



Public Sector
Commission

Agency Capability
Department of
Treasury
Executive summary



October 2024

Introduction

A review of the Department of Treasury as part of the [Agency Capability Review Program](#) was carried out from June to December 2023.

The agency is at the centre of government decision making, serving as the principal economic and financial policy advisor. Respected by government, it provides advice on economic, financial, social and environmental policy matters. It plays a key role in working collaboratively and pragmatically with agencies to support the delivery of government priorities.

The agency operates in an environment marked by strong infrastructure growth, low unemployment, above target inflation, efforts to diversify and decarbonise the state's economy, and complex federal-state relations.

This review explores the importance of the agency developing internal capability to sustain high performance and its role as a central agency in uplifting financial capability across the sector.

The agency is to be commended for its solutions focused approach to supporting the government and public sector agencies, and for the mechanisms it uses to communicate priorities to staff. The agency recognises the need for staff attraction and retention strategies, and delivers young professional and internship programs in support of these strategies. With the awareness and commitment of the executive, the agency can drive improvements in line with this report.

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 was trialled over 2 years (2021-22 and 2022-23) in 8 government agencies before being made a permanent function of the Public Sector Commission in July 2023. 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.

Reviews are conducted by independent lead reviewers with public administration expertise and experience. Lead reviewers 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 the 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 is applied acknowledging the specific and unique operating context of the agency. It supports agencies to ask themselves 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 Department of Treasury serves as the Western Australian Government's principal economic policy advisor, with a vision to be highly valued and trusted.

The agency is at the centre of decision making in its capacity as one of the government's 4 central agencies. Responsibilities include developing economic and revenue forecasts; formulating and implementing the state's annual budget; and monitoring the state's economy, major revenue bases and public sector finances. It coordinates the annual budget process and advises Cabinet's Expenditure Review Committee on budget submissions while also balancing the promotion of economic sustainability with value for money.

The agency works across government and the public sector to support the achievement of whole of government priorities and targets. In recent years external demands have increased beyond the agency's previous remit. The agency receives frequent requests for advice on a broader range of policies, and has become more involved in state development projects and initiatives from inception. This is in part due to low financial management capability in the sector as well as the increasing complexity of policy related challenges.

Driving delivery of priorities and reforms in economic diversification, the agency is responsible for the Collie Industrial Transition fund; and decarbonisation, health and mental health commissioning projects. More recently, the agency has had greater involvement in housing sector reform. In line with this, the agency has increasingly focused on external service delivery and this has had an impact on internal capabilities including business systems and processes.

The agency is led by Michael Barnes PSM who was appointed Under Treasurer in 2015.

The structure includes:

- office of the Under Treasurer
- office of the Deputy Under Treasurer
- advisory services
- agency budgeting and governance
- economic
- strategic policy and evaluation.

The agency has temporarily established a Director Agency Capability and Diversity in the office of the Under Treasurer as part of the Public Sector Commission's Women in Executive Leadership Development Experience Initiative. This position is part of the corporate executive.

The agency's budget for 2022-23 was \$57.8 million. At 30 June 2023, the agency employed 308 staff (270 FTE).

Ministers

At the commencement of this review, the agency transitioned through a ministerial change from the former Premier, the Hon Mark McGowan MLA (who was concurrently Treasurer), to the Hon Rita Saffioti MLA, Deputy Premier and Treasurer, also holding the portfolios of Tourism and Transport.

Boards and/or committees

The agency does not have responsibility or reporting requirements for statutory boards but several executive staff are members of statutory boards. These appointments are mainly prescribed by legislation (ex officio) and include current membership of the boards of Infrastructure WA, Synergy and the Western Australian Treasury Corporation.

The agency supports and provides advice to key government committees to inform decision making including being responsible for advice to the Expenditure Review Committee and ministerial and Cabinet committees. As a central agency with significant financial and economic expertise and insights, staff are highly sought after to be part of steering committees in other portfolios.

Future operating environment

The agency plays an important leadership role in building the sector's financial management capability to ensure a high performing and future fit public sector. A clear understanding of the services it provides and the way they are delivered is important to ensure priorities and outcomes are achieved.

The state is facing an ever growing need to plan for and do things differently including economic diversification, decarbonisation and new service delivery models to secure longer term outcomes. With this increasing complexity the agency will continue to be relied on to support the state's delivery of government priorities and initiatives. At the same time, it will be expected to assist with identifying innovative solutions to these modern problems and to monitor the outcomes being achieved from new ways of working.

Increased expectations place greater pressure on resources, and a reliance on the senior executive has impacted the sustainability of the agency's service delivery. The executive is aware of the challenges and demonstrates a willingness to understand where improvements can be made to ensure excellent service delivery continues to support the state.

