A CASE STUDY OF STRATEGIC PARTNERING IN AUSTRALIA (*)

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EXECUTIVE SUMMARY

The implementation of a purchaser-provider split within the Social Security Ministry and Ministry of Employment, Education, Training and Youth Affairs has resulted in the development of a strategic partnership between the two new Departments as the policy and product developers and the newly established service provider Centrelink. In contrast to other executive agencies in New Zealand and the United Kingdom, Centrelink was established as an independent statutory organisation. It is managed by a Chief Executive Officer who is appointed by and overseen by an Executive Board of Management. This means that the Chief Executive is responsible to the Board of Management and through the Board to the Minister for Social Security. The strategic partnership agreement between the Department for Social Security and Centrelink can be understood as a memorandum of understanding, which acknowledges shared responsibility for performance. The documents specify where responsibility lies for performance, the performance standards and reporting requirements and dispute resolution mechanisms. Negative financial sanctions are considered as inadequate for the relationship management in the partnership.

(*) Also refer to the synthesis document: [PUMA/PAC(99)2] Performance Contracting: Lessons from Performance Contracting Case-Studies & A Framework for Public Sector Performance Contracting, and to the other related case-studies of Belgium, Canada, Denmark, Finland, France, New Zealand, Norway and Spain, all available on the OECD netsite (http://www.oecd.org/puma/).

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1. Overview of the Performance Contracting Case Study

This case study addresses the topic of performance contracting by illustrating how a purchaser-provider split within one federal ministry, resulting in the development of a policy department and a statutory agency charged with delivering the products of that department, has been managed through a strategic partnering process rather than a legal contractual framework. This particular case involves the second largest federal ministry (after the Defence ministry) and that with the greatest expenditure — the social security ministry. This is the first time such a purchaser-provider split has been undertaken in the Australian Public Service. Previously, outsourcing arrangements (such as for the provision of information technology services), or the corporatisation of government business enterprises are approaches that have been used to separate public sector policy functions from service delivery or support functions.

In this context, therefore, performance is defined as the ability of each organisation in the partnership to deliver what is required of it by government, as well as what is required of it through its relationship with its partnering organisation. The formal contracting of performance only takes place between the two partner organisations, not between the organisations and the government.

In this way, the Australian Public Service differs from the practice in New Zealand, the United Kingdom and some Australian provincial governments in which organisational performance contracting is a process which cascades down the accountability hierarchy from the executive government (ministers) to the heads of departments of state (vice-ministers) to service delivery organisations, and which, in many cases, is linked to individual performance contracts, especially at the senior executive level. Individual performance contracts are not considered as part of this case study, although they exist within both of the organisations discussed.

This strategic partnership arrangement may be viewed as a model for the policy department and service delivery structures which will be typical of the Australian Public Service as it continues to develop and reform itself. The splitting of the Department of Social Security and the implementation of Centrelink as the federal government’s nascent national service provider is one of the most significant reforms undertaken in the Australian Public Service.

The two organisations which form the case study are the Australian Department of Social Security (DSS) and the Commonwealth Services Delivery Agency which operates under the name of Centrelink. Extracts from the DSS-Centrelink strategic partnership agreement are provided in Attachment 1.
2. The Case Study Organisations

The Australian social security system has recently been reorganised to improve national policy development, service delivery to citizens and access to the administrative review of decisions made under the national social security law. A major part of this reform has been the division of the original Department of Social Security into two organisations in July 1997, following a one-year development programme: (a) a new Department of Social Security which focuses on policy research and development, the design of policy products (e.g. income support products — pensions, etc.) and the oversight of the delivery of social security and housing programmes; and (b) Centrelink, responsible for the delivery of social security, education and training and some family services payments, information and services to citizens and eligible residents. Both organisations are under the administrative direction of the Minister for Social Security. A major review has also been undertaken of the Social Security Appeals Tribunal (SSAT), the statutory body responsible for the review of administrative decisions made under social security and related laws. The government has announced that the SSAT will be abolished and its functions amalgamated into a new Administrative Review Tribunal. The SSAT is independent of the other two ministry organisations and will not form part of this case study.

This case study examines the development and implementation of a strategic partnership between DSS and Centrelink in the context of a purchaser-provider framework within the social security ministry so as to better manage social security policy, the development of social security products, the delivery of those products to eligible citizens and residents to achieve both the goals of government and to reduce the cost of government.

The Australian Social Security System: An Overview

The Social Security Ministry is responsible for the largest proportion of the expenditure of the Australian Federal Government:

- The Social Security Ministry is an A$43 billion business — principally income support payments.4
- Its expenditure represents approximately 8 per cent of GDP.
- It employs approximately 26,000 people in headquarters offices and at approximately 400 Centrelink Customer Service Centres across the nation.
- It services a customer base of more than 7.8 million people through the Centrelink network of Customer Service Centres.
- It impacts on an estimated 85 per cent of Australian families through payments made under income support and housing policies; and
- It accounts for approximately one-third of the federal government’s expenditure.
- Of the total ministry budget:
  - 96 per cent is allocated to income support payments and payments to provincial governments under the Commonwealth-State Housing Agreement;
  - 3.7 per cent is allocated to ministry running costs; and
  - 0.3 per cent to capital outlays and other services.
- Social security policy and service delivery is a major activity of government and it is central to the Australian Government’s major economic and social policy agendas.
The Change Context

Over the past 15 months, the Department of Social Security has been working in association with other ministries on separating the policy and service delivery functions in the social security ministry and integrating these with complementary activities in the Employment, Education, Training and Youth Affairs (EETYA) and Health and Family Services (HFS) ministries. The aims in doing this has been to:

- provide more effective and efficient customer service;
- reduce confusion for customers having to go to a number of different offices to do business related to cross-ministry programmes;
- facilitate the application of innovative technology to customer service;
- facilitate the development of specialist policy ministries which can focus on the business of policy development and advising; and
- achieve savings in the administration of government programmes.

This has resulted in the development of the new Department of Social Security and Centrelink as previously discussed. A complementary process has been undertaken within the Department of Employment, Education, Training and Youth Affairs in terms of separating the employment policy and service delivery functions. The labour market and higher education student services of this department have been integrated into Centrelink while employment support and labour exchange activities have been corporatised. The process by which this department managed the purchaser-provider split does not form part of this case study. Brief details of the Centrelink-DEETYA service arrangements are provided in Attachment 2.

Centrelink delivers services for several federal government ministries: Social Security, Employment, Education, Training and Youth Affairs, Primary Industries and Energy, Health and Family Services and the Child Support Agency. It is also developing business from other public and private sector client organisations in order to increase its operational viability and to provide more services to its customers.

Centrelink has been established under its own legislation. It is managed by a Chief Executive Officer who is appointed by and overseen by an executive Board of Management. The board is chaired by a person with a mixture of private and public sector experience and the board itself comprises both executive and non-executive directors. Currently, all the executive directors are from the public sector and all the non-executive directors are from the private sector, although these allocations are not required by the legislation. Only non-executive directors and the chairman may vote on board motions. The Chief Executive Officer is also a member of the board. Currently the secretaries (i.e. vice-ministers) to the Department of Social Secretory and the Department of Employment, Education, Training and Youth Affairs are members of the board. Centrelink maintains 16 Area Offices across the nation to support the work of clusters of Customer Service Centres. It also has a “virtual” Area Office which manages the national call centre network.

