.

In addition, select organisations are assessed annually on one or more of the department-specific management areas, when there is a strong alignment between a department or agency’s operations and the AoM:

- Management of Acquired Services and Assets
- Security Management
- Service Management.16

Deputy heads and departmental managers use the MAF assessments to understand the management capacity that exists in their organisations and to identify the areas that may require attention so they can implement any necessary changes.

The assessments also give deputy heads information to benchmark their organisations’ performance against performance government-wide and to facilitate the sharing of leading management practices across departments and agencies.

The Treasury Board of Canada Secretariat uses the MAF results to gain a broad perspective on the state of management practices and challenges in the Federal Government and to monitor policy compliance and implementation across government. It also uses the MAF results to track progress on government-wide management priorities and transformation initiatives.\textsuperscript{17}


\textit{Australian Public Service}

Recommendation 8.1 of the March 2010 report \textit{Ahead of the Game – Blueprint for the Reform of Australian Government Administration} called for the introduction of capability reviews. Specifically, the reviews were to take place at least every five years and the process, to be managed by the Australian Public Service Commission (APSC), would entail:

\begin{itemize}
  \item small review teams led by an eminent external reviewer, and comprising senior officials from the Department of the Prime Minister and Cabinet, the Department of Finance and Deregulation, the APSC and other agencies as appropriate
  \item a consistent review methodology developed by the APSC, drawing on experience from the UK, Canada, New Zealand and the ‘P3M3’ methodology (program, portfolio and project management maturity model)
  \item consideration of the value of relationship audits to assess how effectively agencies manage internal and external relationships in order to drive better organisational performance
  \item review reports being provided to the portfolio secretary concerned, the agency head where applicable, the APS commissioner, the secretaries of central agencies and the relevant minister/s.\textsuperscript{18}
\end{itemize}

Capability reviews were introduced in 2011 and have the following objectives:

\begin{itemize}
  \item \textit{Agency Capability Assessment} – conducting independent reviews of key agencies to assess their ability to meet the Australian Government’s objectives and future challenges
  \item \textit{Agency Capability Improvement} – working with individual agencies to ensure that the findings of reviews are translated into explicit capability improvements over time
  \item \textit{APS-wide Capability Building} – developing a view of capability across the APS and using this to realise solutions for systemic challenges.\textsuperscript{19}
\end{itemize}

\textsuperscript{17} Ibid.
The model used for capability reviews is similar to that used by the UK in 2012 and is depicted in Figure 4. It creates a common framework and language within and across agencies, supporting a collaborative approach to identifying and implementing solutions to improve capability. The review comprises 40 questions spanning the 10 capability focus areas.

Reviews are conducted in partnership with agencies and provide an independent evidence base for further targeted change. Following reviews, agencies develop and implement action plans to raise capability, with a smaller follow-up review undertaken by the APSC to identify where an agency has improved its organisational effectiveness.

**Figure 4: Australian Public Service Capability Review Framework**

Each capability review is led by three independent experts with extensive public and private sector experience – two external to the APS and one serving SES Band 3 Officer seconded from another agency. The review teams work closely with senior agency executives on the capability review, the findings of which are set out in a report delivered to the agency head and the APS commissioner and are subsequently made available via the APSC web site. The senior reviewers are supported throughout the review process by a small team of APSC officers and a secondee from the agency being reviewed.

Senior reviewers have highlighted the value being delivered by the program. The review process is also providing valuable development opportunities for employees within agencies and for APS executives within the senior review teams.

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Specific benefits of reviews noted by agencies include:

- senior reviewers able to share their extensive experience, expertise and observation throughout the process
- fresh and helpful insights from within agencies and external stakeholders
- an engagement process that some saw as valuable in itself (for example, it was not just about the final report)
- opportunity to put organisational reforms already in place under an independent, external lens and integrate these perspectives with continuous reform efforts.21

Options for reform and implementation considerations

Capability reviews are a powerful tool to assist leaders to determine where they may need to focus their efforts to achieve desired outcomes. There is a strong argument that their introduction into the WA public sector would provide a valuable diagnostic and reporting tool to measure public sector agencies’ progress towards and capacity to deliver cultural change and deliver better outcomes.

A collaborative approach to service delivery and design will require a different approach to leadership at agency level. Cultural change and reduction of risk aversion will be very much driven by leadership behaviour within individual agencies. While the centre of government can lead and encourage, success ultimately rests with those charged with designing and delivering services. It is crucial that agencies are fit for purpose in terms of having the right culture, strategy, people and leadership if improved services and outcomes are to be realised.