The review process

The review was led by Colin Murphy PSM as the independent lead reviewer with support from Phillip Metaxas as senior reviewer co-opted from the Western Australian Treasury Corporation and the Commission's Agency Capability Review team.

Mr Murphy has held strategic leadership positions at state and national levels. He is the independent chair of the audit and risk committees for the Department of Education; Department of Justice; Department of Water and Environmental Regulation; and Department of Training and Workforce Development. He is a board

member of ChemCentre Western Australia; Accounting Professional and Ethical Standards Board; and South Metropolitan Health Service. He is a Commissioner of the Gaming and Wagering Commission and was a Commissioner for the Perth Casino Royal Commission in 2021 and 2022.

Mr Murphy was Auditor General in Western Australia from 2007 to 2018 and held leadership roles in justice, treasury, finance, land administration, building management and the Australian Department of Finance.

The review looked at all 21 capabilities and identified 2 lines of inquiry for in depth investigation. This involved close engagement with the agency, and research into how practices might be improved and capability gaps addressed.

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

The review involved 5 months of investigation, research and information collection as follows:

- a comprehensive review of published and unpublished documents
- 23 external stakeholder consultations
- a corporate executive self assessment against the Agency Capability Framework
- 2 half day corporate executive workshops, and several briefings and meetings with the Under Treasurer and executive team
- interviews with each corporate executive member
- meetings and workshops with staff, management tiers and various internal committees
- a comprehensive capability questionnaire gauging staff perceptions of the agency's capabilities
- a 'Have Your Say' tool inviting staff to share what the agency does well, what can be improved and ideas for improvement.

Key observations

- The agency is well regarded by the government and public sector agencies for its high quality economic and financial advice. It has a strong relationship with the Treasurer and Treasurer's office and is sought after for its solutions focused approach to support the delivery of government priorities.
- The review found sustainability risks for the agency due to increased demands over time in both volume and scope, as it is called on to provide policy advice outside its core subject matter expertise. While this recognises the quality of its work, there is a significant subsequent impact on operations, staff and resources.
- The agency is also relied on to assist other agencies in a range of complex economic and financial matters. This is consistent with general observations that financial management capability across the public sector needs significant improvement.
- The agency needs to find space to focus effort internally on workforce planning; capability building; retention and succession; business improvement; and to develop a balanced approach to managing increasing demands. It should also continue to take a proactive approach to uplifting financial and business capability in other agencies, thereby reducing demands on its limited resources. The review

acknowledges that work in this area has commenced, particularly in relation to chief finance officers.

- Many staff have been with the agency for a relatively short period of time. The agency is aware of the need to develop a sustainable workforce and reduce the number of staff leaving by focusing on retention. A key risk is the lack of succession planning, particularly for staff at very senior levels and experienced staff who hold significant corporate knowledge. Conversely, the agency has effective programs to bring in and support talent.
- There has been low compliance with the requirement for performance and development plans for staff. While the agency anticipates that the implementation of a new system may improve participation rates, this is primarily a matter that needs to be driven by leaders at all levels. A better connection between strong performance management, staff training investment and agency outcomes may also have a positive impact on retention.
- The agency has made significant progress in closing external audit findings and has a renewed focus on risk and internal audit. The chair of the Audit and Risk Committee regularly attends corporate executive meetings, and a new senior executive position has been created to elevate the importance of this area.
- As a smaller sized agency and one that is instrumental in government decision making, there is a strong tone from the top about integrity. The agency is developing an integrity framework to provide greater clarity, set expectations and support staff.
- The agency necessarily has a specific focus on quality, accuracy and timeliness but needs to ensure perfectionism and low tolerance for errors do not inhibit innovative thinking and staff learning. It needs to deliberately devote time to the practice of review and reflection, identify opportunities for improvement and consistently embed changes where required. Where appropriate, it needs to create space for managed risk and innovation and allow for learning when things do not go well.

Lines of inquiry

Two lines of inquiry were developed to inform areas of focus and direct performance improvement efforts.

Line of inquiry 1: Developing sustainable and enduring internal capabilities and systems to meet increasing demands and support outcomes for the state.

In recent years, increased demands on the agency, both in volume and scope, have required the agency to more significantly prioritise a focus on external service delivery. This focus has impacted its ability to build and develop internal workforce capabilities along with the necessary supporting business systems and processes.

With broadening expectations to provide advice on social and environmental issues in addition to its economic and financial policy role, the agency executive is aware of the risks associated with providing advice outside its subject matter expertise. While staff and stakeholder feedback suggest the agency is managing these risks well, it is

heavily reliant on corporate executive and senior staff, adding to concerns around succession planning, knowledge sharing practices and records management.

Across the agency, records are stored on different systems, indicating there may be duplication of effort, inefficiency and potential barriers to knowledge capture and sharing. While work is underway to address the documentation of practices and procedures, there is a gap in embedding a more systematic approach to managing corporate knowledge. The agency would benefit from a fit-for-purpose knowledge management framework to improve information sharing within business areas and through communities of practice.