The new DSS is the federal policy department that is now responsible for:

- developing and advising the government on income support and housing policies;
- the development of policy products arising from these policies; and
- purchasing and managing the delivery of those policies through contracted service providers (e.g. Centrelink at present).

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The DSS comprises a National Administration within which all policy and product development staff work, and a network of small State Offices which provide coordination and support services in each state in addition to liaison with Centrelink Area Offices and Customer Service Centres.

**The New Ministry Business Environment**

This implementation of a purchaser-provider split within the social security ministry has resulted in the development of a new relationship between the policy and product developer (DSS) and the service provider (Centrelink) as defined by a strategic partnership agreement negotiated between the two organisations.

This has resulted in an operational environment in which policy, policy products and the delivery of these products to the public is organised on the basis of a strategic partnership in which each organisation has a differential responsibility for:

- advising the minister in respect to their core responsibilities;
- policy design (e.g. income support for the unemployed);
- product development (e.g. the Jobs, Education and Training (JET) package for unemployed single parents); and
- service delivery.

Under this arrangement however, the vice-minister of the Department of Social Security remains ultimately responsible and accountable to the minister and the Parliament for the administration of the federal social security legislation, including the delivery of services contracted to Centrelink.

With the advent of Centrelink, the social security ministry now operates with a very different business environment than it did one year ago. Policy products designed by DSS — mainly income support payments — are now delivered by another organisation, Centrelink, which has responsibility for the design of the service delivery mechanisms and environment. The delivery of these products and, to some degree, their design are managed through the strategic partnership agreement with the service delivery provider, Centrelink.

This division of functions and responsibilities is illustrated in the diagram below.
3. Aims of Performance Contracting in Australia

The development of a strategic partnering approach to performance contracting in the Australian Public Service reflects a number of trends in the emerging consensus on national governance at the federal level in Australia. In common with most other OECD Member countries, the Australian public sector has, over the past ten years, embraced the New Public Management\textsuperscript{9} approach and implemented significant reforms as a consequence.\textsuperscript{10}

The reform agenda in Australia has had much in common with those of the United Kingdom and New Zealand, being broadly based on a concern with “... transaction cost analysis, agency and public choice.”\textsuperscript{11} In Australia, a more evolutionary approach has been taken than in these other jurisdictions, at least at the federal level, although owing its allegiance to many of the same views. Underlying this move to reform the public sector has been an agenda for the implementation of managerialist approaches as the means of managing the state associated with the emergence of small government unburdened by public businesses (airlines, banks, power utilities, railways, etc.), and freed to focus on the priorities of the government of the day; a reassertion of policy and the contestation of ideas, not the administration of services, as the primary activity of government.

Within the public sectors of many OECD Member countries, particularly the anglophone nations\textsuperscript{12}, ten trends can be identified as drivers aimed at making government more efficient through public sector management reform.\textsuperscript{13}

These are:

1. separating purchasing public services from policy production;\textsuperscript{14}
2. serving consumers rather than bureaucratic interests;
3. using market pricing rather than taxes;
4. where subsidising, doing it directly and transparently;
5. extending competition (in both service delivery and policy production);
6. decentralising provision;
7. empowering communities to provide services;\textsuperscript{15}
8. setting looser objectives, and controlling outputs rather than inputs only;
9. bringing about deregulation;\textsuperscript{16} and
10. using planning to prevent problems rather than cure them.

How have these drivers of reform impacted on the social security ministry as determinants of change? The strategic context of the Australian public sector, at least at the federal level, has become to be characterised by the following:

1. outputs focus;\textsuperscript{17}
2. contestability of policy advice;\textsuperscript{18}
3. separation of policy advising from service delivery and corporate support functions, usually through corporatisation, privatisation or outsourcing;\textsuperscript{19}
4. performance — value for money and policy goal achievement;\textsuperscript{20}
5. performance reporting;\textsuperscript{21}
6. quality assurance of policy, products and services;\textsuperscript{22}
7. risk management driven, not rule driven;\textsuperscript{23}
8. market creation in the public sector;\textsuperscript{24}
9. contractual relationships between:
10. public sector providers and the public;\textsuperscript{25}
11. policy advisers and service deliverers:
12. ministers and their ministries;
13. strengthening the control of chief executives/secretaries;\textsuperscript{26}
14. strengthening corporate governance;\textsuperscript{27}
15. whole of government focus — increasing unwillingness to create or protect fiefdoms.

This environment requires public sector organisations to critically examine the assumptions under which they operate, to assess whether these remain relevant, and, if not, to develop strategic directions which ensures that the continuation of their functions meets the needs of government. As a result of this assessment process, DSS concluded that the following assumptions had to guide how the organisation should be re-developed, including ensuring that it: (a) was aligned to support the policy needs of government; (b) was outcomes-oriented; and (c) had a performance assessment and reporting regime that clearly demonstrated this. This assessment produced the following conclusions:

1. Our corporate existence cannot be taken for granted. DSS has no constitutional right to exist, but it does so because of its ability to deliver relevant policies to a high standard to the government of the day.
2. DSS must identify its comparative advantages, and leverage these to ensure that it best meets the needs of government.
3. In an increasingly contestable environment, DSS must be able to clearly demonstrate to the government of the day that it is the best social policy adviser available to it. This demands that DSS deliver consistent, high quality policy advice and products, and that it demonstrably manage the purchaser-provider relationship to deliver those products to the public. This requires a simple but comprehensive performance assessment and reporting regime that is meaningful to government, and allows it to assess the performance of its policies.
4. The best way to ensure that policy outputs (and where possible, outcomes) meet the aims of government is to ensure that DSS has a close, mutually supportive relationship with its service provider agency that operates within a clearly defined risk management framework. This relationship must be strong enough to weather difficulties in both the policy and service delivery environments, and give access to all the performance data required for the performance regime to ensure the achievement of the policy goals of government and the quality of policy advice provided by DSS.

The importance of this relationship should not be underestimated as a determinant of the quality and relevance of the policy performance regime. In particular, it is now from the service provider that DSS obtains virtually all information on policy outputs; for example, data on customers, payments made, timeliness, service quality, product implementation and design. The design and nature of this relationship is therefore central to the effective functioning of DSS as the government’s principal policy adviser.

These drivers of public sector reform have all played a part in the implementation of a purchaser-provider split within the social security ministry. However, their influence has been variable, with the major aims being: to reinforce an outputs focus through greater transparency in the business environment; separate policy and service delivery so as to promote greater efficiency and effectiveness in each; to increase the incentive for performance measurement and reporting within a whole of government strategic framework; to improve management capacity; and to reduce the cost of government.

4. Features of the DSS-Centrelink Performance Contract

The Strategic Partnership Approach: More than an Agreement

A strategic partnership is based on the establishment of collaborative mechanisms and procedures while maintaining an appropriate emphasis on reciprocal business obligations and rights as described above.