Agency capability or performance reviews can assist agencies to think about current and medium term priorities, and identify gaps and opportunities to address them. While the UK model is the genesis for most review models, the New Zealand PIF model is probably the most developed and mature methodology currently in operation and should be more closely evaluated for use in WA. The final model should be developed with participation from leaders across the sector to ensure that there is acceptance and support for it, rather than its being seen as something being imposed without consultation.

The New Zealand experience suggests that their PIF reviews are particularly effective at the commencement of a new agency head’s appointment, as they provide a baseline set of data against which current agency capability can be assessed and priority areas for improvement identified. However, the reviews would be beneficial at any point in an agency’s operational cycle and provide the agency head and senior management with valuable insights into key aspects of organisational performance.

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The reviews should be conducted by independent reviewers, preferably with extensive experience at a senior level in public sector management across a diversity of environments and services. They could be former senior public servants from WA or other jurisdictions, supported by members of the senior executive service with appropriate skills and a desire to contribute to public sector improvement.

Capability reviews should apply broadly across the government sector with participation by departments, statutory authorities and others as appropriate.

The review process could be run by the Public Sector Commission (PSC) as the objectives are consistent with the principles of public administration and management under section 7 of the *Public Sector Management Act 1994* (the PSM Act) which states

(e) public sector bodies should have as their goal a continued improvement in the efficiency and effectiveness of their performance and should be administered with that goal always in view.

Additionally, section 21A of the PSM Act states that the functions of the Commissioner include:

(a) to promote the overall efficiency and effectiveness of the public sector, having regard to the principles set out in section 7.

Under the current construct of the PSM Act, the Public Sector Commissioner has no authority to instigate a review of an independent statutory authority. Section 24B (1) of the Act enables the Commissioner to instigate a review of the functions, management or operations of one or more public sector bodies (department, SES and non-SES organisations). The Minister for Public Sector Management can also direct the Commissioner to instigate a review of these public sector bodies (s.24B (2)). The PSM Act does not currently extend this power to an investigation of independent statutory authorities.

Having regard for the importance of optimal operation of the centre of government, as noted in a companion background paper, there may be value in the PSC being the first agency to undergo a capability review, with the program then rolled out across a mix of central and line agencies.

With this in mind, and having regard for the PSC’s broader public sector reform responsibilities, it may be preferable for DPC to develop and implement the program initially with a view to transitioning responsibility to the PSC over time.
References


Appendix 1 – United Kingdom Capability Review Questions

1. Leadership

L1 Set direction
- Do you have and communicate a clear, compelling and coherent vision for the future of the organisation?
- Does the Board work effectively in a corporate culture of teamwork, including working across internal boundaries and making effective use of non-executive directors?
- Does the Board take tough decisions, see them through and show commitment to continuous improvement of delivery outcomes?
- Does the Board lead and manage change effectively, addressing and overcoming resistance when it occurs?

L2 Ignite passion, pace and drive
- Do you create and sustain a unifying culture and set of values and behaviours which promote energy, enthusiasm and pride in the organisation and its vision?
- Are the leadership visible, outward looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?
- Do you display integrity, confidence and self-awareness in your engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?
- Do you display passion about achieving ambitious results for customers, focussing on impact and outcomes, celebrating achievement and challenging the organisation to improve?

L3 Develop people
- Do you have people with the right skills and leadership across the organisation to deliver your vision and strategy? Do you demonstrate commitment to diversity and equality?
- Do you manage individuals’ performance transparently and consistently, rewarding good performance and tackling poor performance? Are individuals’ performance objectives aligned with those of the organisation?
- Do you 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 posts?
- Do you plan to fill key capability gaps in the organisation and in the delivery system?

2. Strategy

S1 Set strategy and focus on outcomes
- Do you have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and success measures?
- Is your strategy clear what success looks like and focused on improving the overall quality of life for customers and benefiting the nation?
- Do you keep the strategy up to date, seizing opportunities when circumstances change?
- How do you work with your political leadership to develop strategy and ensure appropriate trade-offs between priority outcomes?

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S2 Base choices on evidence and customer insight

- Are your policies and programmes customer focused and developed with customer involvement and insight from the earliest stages? Do you understand and respond to your customers’ needs and opinions?
- Do you ensure that your vision and strategy are informed by sound use of timely evidence and analysis?
- Do you identify future trends, plan for them and choose among the range of options available?
- Do you evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process?

