



Public Sector
Commission

Agency Capability Department of Finance

Executive Summary



March 2023

Introduction

A review of the Department of Finance under the trial of the [Agency Capability Review Program](#) was carried out from July 2022 to January 2023.

The agency is responsible for driving whole of government policy, influencing strategy and providing services to other government agencies. With a blend of setting strategic policy and supporting operational service delivery, the agency plays a pivotal role in enabling the government to achieve better outcomes for Western Australia.

The agency continues to play a key role in implementing the WA Recovery Plan. Over \$1 billion worth of projects are underway. In addition to stimulus projects, the agency is responsible for delivering 146 infrastructure projects worth \$865 million committed to by the government during the 2021 election.

To deliver effectively on these, the agency needs to ensure it has the capacity and capability to deliver services and provide strong leadership, including strategic policy advice to government. Maintaining a clear and deliberate focus on managing the delivery of infrastructure must be a priority.

The agency's corporate executive is committed to achieving these priorities. Its investment in leadership and staff engagement is strong and this augurs well for the future development of the agency.

About the Agency Capability Review Program

The Agency Capability Review Program takes a comprehensive, whole of sector approach to improvement. It sets standards based on a clear understanding of what constitutes a high performing public sector agency in Western Australia.

The program is being trialled over 2 years (2021-22 and 2022-23) in 8 government agencies. This review is one of 3 undertaken at the same time.

Reviews provide valuable insight into how agencies can improve and deliver the quality of services expected of them. The reviews also contribute to the development and improvement of the sector as a whole.

Reviews are conducted by independent lead reviewers with public administration expertise and experience. They are supported by senior executives from the government sector who are co-opted for each review as well as the Agency Capability Review team at the Public Sector Commission.

Each review is conducted against a standardised [Agency Capability Framework](#) of the 5 most significant areas of public sector management and administration. The framework is relevant and applicable to all agencies regardless of their remit, purpose, functions and services.

The framework supports agencies to ask 4 key questions:

- What are we meant to achieve?
- How well are we currently doing it?
- How do we know?
- Where can we do better?

Agency background

The agency was established on 1 July 2011 when the functions of the previous Department of Treasury and Finance were split into the present Department of Treasury and Department of Finance. Following machinery of government changes in 2017, the agency assumed responsibility for managing strategic projects (high value infrastructure projects) excluding asset sales, leading the delivery of building and management services, and strengthened its focus on government procurement reform.¹

The agency is now recognised as one of 4 central government agencies alongside the Public Sector Commission, Department of Treasury, and Department of the Premier and Cabinet.

The agency is responsible for delivering more than 300 services in 5 core areas:

1. **Advise:** Provides strategic advice across government on reform projects, project and asset management, procurement and policy.
2. **Build:** Plans, delivers and manages fit for purpose solutions for major community infrastructure projects and government office accommodation.
3. **Buy:** Leads procurement and leverages strong buying power to secure products and services for government, achieving value for money for WA.
4. **Collect:** Collects revenue to fund government services and administers payment of grants and subsidies to the WA community.
5. **Deliver:** Facilitates delivery of corporate services, using insights and leading technologies to continuously innovate and improve.

At 30 September 2022, the agency had 1,124 staff and an annual budget of approximately \$1.767 billion.²

Future operating environment

Some of the future challenges the agency is likely to meet are provided below.

Leadership and workforce challenges

- Providing central leadership in strategic asset management including improving asset management maturity across the sector and setting long term goals for asset maintenance.
- Setting standards and expectations for line agencies on their responsibilities to comply with government policies.
- Providing strong leadership of ServiceWA and considering options for whole of government service delivery reform.
- Attracting and retaining expertise and specialist skills in procurement, project management, asset management and ICT.
- Building capability in procurement, project management and asset management across the sector.

¹ WA Government Media Statement, '[Public Sector Renewal](#)', 2017.

² 2022-23 Budget Statements, [Budget Paper No. 2 – Volume 1](#), 2022, page 164,

Strategic policy

- Managing the increasing expectations of government to provide strategic policy.
- Using policy levers to achieve the government's social change agenda including the Aboriginal Procurement Policy.
- Applying a strategic approach to government office accommodation and continuing cost reductions while maximising space use including efficient and innovative fit outs, an increase in activity based working and continuing rollout of co-working hubs.
- Managing the state's vehicle fleet with a focus on delivering sustainability.
- Supporting digital transformation and taking a digital first approach to deliver on benefits under the Digital Strategy for the WA Government 2021-25.
- Capturing, sharing, analysing and using data better to develop strategies and maximise savings for government.