Developing a culture of collaborative partnership between DSS and Centrelink has been based on a number of strategies and mechanisms, formal and informal, not just on the strategic partnership agreement. The principal strategies and mechanisms include:

1. government policy directions;
2. legislation, including delegations from the Secretary to DSS to Centrelink for it to deliver social security products;
3. the Centrelink Board of Management on which the department is represented;
4. policies adopted by the Centrelink Board of Management;
5. relationships between each organisation and the minister; and
6. the operational framework of each organisation and the opportunities it provides for liaison, consultation and directly working together to foster a collaborative partnership.

The strategic partnership agreement is therefore not, of itself, sufficient to describe and manage the relationship between DSS and Centrelink. It must be seen within a complexity of other mechanisms and relationships which impact on both organisations, often in different and sometimes contradictory ways. Most importantly, the success of the agreement rests not necessarily on the provisions in the
agreement itself, but in developing and nurturing an environment of trust, respect and genuine collaboration at every level at which the two organisations interact.

Without these attitudes and behaviours, no formal agreement can make a partnership work in a way which facilitates each organisation meeting its goals and meeting the government’s policy and service delivery expectations.

These are very high expectations. Effective management of the relationship must work to develop them so as to provide the best business environment in which both organisations can operate as effectively as possible, and, given the right leadership, learn and develop so as to optimise the relationship.

**Placing the Partnership Agreement in Context**

How have DSS and Centrelink developed an appropriate partnership model which supports the other aspects of their business relationship? Any public sector business relationship is made up of many factors: the aims of the government of the day, the nature of the executive government, the legislative framework, the accountability regime, community standards and expectations, cultural and social attitudes about the businesses, the public sector culture (including the leadership culture) and leadership and management personalities, to name a few. To be effective, action taken under an agreement has to consider some or all of these factors in its implementation.

In addition to the agreement, the following are important components of the business relationship:

1. Both organisations report to the same minister.
2. Joint policy and product task forces that actually work together in the same location to develop new policy, products or processes (i.e. breaking down ministry barriers through physical co-location) are used, particularly in product design.
3. Regular, targeted, senior executive, executive and policy officer exchanges have been implemented to develop shared experience, trust, and new perspectives on each organisation’s operations and perspectives.
4. The design and implementation within both organisations of a management approach which strongly supports the partnership concept and works to realise it at the operational level.
5. Use of a combination of a higher level committee at deputy vice-minister level and a mixture of traditional collaborative working groups and other non-traditional mechanisms for specific tasks or standing matter which require regular review.
6. Frequent informal contact between senior executives in both organisations on policy and operational issues.
7. Coordination of legal and legislative advice on policy and major operational matters.
8. Use of targeted value creation workshops to assess the fit between DSS and Centrelink organisational activities, understandings, operation, outputs and expectations. These workshops use special software to analyse the congruence of the issues being examined between the two organisations and involve staff from both organisations examining the issues with the assistance of a third party facilitator.
The Strategic Partnership Approach

This partnership approach was selected as the most appropriate framework for the business relationship over a purchaser-provider contractual approach, following an extensive review of the operation of other approaches in several countries including the United Kingdom, Canada and New Zealand. Unlike the United Kingdom and New Zealand models in particular, in Australia the provider organisation was established as a separate statutory authority under its own legislation so that its independence from the purchaser was assured. However, the government maintained close high level linkages between both organisations by having them located within the same ministry and by having the vice-minister to DSS appointed as a member of the Centrelink Board of Management.

The strategic partnership approach was chosen for the following reasons:

- A conviction that a legalistic, contractual relationship on the adversarial model was negative, based on the absence of trust between the partner organisations and would not work in the longer term. Such an approach encourages mistrust and develops a culture of looking for problems and faults — not of working together to solve common problems no matter where they originate.
- No contract between federal government agencies could be litigated, even if a legal contractual approach was taken, so why pretend a legal or quasi-legal arrangement exists? This major limitation was acknowledged and an alternative approach sought.
- There is a very low tolerance, either by the community, the government or the Parliament, for income support services to be disrupted for any substantial period or for federal government agencies to enter into public conflict over the delivery of government policy. Therefore, what was needed was a contractual framework oriented to solving problems, not assigning blame, and seeking solutions, not implementing sanctions, which would focus on achieving the goals of government and facilitate the weakening of bureaucratic boundaries to encourage a co-operative whole of government approach.
- The basis of an effective relationship between two organisations is quality-productive relationships between those who have to work together across organisational boundaries. The bottom line is that the people make the relationship work, not a contract. Therefore what was needed was an approach that would facilitate the development of complementary corporate cultures and an alignment of some critical values and mission targets in both organisations, not the development of adversarial cultures and legalistic relationships that would encourage a divergence of cultures, values, mission and operational styles.

Both organisations therefore have agreed to develop a relationship based on the following principles:

1. A balance between the Department’s accountability for policy outputs and outcomes and Centrelink’s need for flexibility in delivering products and services effectively and efficiently at a reduced cost;
2. Transparency and reasonableness in accountability strategies, measures of performance and review mechanisms;
3. Access to information, policy, product design and service delivery processes as required by each organisation to effectively conduct its business;
4. Collaboration and openness in building and maintaining a strategic partnership between the Department and Centrelink in the design and delivery of social security policies to the Australian community. In this context, collaboration means:
   - A demonstrable commitment to a partnership between the Department and Centrelink in the development and implementation of programmes, products and services to achieve the government’s social security policy objectives; and
Respect for the integrity of each organisation to be responsible for its own core functions.

This partnership approach is not a “soft” approach to relationship management. Rather, it is much more difficult than relying on contract interpretation and monitoring. It requires significant changes in how an organisation functions and how its staff operates with and thinks about the partner organisation.

- Partnership still means performance but responsibility for performance is shared both within and between organisations depending on the operational activity.
- It is a different performance framework, not a framework that does not value performance. Performance is defined in terms of each organisation working to achieve the goals of government as specified in the business activities covered by the partnership agreement and the performance indicators specified for each.

This type of performance framework very clearly defines:

- where responsibility lies for performance;
- what the performance standards are,
  
  e.g. for the JET (Jobs, Education and Training) labour market programme for single-parents one performance measure is:  
  
  increase between the first and last quarters of 1997-98 the proportion of JET customers with payment reductions or moving off income support due to earnings.
- how they are to be reported;
  
  for the JET programme one reporting measure is:  
  
  a formal report in an electronic format will be provided quarterly to the DSS programme manager reporting on outcomes across the range of performance indicators specified for the programme.
- what the sanctions are for lack of performance, if sanctions are specified; and
- mechanisms for developing strategies to overcome poor performance.

The strategic partnership approach differs from a normal legal contract mostly in its emphasis on strategies to overcome poor performance and its approach to sanctions.