S3 Collaborate and build common purpose

- Do you work with others in government and beyond to develop strategy and policy collectively to addresses cross-cutting issues?
- Do you involve partners and stakeholders from the earliest stages of policy development and learn from their experience?
- Do you ensure your department’s strategies and policies are consistent with those of other departments?
- Do you develop and generate common ownership of the strategy with your political leadership, the board, the organisation, delivery partners and customers?

3. Delivery

D1 Innovate and improve delivery

- Do you have the structures, people capacity and enabling systems required to support appropriate innovation and manage it effectively?
- Do leaders empower and incentivise the organisation and its partners to innovate and learn from each other, and the front line, to improve delivery?
- Is innovation explicitly linked to core business, underpinned by a coherent innovation strategy and an effective approach towards risk management?
- Do you evaluate the success and added value of innovation, using the results to make resource prioritisation decisions and inform future innovation?

D2 Plan, resource and prioritise

- Do your business planning processes effectively prioritise and sequence deliverables to focus on delivery of your strategic outcomes, and do you make tough decisions on trade-offs between priority outcomes when appropriate?
- Are your delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of your strategic outcomes?
- Do you maintain effective control of the organisation’s resources? Do your delivery plans include key drivers of cost, with financial implications clearly considered and suitable levels of financial flexibility within the organisation?
- Are your delivery plans and programmes effectively managed and regularly reviewed?
D3 Develop clear roles, responsibilities and delivery models

- Do you have clear and well understood delivery models which will deliver your strategic outcomes across boundaries?
- Do you identify and agree roles, responsibilities and accountabilities for delivery within those models including among arm’s length bodies? Are these well understood and supported by appropriate rewards, incentives and governance arrangements?
- Do you engage, align and enthuse partners in other departments and across the delivery model to work together to deliver? Is there shared commitment among them to remove obstacles to effective joint working?
- Do you ensure the effectiveness and efficiency of your delivery agents?

D4 Manage performance and value for money

- Are you delivering against targets to ensure the achievement of outcomes set out in your strategy and business plans?
- Does the need to ensure efficiency and value for money underpin everything that you do?
- Do you drive performance and strive for excellence across the organisation and delivery system in pursuit of your strategic outcomes?
- Do you 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? Do you take action when you are not meeting (or are not on target to meet) all of your key delivery objectives?
### Appendix 2 – New Zealand Performance Improvement Framework Questions

#### Results

<table>
<thead>
<tr>
<th>Critical area</th>
<th>Lead Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Priorities</td>
<td>1. How well is the agency responding to Government Priorities?</td>
</tr>
<tr>
<td>Core Business</td>
<td>2. In each Core Business area, how well does the agency deliver value to its customers and New Zealanders?</td>
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<tr>
<td></td>
<td>3. In each Core Business area, how well does the agency demonstrate increased value over time?</td>
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<td></td>
<td>4. How well does the agency exercise its stewardship role over regulation?</td>
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#### Organisational Management