Delivery expectations

- Managing an increased number of high value, high priority infrastructure projects and related complex procurement.
- Responding to changes in market supply capacity and environmental challenges requiring a more innovative approach to building design and delivery (for example, modular buildings and new buildings with increased sustainability and a lower carbon footprint).
- Leading and managing recovery builds in response to an expected increase in natural disasters.
- Managing an increased scale of investment in regional WA (for example, transformational projects in energy and carbon capture requiring cross agency collaboration and forward looking strategic planning).
- Extracting better value for money from public sector procurement to contribute to strong and sustainable state finances.

The review process

The review was undertaken by Carmel McGregor PSM as the independent lead reviewer with support from Julie de Jong as senior reviewer co-opted from the Department of Mines, Industry Regulation and Safety, and the Commission's Agency Capability Review team.

Ms McGregor is an Adjunct Professor at the University of Canberra. She is a Fellow of the Australian Institute of Management, Fellow of the Australian Human Resources Institute, National Fellow of the Institute of Public Administration Australia, Director of the Australian Human Resources Institute, member of the Australian Institute of Training and Development, and member of the Australian Institute of Company Directors.

From March 2012, Ms McGregor was Deputy Secretary with the Department of Defence until her retirement from the public service in 2014. Previous roles include Australian Public Service Deputy Commissioner and member of the Prime Minister's Advisory Group on Reform of Australian Government Administration.

The review looked at all 21 capabilities and identified 3 lines of inquiry for in-depth investigation. This involved further engagement and investigation with the agency, and research into how practices might be improved or capability gaps addressed.

The review also identified strengths that the agency and sector can build on and share.

The review involved 6 months of investigation and research, collecting information from the following:

- a comprehensive review of a large number of published and unpublished documents
- over 40 external stakeholder meetings and workshops and submissions from groups
- a dedicated online workshop with staff representing all of the agency's regional offices
- a self assessment by corporate executive against the Agency Capability Framework
- 2 half day corporate executive workshops and several briefings and meetings with the Director General and executive team
- individual interviews with each corporate executive member
- a comprehensive capability questionnaire gauging staff perceptions of the agency's capabilities
- a 'Have Your Say' challenge inviting staff to share what the agency does well, what can be improved and ideas for improvement.

What the review found

- On the whole, this is a well performing agency that is leading key sectorwide initiatives. It has a robust and cohesive corporate executive that operates effectively. The agency is recognised for "getting things done" and has tried to respond to changing expectations of its role.
- The agency has a highly engaged workforce supported by a people oriented culture that values innovation. It has mature internal governance and business processes. Staff are generally found to be helpful, responsive and capable in delivering services and providing advice. The agency invests in leadership at all levels and has a reputable graduate program.
- While progress has been made by the agency in strengthening its approach to oversight and governance for delivering the government's infrastructure commitments, it needs to fully understand its dual role as a central agency (setting policies and frameworks and responsible for holding agencies to account) and as a service delivery agency (partnering with line agencies and industry at an operational level to deliver services).
- While the agency is recognised as having effectively taken the functional lead in procurement, it is yet to establish the same level of leadership in other areas including asset management.
- The agency needs to reassess its customer strategy. The application of the term "customer" to the agency's broad range of stakeholders as a one size fits all approach does not recognise the criticality of some stakeholders or reflect the true nature of relationships. Clarification and communications are needed to

reduce some of the reported frustration and misunderstanding of respective roles and responsibilities in relation to the agency's activities.

- The agency needs to better embrace co-design with line agencies and other partners when developing sectorwide policies. Engaging line agencies early in the policy design process helps with buy-in and ensures fit for purpose and workable policies for the sector. Early engagement also helps manage stakeholder expectations.
- Agency values are clearly communicated, integrated and embedded in processes and programs. Its values are reinforced through communications and decision making and this augurs well for the future development of the agency.

Lines of inquiry

Three lines of inquiry were developed to inform areas of focus and to direct performance improvement efforts. As there are significant interdependencies between them, it is important for all 3 to be addressed to deliver improved outcomes overall.