Within this framework:

- The first response to poor performance is to analyse the reasons for it together.
- The second response is not to assign blame but to ask why performance is bad and not to assume that it is automatically the fault of the provider. The fault could lie in policy or product design or the difficulty of implementing a legislative requirement.
- The third response is to impose a sanction that is an incentive to change and improve, not to punish. This does not always mean reduction of funding to the provider organisation. It may, for example, require the provider or the purchaser to allocate resources to develop a particular capability to improve performance. Punitive corporate sanctions may be considered but only as a last resort after incentive sanctions fail to work for no good reason. If both organisations are aligned in the value they place on the strategic partnership, it is expected that punitive sanctions need not be imposed. This does not mean that consistently poorly performing staff or teams will not have punitive sanctions imposed on them in terms of requirements to improve individual performance, but such management strategies operate below the partnership agreement level.
There are therefore elements of the purely commercial purchaser-provider approach within the strategic partnership approach but they operate in a co-operative developmental framework rather than a legalistic adversarial framework.

To make this type of partnership arrangement work demands:

1. the *development of a relationship management culture* in line managers and other staff. The quality of the relationship has to matter to everyone in the organisation;
2. *constant senior management involvement*, particularly with the senior management of the partner organisation;
3. detailed, but limited and practical *specification of key performance requirements* and how these are assessed and reported;
4. *clear lines of communication* both within each organisation and across organisational boundaries;
5. problem solving and *dispute resolution mechanisms which are simple*, direct, and targeted for resolution as close to the problem as possible;
6. a *clearly-written agreement* that is:
   - output-oriented;
   - flexible;
   - written in simple language, free of jargon and legalisms; and
   - based on clearly enunciated and agreed principles and procedures.

When problems do occur under such an arrangement, resolution should be relatively simple. Where a matter that is not clearly covered in the agreement arises, the approach taken to resolve it is the opposite of what would happen under a legalistic contract.

While under an adversarial contractual purchaser-provider relationship issues are resolved on the “fine print” of the contract, in a strategic partnership agreement the approach is to rely on the large principles instead. Such an approach demands:

- that the big picture always be kept in mind;
- that a partnership culture be established and maintained in each organisation;
- that the relationship is managed in a very “hands on” manner; as well as
- a certain generosity of spirit and a commitment to colleagueship which is reinforced by behavioural expectations built into executive performance agreements.

**The Process of Developing the Partnership Approach and the Agreement**

A series of procedural and decision-making mechanisms, formal and informal, were established from April 1996 to guide the development of Centrelink, and, as a subset of that process, the development of the strategic partnership between Centrelink and DSS, and between Centrelink and the other purchasing departments, principally DEETYA. Some of these mechanisms occurred once only while others became regularised and remained in place until Centrelink began to operate as a separate corporate entity in January 1997.

It is important to note that the Centrelink development process was initially a DSS-DEETYA collaborative project until July 1996, when DSS took over primary responsibility. The process was driven to a significant extent from the top of the organisations by both vice-ministers, albeit alongside
concerted internal and external communication efforts and in consultation with the senior executive group within both ministries. In the initial planning stages, the public sector union was not consulted and did not have a role in the planning or strategic direction of the project.

The mechanisms used to plan and implement Centrelink and the strategic partnership agreement can be listed, roughly in order of importance, as follows:

- weekly meetings between departmental vice-ministers;
- establishment of a joint ministry working group;
- establishment of the Employment Redesign Services Committee;
- establishment of a Centrelink Implementation Group within DSS;
- community consultations; and
- internal ministry consultations.

**Weekly Meetings between the Departmental Vice-ministers**

These breakfast meetings sometimes included selected staff, and sometimes included only the vice-ministers. This regular interaction at the highest levels of each ministry was a significant driving force in ensuring the effectiveness of the implementation. It was also quite a novel alternative to the conventional routes of interdepartmental interaction through formal committees, minutes and so on. The discussions were open, wide-ranging and often without a formal agenda. The meetings continued even though the DEETYA vice-minister was replaced in mid-January 1997, and so were clearly seen as critical to the design and implementation process.

**Formal Establishment of a Joint Ministry Working Group**

A small joint working group was established so that both DSS and DEETYA could coordinate design and implementation issues. In practice, there was an informal collaborative approach between a couple of key officials on both sides who had responsibility for the development of Centrelink. Interviews with these officials suggested that there were no major differences between the two departments in terms of approach, and that differences that did arise were referred to the deputy vice-minister and/or vice-minister level for resolution. The group developed the principles that formed the basis for the two Cabinet submissions, and significantly influenced the broad shape of Centrelink. Procedurally, the DSS proposals were cleared by the responsible deputy vice-minister and vice-minister only, rather than by all division heads. This approach, motivated largely by the significant time constraints imposed on the project, alleviated the risk of delay caused by possible intra-ministry disagreement.

**Establishment of an Employment Redesign Services Committee**

This formal joint forum, chaired by the deputy vice-minister (IT Operations) in DSS and involving a DEETYA deputy vice-minister, significantly influenced the nature and pace of agency implementation. The committee principally addressed the implications of the Centrelink and employment placement market reforms for the information technology environments which processed customer applications and made payments. Both DSS and DEETYA are heavily reliant upon IT infrastructure for all customer processing. For example, the committee determined that employment
service delivery by Centrelink required that implementation begin as early as April 1997. This had corresponding ramifications for timetables in such areas as resources and property management.

Attention here is limited to the Centrelink reform, *per se*, and does not deal directly with the broader issues involved in the creation of an employment placement market. It is nonetheless clear that the parallel labour market reforms did impact on the shape of the Centrelink reform, and needed to be addressed in that context. The Inter-Ministry Committee inquiry into labour market reform had to identify ways to manage the proposed cut in public expenditure on employment programmes, and whether such programmes could be managed in a more market-oriented way — issues which clearly cut deep into the future nature of the labour exchange functions of DEETYA through the Commonwealth Employment Service (CES).

The evolving shape of the labour market reforms effected the nature of the Centrelink reform. Initially the effective absorption or merging of the DSS and CES networks at the shop front level had been envisaged. But as the shape of the labour market reforms emerged, it became clear that the CES, *per se*, would no longer exist. Intensive employment assistance would be provided by public and private providers on the basis of competitive tenders. The function of assessment and referral for such assistance would be transferred to Centrelink (since otherwise the former CES would be in the position of selecting clients to refer to itself). More generally, the scope of services to which all the unemployed would be entitled would be far more limited than in the past and could be provided at the Centrelink shop front. As a result, there were fewer CES functions transferred to Centrelink than originally envisaged. At the same time, the government was committed to ensuring, in the light of community consultations, that the reform did not result in the withdrawal of services in rural and remote parts of the country.

Establishment of a Centrelink Implementation Group within DSS

The role of this group, which came into existence in April 1996, was: to manage the project planning and coordination; communicate progress on the project to DSS staff; assist internal communication in DEETYA and other portfolios; and manage specific sub-projects as allocated by the vice-minister.

DSS became the main driving force of Centrelink development after the July Cabinet submission to government. Within DSS, the deputy vice-minister (Corporate) was in charge of overall implementation. A Project Implementation Plan, which was developed and updated fortnightly, had dual objectives. It was both a key instrument of project management and a tool for communication to stakeholders. It identified what had to be undertaken in the implementation of new arrangements for DSS and Centrelink and specified a timetable for the start and completion of specific sub-projects. The sub-projects and processes under project management include design processes, agency processes, consultation with staff and external interest groups, and the development of information technology solutions. The development of information technology solutions required a distinction between interim and long-term solutions, not least because the transfer of staff was to precede, by several months, systems development.