<table>
<thead>
<tr>
<th>Critical area</th>
<th>Element</th>
<th>Lead Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership and Direction</td>
<td>Purpose, Vision and Strategy</td>
<td>5. How well do the staff and stakeholders understand the agency’s Purpose, Vision and Strategy?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?</td>
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<tr>
<td>Leadership and Governance</td>
<td>Leadership and Governance</td>
<td>7. How well does the senior team provide collective leadership and direction to the agency and how well does it implement change?</td>
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<tr>
<td></td>
<td></td>
<td>8. How effectively does the Board lead the Crown entity? (For Crown entities only)</td>
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<tr>
<td>Values, Behaviour and Culture</td>
<td>Values, Behaviour and Culture</td>
<td>9. How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?</td>
</tr>
<tr>
<td>Review</td>
<td></td>
<td>10. How well does the agency encourage and use evaluative activity?</td>
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<table>
<thead>
<tr>
<th>Critical area</th>
<th>Element</th>
<th>Lead Questions</th>
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</table>
| **Delivery for Customers and New Zealanders** | Customers                         | 11. How well does the agency understand who its customers are and their short- and longer-term needs and impact?  
12. How clear is the agency's value proposition (the 'what')?                          |
|                                  | Operating Model                   | 13. How well does the agency's operating model (the 'how') support delivery of Government Priorities and Core Business?  
14. How well does the agency evaluate service delivery options?                          |
|                                  | Collaboration and Partnerships    | 15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers?  
16. How well do the agency and its strategic partners integrate services to deliver value to customers? |
|                                  | Experiences of the Public         | 17. How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences? How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly? |
| **Relationships**                | Engagement with Ministers         | 18. How well does the agency provide advice and services to Ministers?                                                                                                                                            |
|                                  | Sector Contribution               | 19. How effectively does the agency contribute to improvements in public sector performance?                                                                                                                   |
| **People Development**           | Leadership and Workforce Development | 20. How well does the agency develop its workforce (including its leadership)?  
21. How well does the agency anticipate and respond to future capacity and capability requirements?                                            |
|                                  | Management of People Performance  | 22. How well does the agency encourage high performance and continuous improvement among its workforce?  
23. How well does the agency deal with poor or inadequate performance?                    |
|                                  | Engagement with Staff             | 24. How well does the agency manage its employee relations?  
25. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?                                                |
<table>
<thead>
<tr>
<th>Critical area</th>
<th>Element</th>
<th>Lead Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial and Resource Management</td>
<td>Asset Management</td>
<td>26. How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?</td>
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<tr>
<td></td>
<td>Information Management</td>
<td>27. How well does the agency manage and use information as a strategic asset?</td>
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<td></td>
<td>Financial Management</td>
<td>28. How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?</td>
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<tr>
<td></td>
<td>Risk Management</td>
<td>29. How well does the agency identify and manage agency and Crown risk?</td>
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Appendix 3 – Australian Public Sector Capability Review Questions

Set Direction

1. Is there a clear, compelling and coherent vision for the future of the organisation? Is this communicated to the whole organisation on a regular basis?
2. Does the leadership work effectively in a culture of teamwork, including working across internal boundaries, seeking out internal expertise, skills and experience?
3. Does the leadership take tough decisions, see these through and show commitment to continuous improvement of delivery outcomes?
4. Does the leadership lead and manage change effectively, addressing and overcoming resistance when it occurs?

Motivate People

5. 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?
6. Are the leadership visible, outward-looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?
7. Does the leadership display integrity, confidence and self-awareness in its engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?
8. 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?

Develop People

9. 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?
10. 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?
11. 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?
12. How do you plan to fill key capability gaps in the organisation and in the delivery system?

Outcome-Focused Strategy

13. Does the organisation have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and measures of success?
14. Is the strategy clear about what success looks like and focused on improving the overall quality of life for customers and benefiting the nation?
15. Is the strategy kept up to date, seizing opportunities when circumstances change?

16. Does the organisation work with political leadership to develop strategy and ensure appropriate trade-offs between priority outcomes?

**Evidence-based Choices**

17. 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?

18. Does the organisation ensure that vision and strategy are informed by sound use of timely evidence and analysis?

19. Does the organisation identify future trends, plan for them and choose among the range of options available?

20. Does the organisation evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process?

**Collaborate and Build Common Purpose**

21. Does the organisation work with others in government and beyond to develop strategy and policy collectively to address cross-cutting issues?

22. Does the organisation involve partners and stakeholders from the earliest stages of policy development and learn from their experience?

23. Does the organisation ensure the agency’s strategies and policies are consistent with those of other agencies?

24. Does the organisation develop and generate common ownership of the strategy with political leadership, delivery partners and citizens?

**Innovative Delivery**

25. Does the organisation have the structures, people capacity and enabling systems required to support appropriate innovation and manage it effectively?

26. 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?

27. Is innovation explicitly linked to core business, underpinned by a coherent innovation strategy and an effective approach towards risk management?

28. Does the organisation evaluate the success and added value of innovation, using the results to make resource prioritisation decisions and inform future innovation?

**Plan, Resource and Prioritise**

29. 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?

30. Are delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of the strategic outcomes?
31. 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?
32. Are delivery plans and programs effectively managed and regularly reviewed?

**Shared Commitment and Sound Delivery Models**

33. Does the organisation have clear and well understood delivery models which will deliver the agency’s strategic outcomes across boundaries?
34. 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?
35. 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?
36. Does the organisation ensure the effectiveness of delivery agents?

**Manage Performance**

37. Is the organisation delivering against performance targets to ensure achievement of outcomes set out in the strategy and business plans?
38. Does the organisation drive performance and strive for excellence across the organisation and delivery system in pursuit of strategic outcomes?
39. 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?
40. Does the organisation take action when not meeting (or not on target to meet) all of its key delivery objectives?