Line of inquiry 1: Role and responsibilities – forging a position as a central agency steward and functional leader

The agency's remit and position in the larger public sector structure has changed multiple times in the last decade. In 2011, the Department of Treasury and Finance was separated, with the newly formed Department of Finance having 5 business units (Building Management and Works, Government Procurement, State Revenue, Shared Services and Corporate Services). It was also given responsibility for delivering revenue and administering grants to the community, and "facilitating the achievements of other government departments."³

At the time, the centre of the public sector was considered to be the Department of the Premier and Cabinet, Department of Treasury and Public Sector Commission, not the newly established Department of Finance.

The 2018 Special Inquiry into Government Programs and Projects found widespread instances of poor project management across the sector including lack of coordination between projects and outcomes, inadequate business cases and absence of sectorwide leadership.

It reiterated the importance of leadership, particularly from central agencies, to ensure overall standards of good administration and policy development for government.⁴

The Inquiry recommended:

"The Department of Finance should become the lead agency for project management. This would involve it leading public works projects or providing consistent principles, standards and methods to agencies undertaking their own works. The Department of Finance's role as functional leader should include provision of guidance, support, education and expertise to improve public sector capability in project management."⁵

To support the implementation of this recommendation, a number of actions were agreed to including:

- transferring the Strategic Projects function to the Department of Finance
- fostering a more collaborative working relationship between central agencies to support line agencies and government trading enterprises to enhance their skills and capabilities.

A further change to the agency's remit was implemented as part of the 2019-20 Mid-year Review when the Expenditure Review Committee (ERC) supported the agency

³ State Records Office of WA, [AU WA A2126 - Department Of Finance - State Records Office of WA](#), 2022, accessed 6 December 2022.

⁴J Langoulant, Special Inquiry into Government Programs and Projects, 2018, p 69.

⁵ *ibid*, p 19.

to expand its role to include overseeing the general government sector non-residential building portfolio.

Implications of this history

The history clearly shows that responsibilities and expectations of the agency have not only changed but increased over the years.

It is not surprising that the review found the agency itself, as well as other parts of government and line agencies, have different understandings of the agency's remit and priority work, and different expectations.

This is most notable in relation to major infrastructure projects. The transfer of the Strategic Projects function in 2018 meant the agency became responsible for high priority, high value (over \$100 million) and high risk major infrastructure projects for the state.

Alongside this, the history shows the agency was expected to better support, guide and upskill line agencies to manage their infrastructure projects; and increase cross sector, industry and community collaboration.

These speak to the emerging dual role of the agency – the “central agency” role of oversight, accountability, policy making, standards and leadership while at the same time the “partnering and collaborating” role with line agencies and industry at an operational level to deliver projects.

Central agency and partner agency

The agency having a dual role is not in itself insurmountable. There is seemingly an issue arising in how each role is implemented. The first is the observation that the agency has not enacted the clear role of holding line agencies to account for delivering on time and budget, particularly for major infrastructure projects.

The second issue is cited as an inconsistent approach taken by the agency when partnering with line agencies. This lack of understanding of the criteria of when line agencies must work with the agency needs to be resolved.

Functional leadership

The examination of this line of inquiry also found that the agency needs to further establish itself as the functional leader that provides the guidance, support, education and expertise originally noted by the 2018 Special Inquiry. While the agency has made excellent progress in acquitting its functional leadership role in procurement and other areas (including the Aboriginal Procurement Policy, State Commissioning Strategy, and Building and Asset Management Framework), further work needs to be done in asset management.

Line of inquiry 2: Service delivery – matching the model to customer expectations

The agency's structural changes from 2019 to 2021 had a strategic focus on putting customers at the centre. Before this, the agency did not have a robust understanding of its stakeholder base. Information was held in each directorate with no comprehensive or centralised list.

In June 2021 the agency embarked on the Customer Experience Project to support this customer focus. Six broad, non-exclusive customer segments were identified.

Customer segments	
1. Government	Premier and Ministers; state, local and Commonwealth governments
2. Central agencies	Department of Treasury; Department of the Premier and Cabinet; Public Sector Commission
3. Agency staff	Corporate executive, managers and leaders, and 'Team Finance'
4. Individuals	Taxpayers, grant recipients, intermediaries
5. Businesses	Taxpayers, grant recipients, intermediaries
6. Agencies	Non-central WA public sector agencies such as Department of Health; Department of Education; Department of Planning, Lands and Heritage; Department of Jobs, Tourism, Science and Innovation; Western Australia Police Force

However, without the agency fully understanding and instituting its remit – including its responsibilities as a central agency and as a functional leader – the work in this area has resulted in misunderstandings, confusion and expectations that the agency cannot meet.