Responsibilities for development of different aspects of the reform were allocated to specific division heads in DSS as project managers, corresponding to their respective jurisdictions. Hence the degree of involvement differed across the department. In particular, since the majority of processes would not be immediately effected by the introduction of Centrelink, the social security programme divisions (*e.g.* The Programme for the Aged) were generally not as intensively involved as the corporate programme divisions, *e.g.* resource management and strategic planning. The exception was employment service processes, where significant changes obviously were required (as discussed
above, a joint DSS/DEETYA committee was established). There was continuing work on job redesign such as point-of-contact decision-making and the introduction of self-managing teams that had in fact preceded the Centrelink reform. The Centrelink Implementation Group within DSS was responsible for facilitation and coordination among the various centres of activity within the department, and updating the Project Implementation Plan.

Community Consultations

The government required the preparation of a paper on the proposed labour market reforms, including a chapter on Centrelink, which was circulated to the community. Proposed changes to eligibility criteria for intensive employment assistance attracted the strongest criticism. The overall improvements to service delivery implied by the Centrelink reform were generally welcomed, although there was some concern about future coverage of rural and remote Australia.

Internal Ministry Consultations

Participation at the management level within DSS took place through various mechanisms. Senior managers, in particular DSS area managers and division heads, became involved in agency development through such existing DSS structures as the Corporate Management Committee and weekly meetings of division heads, and, subsequently, fortnightly Centrelink implementation-specific division heads’ meeting.

DSS area managers were briefed prior to the government’s Budget announcement of the project. This was also an opportunity for feedback on the reform from area managers. They in turn were authorised to pass on news of the reform to the regional office managers. Such a process of dissemination to the regional level prior to the Budget announcement was unprecedented in DSS (and did not in fact take place among staff in the DEETYA network). Continuing area manager involvement occurred through their involvement in senior executive group activities.

Implementation workshops for Senior Executive Service (SES) staff took place at two levels. Firstly, there were a series of two-day workshops in September and October 1996 involving all DSS SES officers. These workshops were more a forum for explanation, and raising concerns and highlighting issues that needed further thought rather than a vehicle which had a formative influence on the shape and development of the reform. Secondly, at the inter-departmental level, selected senior officials in DSS, DEETYA, The Department of Health and Family Services, the Department of Veteran’s Affairs, the Department of Finance (DoF) and the Department of Prime Minister and Cabinet participated in workshops in December 1996 and February 1997, to discuss the purchaser-provider arrangements for Centrelink in detail.

After July 1996, with Centrelink located in the social security portfolio and DEETYA facing a broader and more controversial agenda centred on the creation of the proposed employment placement market, further development of the reform became a DSS task, albeit with extensive consultation with DEETYA and other stakeholder departments.29

Other Issues

Throughout the development of Centrelink it is important to note that there was a heavy dependence on personal relationships, both at the senior level between the departments, and within DSS, in
managing the implementation and overcoming traditional inter- and intra-departmental rivalries. There is also a general belief that continuing good personal relations and implicit understandings, facilitated by physical proximity, will help to resolve issues that remain open or that emerge in the future between Centrelink and its partner organisations, particularly between DSS and Centrelink.

The period April through August 1996 saw the identification of the key aspects of the Centrelink reform, even if some remained relatively less elaborated. What had to be addressed differed in order of importance and also urgency. Attention for much of 1996 was focussed on a series of major issues that had to be settled in order to get Centrelink into operation; legislation, Centrelink corporate governance, the nature of the purchaser-provider relationships and contracts, funding, staffing, industrial relations framework, among others. The future shape and role of the respective ministries, post-Centrelink, was one major question relegated for subsequent consideration. The reform activity focussed very directly on designing and implementing Centrelink and avoided the temptation to split the reform effort among Centrelink, ministry reforms (e.g. the subsequent reform of DSS) and the implications of these reforms for the Australian Public Service in general.

The Structure of the Agreement

The type of agreement entered into between DSS and Centrelink was designed to be quite different from those used between public sector bodies in the United Kingdom or New Zealand. This reflected the nature of the legislation that established Centrelink. That Act established an executive Board of Management to control Centrelink under the general direction of the minister. The Act also empowered the Chief Executive Officer of Centrelink to enter into agreements with Departments and other organisations to provide services on their behalf. Therefore, in negotiating an agreement, the Centrelink CEO, who is employed by the Board and specifically empowered to enter into agreements by the Centrelink legislation, can act very differently from his/her counterpart in the United Kingdom or New Zealand as he/she is acting as the head of an independent statutory organisation who can deal directly with other agency heads as an equal.

In the case of DSS and Centrelink, the Centrelink CEO is free to negotiate with the Secretaries of Departments of State without fear of a conflict of organisational interests because she is responsible, not to any ministry vice-minister, but to Centrelink's Board of Management, and through the Board to the Minister for Social Security. This allows for genuine inter-organisational negotiations to take place and for a more meaningful, measurable, performance agreement to be developed.

The strategic partnership agreement between DSS and Centrelink comprises three components:

1. **A Core Agreement** detailing the major goals, general principles, strategies and mechanisms upon which the purchaser-provider relationship is based;

2. **Protocols to the Core Agreement.** These detail service arrangements for each of the Department’s policy programmes and other programmes (e.g. legal services, information technology services) in terms of outputs required to be delivered by Centrelink, based on the specification of a small number of key result areas (KRAs) for each year of the agreement and a number of performance indicators for each payment or service provided under each policy programme; and

3. **Memoranda of Understanding** for particular administrative or other services (such as security and property services) provided to DSS by Centrelink. These are essentially support services outsourced to Centrelink by DSS and could have been included in a separate document. They are included in the agreement for convenience.
The bulk of the agreement lies in the details provided by the Protocols. These are where the aims of each policy programme, the KRAs for the year as derived from the Budget statements, performance indicators (timeliness, accuracy of decision-making, customer service standards, take-up rates, compliance measures, etc.) are specified for each policy area.

In developing the Protocols, the performance regime which they specify has been designed so that it is:

1. Simple. A limited number of KRAs are specified for each policy area — usually 3 to 5. These are linked to a standard set of performance indicators which measure customer service and product delivery;
2. Linked to government goals as specified in the Budget and other policy statements; and
3. Meaningful. The performance measures are demonstrably useful for a number of purposes such as:
   - assessment of Centrelink service delivery performance by product/service;
   - statutory reporting;
   - policy evaluation; and
   - policy and/or product design.

The memoranda of understanding were included in the agreement as the services they relate to (printing, public relations, security and others) are provided by Centrelink to DSS. This is because the two organisations share an office complex which was originally the DSS National Administration complex. It was felt that, in the first year of the operation of the agreement, the corporate services which were originally part of DSS and which are now operated by Centrelink should be used to support DSS operations. In subsequent years these services may be subject to market contestability by DSS if government policy so requires.

Extracts from the DSS-Centrelink strategic partnership agreement are provided in Attachment 1.