To build capability in policy areas beyond the agency's core area of subject matter expertise, agency staff and public sector agencies expressed the desire for a secondment program that would embed Treasury analysts in agencies during the budget process. This would support analysts to better understand the operating contexts of other agencies and build capability in relevant subject matter advice. The agency's 2023 WA Public Sector Census results suggest establishing sustainable talent mobility including placements, rotations, secondments and increased onsite involvement would be an effective retention approach.

Along with the rest of the public sector, the agency has faced staff retention challenges in a competitive labour market, contributing to a loss of corporate knowledge and a change in the capability and capacity of the workforce over a short period of time. With almost half of the agency's staff employed for less than 4 years, staff with longer tenure are experiencing increased workload pressures.

Attraction and retention are risks to the agency. Staff and executives reflected on the lack of work/life balance internally and the risk of burnout being a symptom of the operating environment. The Census indicated over 50% of the agency's staff intend to leave within the next 5 years, citing the desire for new challenges, career and job opportunities and professional/personal development. This puts the agency at risk of losing significant knowledge and expertise.

To identify and remedy workforce challenges, the agency reviewed its attraction and retention strategies in 2022 resulting in an implementation plan that will be delivered from 2023 to 2025. To ensure the longevity of the programs and initiatives in the pipeline, the agency should also consider embedding a method of identifying staff development needs throughout the lifecycle of their employment with the agency.

Line of inquiry 2: Supporting and developing financial management capability in public sector agencies

The agency has a role to play in providing stewardship of and support for financial capability across the sector's devolved financial management framework.

Previous public sector reviews have highlighted the need for improved financial management. Inconsistent quality, outsourcing of budget submissions and an over reliance on the agency for support and guidance add pressure to a workforce that is already stretched by increased demands. These demands will impact the sustainability of the agency's services.

In early 2023, the agency and Public Sector Commission commissioned a body of work to better understand the financial management capability in the public sector. In

response, the agency developed an implementation plan with actions to occur over 18 months to December 2024. Actions include progressing a finance related learning curriculum targeted at chief finance officers, moving the Treasurer's Instructions to be more principles based, and developing a best practice financial management manual that can be tailored to each specific public sector agency.

The significant progress the agency has made in a short period is acknowledged.

The agency's stewardship of the public sector financial management framework is articulated in the Financial Administration Bookcase (FAB). The FAB contains legislation, regulations, over 80 prescriptive and detailed Treasurer's Instructions, model annual reports, accounting policy guidelines, Treasurer's circulars and information about capital costs.

Under the devolved financial management framework, public sector chief executive officers are responsible for addressing financial management capability gaps in their own agencies. Agencies reported difficulty in navigating the framework and understanding expectations and requirements. Several agencies told the review that these difficulties were compounded for finance officers new to the public sector, which is increasingly the case. The agency should consider developing a simplified guide to the FAB to facilitate a better understanding of the financial management framework. Agencies indicated they would welcome more proactive guidance from the agency including a timetable outlining agency reporting requirements with due dates and more 'FAQs' on the practical application of Treasurer's Instructions.

Consideration should be given to expanding the agency's chief finance officer forums and providing them online as well as in person to support access for regional staff. There is also an opportunity to extend the invitation to other senior finance staff and include 2 way dialogue with agencies as a way of strengthening cross sector capability.

Areas of strength

Sharing areas of good practice is an important element of the Agency Capability Review Program as it contributes to the development of the WA public sector. The body of knowledge and data collected through reviews creates a bank of valuable learnings and resources to help develop solutions to common themes that can be shared across the public sector.

Area of strength 1: Keeping strategic priorities front of mind

The agency has a vision and mission to be the state's highly trusted and pre-eminent economic and financial policy advisor. The 2021–2024 strategic plan has 3 core goals linked to government priorities and tied to the agency's mission, values and vision. Executive and senior leaders communicate these goals to staff to ensure a shared understanding of how the agency's work supports the sector and government deliverables. An example is the staff recognition initiative where staff and teams are recognised for work that contributes specifically to the priorities and goals.

Corporate executive meets at the beginning of every week to discuss and agree on priorities and goals for the week ahead. This practice was established in 2013 and is an opportunity for the executive to be aware of what may be discrete work but also what might intersect with other areas.

Complementing this, the executive has ingrained a practice for over a decade which has kept strategic core goals front of mind for all staff. A weekly email from the Under Treasurer and executive team connects staff with not only executives but also work across the agency. It provides advice on and oversight of key issues and highlights the executive's focus for the week ahead.

The format has evolved with the current format including:

1. opening message from the Under Treasurer
2. main priorities and activities underway for each strategic goal
3. key internal and external meetings for executive members for the week.