The term “customer” is not applicable to all relationships the agency has. The government is not a customer of the agency but rather the commissioning authority. A contracted third party business that provides services or goods for payment is not a customer but a supplier. Likewise a line agency that must use the services of the agency is not a customer – it cannot choose to go elsewhere.

There are further difficulties with the customer segmentation in that it treats all agencies the same way regardless of the extent or value of the work being undertaking. For example, the Department of Health and Department of Education, while considered alongside all other agencies in segment 6, accounted for 50% of all projects and 65% of all approved budgets. This example illustrates the critical role of certain “customers” in the agency’s delivery of government objectives. However, customer segmentation, feedback mechanisms and generalised customer surveys do not recognise their role above any other line agency.

Having made these observations, however, it is also important to acknowledge the sentiment behind the approach. The agency has committed to “serving” these target groups to a high standard and trying to put their needs at the forefront of its planning over historic bureaucratic approaches. This is commended.

Line of inquiry 3: Asset management – sector wide governance and oversight

In 2018, the Special Inquiry into Government Programs and Projects identified a need for stricter compliance by line agencies with the sector’s Strategic Asset Management Framework.⁶ It went on to recommend that the Department of Finance “provide functional leadership, guidance, support, tools, education and expertise

⁶ Above, n16, p.18

across government based on the Strategic Asset Management Framework.”⁷

In the 2019-20 Mid-year Review ERC approved funding to develop a Building Asset and Information Data (BAID) platform with common data standards. It was anticipated that the agency would subsequently establish itself as a leader in the management of non-residential government owned building assets.

Since this time, the agency has established a pilot program with the Department of Treasury, Department of Education and Infrastructure WA to develop a Building Asset Management Framework (BAMF).

The pilot program and BAMF are a proactive effort by the agency to better acquit its functional lead role of non-residential government owned buildings. However, more work is needed in this area.

Limited oversight

Despite this, a recurrent concern of stakeholders is the absence of a shared system to catalogue non-residential building assets and their condition.

The agency does not have visibility of the sector’s entire non-residential building asset base. This lack of visibility is largely due to a substantive gap in asset management capabilities across the sector. Line agencies are not able to centrally record what assets are available or their condition. With limited understanding of the sector’s non-residential building asset base, the agency does not have a comprehensive understanding of what assets are owned, the condition of those assets and their value. Accordingly, the agency is not able to make appropriate determinations on the extent to which infrastructure is ageing.

Lack of engagement

Stakeholders look to the agency for leadership and guidance in the delivery of their asset management responsibilities, however, the agency does not appear to have fulfilled this role to the extent required for effective oversight.

While policies such as the BAMF are a positive step, there appears to be a reluctance from the agency to proactively engage with line agencies in policy development.

Varying levels of maturity across the sector

There is considerable variation in the level of maturity among line agencies with respect to non-residential building asset management. Typically, agencies with more mature capability tend to operate in highly regulated domains, for example the Public Transport Authority rail operations are regulated by the Office of the National Rail Safety Regulator. However, many line agencies do not have the resources or expertise to manage their asset base confidently and consistently.

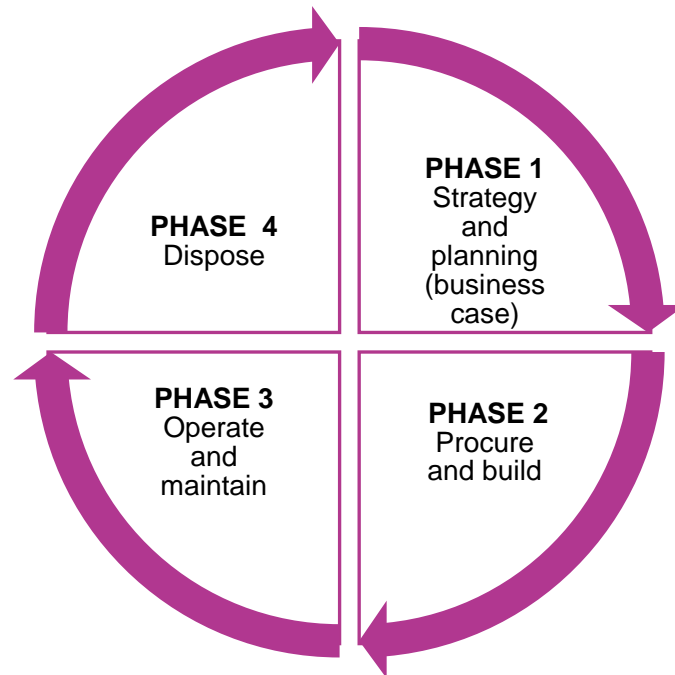
Maintenance

Maintenance of built assets is another critical capability gap. The Building and Asset Management Framework and Strategic Asset Management Framework are aligned with industry standard ISO 55000 which notes 4 phases of an asset’s life cycle.⁸

⁷ Ibid, p.105.