5. The Drivers for Separating the Policy/Service Delivery Functions

Reform of the Australian Public Service over the past 15 years, has been characterised by a number of trends:

- the search for savings and efficiencies;
- outcomes and outputs - not inputs - focus;
- accountability — transparency and greater scrutiny of what the public service actually does and achieves;
- performance reporting — not process reporting;
- contestability of policy advice, service delivery and operational support services as governments source these from both inside and outside the public service;
- outsourcing, particularly of support services;
- risk management approaches not dependent on a rule-driven operational environment;
- strengthening the control of vice-ministers/Chief Executives;
- small government focussed on policy development, analysis and evaluation — a retreat from big government to core public sector policy functions;
value-for-money through the introduction of greater political oversight of departments, particularly through the budget process and the introduction of output budgeting, integrating evaluation into policy development and outcomes-oriented reporting mechanisms;

- simplified human resource management and industrial relations frameworks which emulate private sector conditions as much as possible.

The Australian public sector operational environment, like many in other OECD Member countries, is now characterised by:

- increasing ambiguity;
- rapid change;
- greater political oversight;
- a greater focus on government policy aims;
- productivity requirements linked to tight fiscal controls;
- a focus on performance and outcomes; and
- a demand for highly professional policy advice and service delivery.

The implementation of purchaser-provider arrangements within the social security ministry reflects the consensus on the new approach to public sector management indicated by these trends. Purchaser-provider relationships operate within a risk management framework which emphasizes managerial executive responsibility for outcomes and outputs; minimises reliance upon rules; embeds performance measurement and reporting in business activity; incorporates outsourcing strategies where appropriate; encourages the development of markets in public services by making some, if not all of those services contestable; demands value-for-money from the purchaser-provider arrangements; and encourages a business environment that demands of leaders and managers an ability to manage ambiguity, change and the political and legal constraints of the public sector in a more pro-active and less risk averse manner.

In response to this environment both DSS and Centrelink have recognised that they need to:

- maintain the value-adding capacity of the organisations by identifying and developing their comparative advantages; and
- leveraging these so that they can develop strategies for long-term competitiveness based on corporate performance of the highest level.

The strategic partnership agreement is a key component in the strategies being adopted by both organisations to achieve these goals.

6. The Legal Basis for Performance Contracts

Under Australian law, the national government and its component parts — the legislature, executive and judiciary — cannot enter into legal arrangements other than those arrangements permitted by the national constitution or constitutional convention and cannot litigate against one another. It is therefore not possible for agencies of the executive government such as departments of state and statutory authorities to litigate against one another, although they may litigate against other legal entities, either on behalf of the national government or, in the case of statutory authorities, in their own right.
This requires administrative arrangements between the agencies of the executive government to be undertaken through non-contractual agreements such as memoranda of understanding. The strategic partnership agreement between DSS and Centrelink is essentially such a memorandum of understanding. Neither party to the agreement can take action in the courts against the other party. The agreement could, however, contain provisions for other forms of arbitration should severe disputes arise between the parties. The current agreement includes no such provision although its inclusion was considered as part of the process of agreement development. Such a mechanism was rejected as both parties felt that it would not contribute toward the requirement for both organisations to work on developing a “win-win” approach to the business partnership.

Legal or quasi-legal procedures are usually resorted to in business relationships when the relationship between partners has broken down to point where it is dysfunctional and should probably be abolished. Both DSS and Centrelink have a commitment to make the relationship work and to resolve disputes without recourse to these procedures.

This sends a very clear message to all staff in both organisations that there is no easy way out of this relationship — all must strive to make it work, to minimise severe disputes and, where they do arise, to work constructively to resolve them. This is not easy and many staff find such an approach very challenging. To make the strategic partnering approach work, it is therefore very important that all staff understands the approach and what is expected of them, and to be trained in essential business-relationship management strategies.

7. Connections to Other Decision-Making Processes

The strategic partnering approach is an essential component of the operational framework of both DSS and Centrelink. It is a major determinant of the ways in which each organisation relates and reports to the Minister for Social Security, the Cabinet and the Parliament. It is not explicitly linked to the performance contracts of senior managers, although it may be referred to in these contracts.

The budget process is explicitly referred to in the Strategic Partnership Agreement through the Financial Arrangements Protocol which addresses budget development and financial appropriation matters. The objectives of this protocol are:

- to define the Budget and associated financial arrangements for funding Centrelink to carry out its service provision functions in respect of social security programmes;
- to provide certainty of funding for the core operations of Centrelink for the delivery of services under DSS programmes; and
- to enable the Minister for Social Security and DSS to fulfil their financial reporting obligations.\(^{31}\)

The agreement also makes provision for a high level consultative committee known as the DSS-Centrelink Relationship Committee that is jointly chaired by a deputy vice-minister level officer from each organisation. Additionally, each protocol contains arrangements for a consultation and liaison mechanism and for reporting procedures for each organisation on the management and performance of the programme covered by the protocol.

The strategic partnering approach is included in the strategic and business plans used by Centrelink and DSS and their business units.\(^{32}\)
8. Assessment and Lessons Learnt

Performance measurement in the public sector is not simply an issue of cost/benefits, resource allocation measures or financial measures. It is also not merely a technocratic exercise undertaken for its own sake or to meet accountability demand external to the organisation. Many organisations have already learnt that both financial and non-financial performance measures are critical to assessing the effectiveness of policy implementation and policy advice. Any serious treatment of performance measurement in the public sector needs to go beyond the discussion of the nature and adequacy of performance measures themselves and needs to confront a range of strategic, organisational and policy issues whose context gives the performance regime its rationale and purpose. This has been one of the goals for the DSS/Centrelink strategic partnership agreement.

From the DSS-Centrelink experience in developing a performance regime as part of the strategic partnership agreement, the key issues are:

1. identification of core business and the policies to be delivered;
2. identification of the policy goals of government and their incorporation in the short- to medium-term framework for the agreement;
3. development of a meaningful relationship with partner organisations based on the principles of mutual respect, reciprocity, openness, clear specification of outcomes required and agreement on simple dispute resolution processes; and
4. specification of the relationship in a simple, business related, outcomes-oriented agreement that relates to the work of the organisation at all levels so that it facilitates staff commitment to it.

Lessons Learnt from the Partnership to Date

The formal strategic partnership has only been in operation for six months at the time of writing, although the partnership has predominantly emerged from what was one organisation over a period of 18 months. We have during this time learnt some lessons from its operations, many of which had been predicted in the design stages of the partnership. The most significant of these lessons are:

- **Strategic partnerships are not suitable for all aspects of the business relationship.** While the partnership approach is very suitable for the policy/service delivery functions, it is not necessarily the most suitable approach for corporate support services. In the latter case it may be more appropriate to have legal contracts with outsourced suppliers for these services, as the cost of partnering cannot always be justified in a highly contested commercial environment. DSS has, as a matter of convenience, quasi-legal memoranda of understanding with Centrelink for the provision of support services, as both organisations occupy the same office site. These services are open to contestability and can be excised from the partnership agreement should that become necessary.

- **The agreement must provide reasonable funding certainty to the provider organisation.** The period of the agreement, whether it is for one financial year or longer, must include details of how funds are to be provided and how ongoing funding beyond the current financial year, including bridging arrangements if necessary, will operate.