This practice is valued by all staff and is so embedded that it has survived changes in executive members, ministers, the COVID-19 pandemic, and multiple budget cycles which are periods of high pressure and workloads.

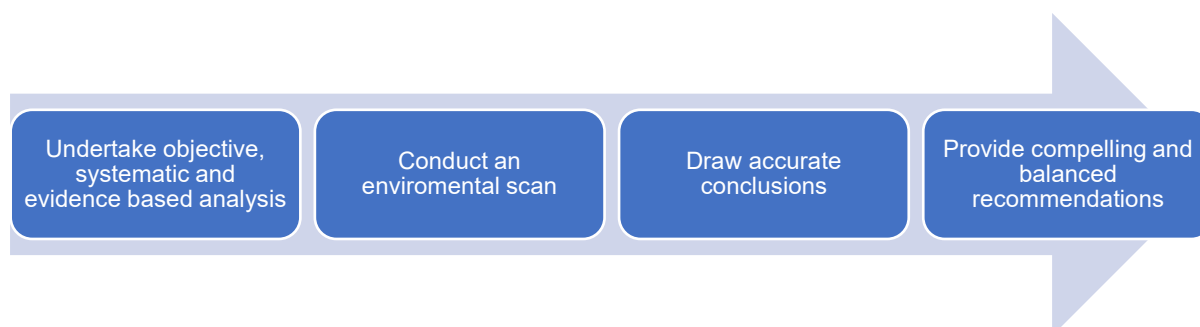
The email is a low input, high impact practice in transparency and accountability, supporting the needs of executive and staff in a way that resonates with their way of working. Agencies of a similar size, scope and remit may benefit from a similar approach to help keep staff engaged and strategic objectives front of mind.

Area of strength 2: Focusing on a solutions approach for better outcomes

Responsible for the allocation of scarce resources, the agency assists the government in making funding allocation decisions. Rather than narrowly assessing requests the agency adopts a mature solutions focused approach. This is evident in its assessment of budget requests, navigation of complex challenges and provision of advice.

To foster the required mindset and approach to problems, the agency has made 'solutions focused' a core value. The associated behaviours are documented in the strategic plan, operational plans, service charters, induction materials and capability framework. The value is also embedded in the agency's weekly executive communications to staff and key agency processes.

What a 'solutions focused' methodology looks like in practice is illustrated below.



This deliberate way of working underpins the agency's reputation for providing high quality advice to government and devising unique solutions to complex funding and budget challenges facing public sector agencies.

Area of strength 3: Supporting and developing young professionals

To attract, retain and develop agency staff aged 35 years and under, a Young Professionals Program was established in 2020. The program provides opportunities to engage with other young professionals and support broader agency initiatives.

The program is supported by a committee to drive outcomes that focus on building a network of young, engaged and capable agency staff who collaborate on projects, make connections and develop social and operational activities for the cohort. The committee reports regularly to the corporate executive who are active supporters.

Given the success of the program, there has been interest from other public sector agencies looking to implement similar programs.

Area of strength 4: Targeting and attracting talent through an intern program

Attracting talent has been a challenge for all employers due to the very low unemployment rate across Australia. It has always been a challenge for the public sector to compete with the private sector for the best talent. This has intensified particularly in the economic and financial sectors where attracting technical skillsets (such as accounting) has been described as a “war on talent”¹.

The agency has faced this challenge by strategically targeting and attracting the right talent through innovative recruitment tools such as video interviewing and predictive index assessments to support the assessment of applicants. In addition to a robust graduate program, the agency has a successful internship program.

The internship program demonstrates the agency’s strategic approach to attracting soon to graduate talented university students. It is noteworthy that the agency is only one of a few public sector agencies to run its own internship program.

The paid internship exposes interns to high profile government projects, helps them build professional networks, and assists them in understanding the public sector and central government.

The intention is that interns go on to apply for the annual graduate program and develop their professional careers through the agency. The program is evaluated through lessons learnt, reviews of the process, feedback from interns on completion of the program, and feedback through internal staff surveys and pulse checks. Efforts are underway to improve the program including undertaking market and inter jurisdictional research and analysis to ensure the program remains contemporary. To date, 40% of interns who have applied for the subsequent agency graduate program have been successful.

The agency will also soon launch an alumni networking group to encourage and support professional relationships between current, past and potential future interns. Given the tight labour market, an internship program may be an effective strategy for other public sector agencies facing similar challenges.

¹ Australian Financial Review, [The No.1 problem for accountants \(for the second year in a row\)](#), 2023, accessed 18 October 2023.



We are proud to deliver our services from Whadjuk Noongar boodja. We acknowledge and pay respect to Elders, Traditional Owners and Custodians of Country throughout Western Australia and their continuing connection to land, sky, waters and community.

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