⁸ ISO, "55000: Asset Management-Overview, Principles and Terminology." *International Organization for Standardization: Geneva, Switzerland* (2014).

Four phases of an asset life-cycle, ISO55000



In the delivery of phase 3, it is not clearly articulated if a single agency is responsible for central oversight of maintenance or whether this is a shared responsibility. In addition, communication regarding the agency's role in maintenance delivery is unclear. The agency maintains that the asset owners are responsible for maintaining their assets. However, other documentation submitted to the review suggests that the agency is responsible for delivering and overseeing maintenance of non-residential assets. Of note, government objectives reported in the agency's performance management framework and Strategic Asset Plan include:

Leads the management of government buildings including:
1 – Planning, 2 – Project Delivery, 3 – Maintenance

It is clear that the agency does have a critical role in overseeing maintenance of non-residential building assets and providing leadership in this area.

Areas of strength

Area of strength 1: Values based recruitment

The agency's values are embedded in processes, systems and programs. The values shape how the agency leads, manages, operates and delivers outcomes to customers, with clear connection to its strategic directions.

Values based recruitment is one example of how the agency embeds its values. First, all job descriptions make explicit the agency's values and that recruitment processes directly reference these values.

Second, when first implemented, recruitment panels included a representative from the agency's Workforce Services Human Resources division to guide panel members on how to consider values appropriately and fairly in recruitment and ensure procedural fairness. Workforce Services Human Resources also quality assures selection reports to ensure applicants' values have been appropriately considered. In addition, the agency trains staff on how to better prepare job applications.

Finally and importantly, corporate executive members understand and endorse both the principles and practice of values based recruitment as well as the values themselves.

Area of strength 2: Graduate program

The agency runs a graduate program for students in the final year of their tertiary studies and those who have recently finished their studies. The program is consistently ranked among the best in the nation. In 2023, the agency was ranked 22nd in the Top 75 Graduate Employers and in 2019 was first among Australia's top graduate employers.

The program typically attracts between 160 and 340 applicants a year and selection is through a values based process. Following a selection process, successful candidates are offered 12 month contracts with the strong possibility of permanency.

Positions are centrally funded, relieving business areas of having to fund short term placements. Applicants deemed suitable but not initially recommended are placed in a selection pool for consideration should vacancies arise. The agency draws from this pool which is typically exhausted within a year.

Graduates undertake 3, 4 month rotations across directorates. These strategically planned and tailored rotations build and strengthen graduates' skills according to development needs and chosen career paths. Graduates are also able to gain experience and knowledge and build networks across the public and private sectors.

The agency has a full time Graduate Liaison Officer who supports and guides graduates and the directorates the graduates are working in.

Area of strength 3: Leadership development

The Leadership in Finance Teams (LiFT) program was developed to promote leadership and cultural change, and support the agency's strategic objectives of being customer centric, outcomes focused and becoming 'the best place to work'.

Corporate executive members initially completed the program during the height of the COVID-19 pandemic. They sought to have these benefits realised across the agency and rolled out the program across 3 successive leadership tiers. The program has been well received with leaders of other agencies adopting similar programs.

LiFT is run by a Perth based consultancy firm and is predicated on Patrick Lencioni's "The Advantage". "The Advantage" aims to build organisational health through 5 principles:

- Principle 1: Great conversations and meetings
- Principle 2: Clear is kind
- Principle 3: Strong teams
- Principle 4: Shared accountability
- Principle 5: An alignment of culture with systems and processes.

Area of strength 4: Staff engagement

The agency has strong staff engagement broadly and an important element of this is corporate executive communication to all staff through CorpEx Live. This occurs each fortnight where a special corporate executive meeting is broadcast live to all staff via Microsoft Teams.

CorpEx Live involves each executive member providing a 5 minute update on current matters from their area, celebrating achievements and acknowledging agency milestones. During the livestream, staff can submit questions anonymously if they wish. Questions are posted on to the live feed for corporate executive to respond to in real time. Feedback throughout the review highlights the benefits of this initiative and its contribution to staff inclusion.