- The agreement must include a meaningful performance and reporting framework that meets the needs of the purchasing organisation and the requirements of government, but not impose an undue burden on the provider organisation. A performance assessment and reporting framework must be specified. Any information technology platforms, including
software, must be specified and meet the requirements of the purchaser to report to government on service delivery outcomes. Performance indicators used must be relevant, meaningful and limited to policy-oriented outputs. Process specifications which are usually of interest to the provider organisation need not be specified in the agreement unless there is a clear link to policy outputs.

- The partnership must be a key part of each organisation’s strategic direction. Commitment to the partnership needs to be included in the strategic aims of each organisation and therefore reflected in the strategic plan, corporate or business plans and in the strategic discussions that occur in each organisation. It cannot be taken for granted.

- The partnership will have some impact on each organisation’s structure. Partnership operations and behaviour will require that the physical and communications interfaces between each organisation be carefully designed to facilitate the partnership. This may include such things as the physical location of certain personnel, interoperability of software and communications platforms, establishment of special committees, management of joint membership of third party committees.

- Develop effective strategies for interacting with the minister and the minister’s advisers if both organisations share a common minister. Ministers and their personal advisers are not interested in adjudicating bureaucratic conflicts nor in receiving conflicting advice from different ministry agencies. They want coordinated high quality advice which can be acted upon quickly to achieve the desired policy outcomes. If both partner organisations are within the one ministry, the minister will expect and demand a seamless interface between her office and the two organisations. It is the responsibility of the partner organisations to design and implement such an interface as a priority. If this cannot be achieved the organisations’ leadership and the partnership will both be under threat of political action to make the partnership work or be disbanded.

- Strategic partnerships are initially resource intensive. Depending upon the physical and organisational characteristics of each organisation before the reform, additional resources will be required. Do not expect to make savings in the short term; that will be a medium-to long-term outcome. There is a requirement to assist the organisation’s leaders, managers and other staff to understand, accept and practise the partnership culture. This involves additional expenditure and time devoted to training, often with the partner organisation. It is also necessary to ensure that electronic communications, access to organisational performance and operational data, public relations and other information is available to both organisations. Expect the partnership culture to take two years or more to be embedded in the organisations. Be prepared to assist people to change or to move on, free of recriminations, if they cannot adapt. Additional costs will usually flow from staff leaving.

- Strategic partnerships operate within a risk management framework. Although partnership agreements can be characterised by a high degree of input and output specification, they are not predominantly rule-bound or rule-driven. Leaders and managers in both organisations need to understand the risk management framework within which the agreement will operate. It is important therefore that such frameworks within each partner organisation are aligned and that managers understand the decision-making responsibilities that are expected of them.

- Partnership Agreements should be facilitative, not prescriptive, simply written and simply structured. The strategic partnership agreement is a document that sets out the nature and goals of the business relationship, the outputs required, a practical performance framework, incentives for performance improvement and mechanisms for conducting the business relationship, including the resolution of disputes. It should be facilitative, not prescriptive.
It does not, and should not, attempt to contain the answers to everything that will happen within the partnership.

- **Incentives for improvement are more productive than sanctions in agreements.** Sanctions within the agreement, if included, should focus on improving performance to achieve policy outputs or outcomes, and should not be used as a punitive measure to punish poor performance. In most cases financial sanctions are impractical and any use of them must be carefully considered.

- **The purchaser-provider dichotomy makes performance inadequacies transparent.** When splitting an organisation into two new purchaser and provider organisations, frustrations and performance problems that were once contained within the original unitary organisation are exposed, gain greater visibility and can rapidly lead to inter-organisational conflict in the new environment. This needs to be realised, and strategies for managing conflict and unrealistic expectations of an early resolution of these issues should be developed and implemented.

- If the purchaser-provider initiative is part of a strategy to reform policy and service delivery functions, keep both functions on the reform agenda. In implementing such a reform strategy, the service delivery function is usually the largest part of the reform project. It is easy to allow the size of the service delivery tasks to overwhelm the project. To avoid this: use highly disciplined project management with regular high level reports; have a steering committee that includes executives from both the policy and service delivery functions; use third party reviewers if necessary; and, if the project is staged so that one function initially takes precedence over another, have a comprehensive internal communications strategy in place to communicate this to each organisation so as to reassure all staff that the project is being holistically managed and to keep them informed of progress.

- **Empower line managers to negotiate changes to the agreement with the partner organisation.** The partnership agreement should be a living document; it should not be immutable and must reflect both the aspirations of the business relationship and its practical operation. If any aspect of the agreement ceases to be functional or impedes the attainment of an objective of the agreement, the line managers that are responsible for that aspect which is dysfunctional should be empowered to negotiate desirable changes with the partner organisation. The only caveat placed on this should be to require managers to refer any major policy or operational problems to top management before seeking to negotiate changes. This strategy underlines the importance of middle management in implementing the agreement and making it work.

- **Learn to let go and accept differences.** When devolving or reassigning functions across organisational boundaries, it is essential to develop and implement strategies to assist people who are surrendering a function to let go of it and assist the people who are gaining the function. It is advisable to involve the former function owners until their own competencies in the functions are sufficient not to require assistance. It is important that the former owners, particularly if they are now the purchasing organisation, accept that the other organisation will do things differently and that this is to be expected.

- **Boundaries cannot always be clarified.** Purchasing organisations that are policy developers and product designers should focus primarily on policy outputs and outcomes from the strategic partnership, not on service delivery issues. Providers should focus primarily on service delivery issues. In the grey area between policy and service delivery issues, e.g. where service delivery strategies could impact adversely on policy outcomes, clear boundaries are sometimes difficult to define. The clarification of responsibilities
must usually rely on negotiation; it is very difficult to establish rules for the division of responsibilities in all circumstances.

- **Minimise the “us and them” syndrome.** Overcoming the “we win—you lose” syndrome. Partnering is difficult, more difficult in many ways than a relationship based on a legal contractual framework. It is an environment in which both parties win or both parties lose. This is frequently difficult for staff and even managers to grasp. Strategies need to be developed and implemented to embed the partnership culture in both organisations. Such a culture is very dependent on the factors noted earlier in the paper, in particular the quality of communication, trust and respect in business dealings.

- **Staff, but particularly leaders and managers, need to understand each other’s operational environment.** To understand the culture and operational procedures of the other organisation and to feel competent, if not comfortable, operating as required in the partner organisation, leaders and managers need to know each other and have functional cross-organisational networks. This takes time and considerable effort and should be facilitated by specific strategies, both formal and informal, to assist executive and middle management staff to achieve this.

- **Do not underestimate emotional issues which may be important to staff.** Issues such as perceptions about fairness and equity in the partnership are often sleeper issues which are masked by behaviours that might not make them apparent. Disputes or general workplace unhappiness about shared tasks, the operation and management of integrated projects, responsibility boundaries and similar matters may have a large emotional component because some or all staff have strongly negative feelings about the partnership, whether rational or not to leaders and managers in the partner organisation. Similarly, strongly positive feelings about the partnership must be identified and strategies developed and implemented for grounding these in reality so that they contribute to the success of the partnership and do not lead to a “boom-bust” cycle of staff euphoria and disappointment about the partnership. Managers must be able to deal effectively with these issues, either personally or through access to those who can.

- **Celebrate wins together and support each other in difficulties.** In building a strong partnership it is important for all staff in both organisations to understand and accept that both organisations win together and lose together. When opportunities occur for celebrating organisational successes, it is important to acknowledge and include partners in the celebration, however simple. Similarly, when either partner organisation is in difficulties, it is important for the other partner organisation to offer and provide relevant assistance where possible. Leaders and managers in both organisations should be expected to clearly demonstrate an acceptance of these behaviours and have them incorporated in individual performance agreements.

- **Incorporate partnership behaviours and measures in business unit and individual performance agreement.** This is a crucial strategy for embedding partnership behaviour in each organisation; leaders and managers have to demonstrate that they are acting out the expected partnership roles. Partnership does not just happen. Equally, strategic and business plans must reflect the partnership culture and identify critical success factors which direct business strategies that embed partnering behaviour in business operations. This expectation of behaviour is critical in aligning the values and cultures of the partnering organisations as much as possible given their divergent roles. CEOs in each organisation must make it clear to their executive staff that these behaviours are expected and implement strategies to assess their practice.

- **Reflect workplace changes arising from the strategic partnership in workplace relations agreements.** Significant changes to workplace culture, behaviours and responsibilities as
incorporated in the partnership agreement will usually be reflected in changes to existing workplace relations agreements or the negotiation of new agreements. Both DSS and Centrelink have negotiated new workplace relations agreements with executive and general staff to reflect the new workplace which has been developed from the strategic partnership and concomitant changes.

- **The strategic partnership agreement is not the whole business relationship.** Do not expect too much of any agreement, whether it be a strategic partnership agreement or a legal or quasi-legal contract. Any public sector business relationship is made up of many factors; the aims of the government of the day, the nature of the executive government, the legislative framework, the accountability regime, community standards and expectations, cultural and social attitudes about the businesses, the public sector culture (including the leadership culture) and leadership personalities, to name a few. To be effective, action taken under an agreement has to consider some or all of these factors in its implementation. All staff need to clearly understand the complexity of the environment in which the partnership operates.

- **Above all, communicate, communicate, communicate!** Staff in both organisations need to constantly discuss common issues to work together productively. This is the principle mechanism to overcome disputes, facilitate understanding and achieve organisational alignment on factors critical to the business relationship. External and internal communication strategies need to be designed and assessed (and repeatedly assessed at regular intervals) after implementation to address business process issues, leadership support, management roles, and emotional issues which arise among staff such as issues of fairness in workload distribution among partners, disputes over responsibility, recognition and rewards and any other matters of importance to the relationship.
ATTACHMENT 1

EXTRACTS FROM THE DSS-CENTRELINK STRATEGIC PARTNERSHIP AGREEMENT 1997-98

1. Overview

The extracts below comprise:

- the entire Core Agreement;
- three protocols; and
- one memorandum of understanding for supply of a specific corporate support service.

In the agreement Centrelink is referred to as the Commonwealth Services Delivery Agency, or the CSDA.

The DSS-Centrelink Strategic Partnership Agreement 1997-98

Core Agreement

1. Statement of Intent

This agreement is a service arrangement of the type described in Section 7 of the Commonwealth Service Delivery Agency Act 1997. It is made in order to:

- facilitate the strategic partnership between the Department of Social Security and the Commonwealth Services Delivery Agency in terms of their joint effort to design and deliver information, products and services to the Australian community arising from the Social Security policies of the government based on the principles defined below; and
- define the general objectives, principles and mechanisms which will guide each organisation in working together as partners in delivering the government’s social security policies to the Australian community.
- This Agreement must be read in association with the Social Security Act 1991 and the Commonwealth Services Delivery Agency Act 1997.
2. Parties to the Agreement

This Agreement is made between the Secretary of the Department of Social Security (“the Department”) and the Chief Executive Officer of the Commonwealth Services Delivery Agency (“the Agency”).

3. Terms and Definitions

In this Agreement, unless the context otherwise requires:

- “The Minister” means the Minister for Social Security;
- “The Secretary” means the Secretary to the Department of Social Security;
- “The CEO” means the Chief Executive Officer of the Commonwealth Services Delivery Agency;
- “Services” means the provision of any product or service by the Agency to an Agency customer on behalf of the Department;
- “Organisation” means either DSS or the CSDA, as appropriate in the context.

4. Entire Agreement

This Core Agreement and the Protocols to the Core Agreement constitute the whole agreement between the parties.

Where there is any conflict between the Protocols and the Core Agreement, the terms and conditions of the Protocol take precedence.

5. Objectives of the Agreement

The objectives of this Agreement are:

1. to define the services which the Agency will provide on behalf of the Department;
2. to define the financial arrangements between the Department and the Agency to fund the services to be provided;
3. to establish procedures, mechanisms and strategies which will form the basis for an enduring collaborative relationship between the Department and the Agency in:
   - providing advice to the government on social security issues;
   - the design and development of products to deliver policies consistent with the government’s objectives;
   - the design, development and implementation of service delivery systems to ensure that these products are efficiently and effectively provided to those entitled to them;
   - reporting to the government, the Parliament and the Australian community on the outputs and outcomes of the implementation of these policies; and
4. to specify the standard at which services are to be delivered and the performance monitoring procedures to be used in ensuring that these services meet the policy requirements of the government.
6. The Principles Guiding the Strategic Partnership

The following principles will be used to guide the strategic partnership between the Department and the Agency as set out in this Agreement:

1. a balance between the Department’s accountability for policy outputs and outcomes and the Agency’s need for flexibility in delivering products and services effectively and efficiently;
2. transparency in accountability strategies, measures of performance and review mechanisms;
3. access to information, policy, product design and service delivery processes as required by each organisation to effectively conduct its business;
4. collaboration and openness in building and maintaining a strategic partnership between the Department and the Agency in the design and delivery of social security policies to the Australian community. In this context, collaboration means:
   - demonstrable commitment to a partnership between the Department and the Agency in the development and implementation of programmes, products and services to achieve the government’s social security policy objectives;
   - respect for the integrity of each organisation to be responsible for its own core functions.

7. Portfolio Roles

The Department and the Agency are responsible to the Minister for Social Security for the implementation of the government’s social security policies and agree to work together to this end.

The Department is the principal policy formulation and advising body within the portfolio and has general responsibility for ensuring that the government’s social security policies are implemented as required by the minister.

For the purposes of this Agreement, the Commonwealth Services Delivery Agency is the principal service delivery organisation within the portfolio and is responsible for the delivery of policy through the provision of information, products and services to the Australian community.

8. Delegations under Relevant Legislation

The Secretary undertakes to provide to the CEO or officers of the Agency the requisite delegations under the Social Security Act 1991 and any other relevant legislation necessary for the Agency to effectively deliver the information, products and services the Department requires it to deliver on its behalf.

9. Services to be Provided under this Agreement

The Agency agrees to deliver on behalf of the Department the information, payments and services detailed in this Agreement and the protocols to this Agreement at the standards specified by those protocols.
10. Financial Arrangements

10.1 Annual Funding Arrangements

The Department agrees to provide the Agency with the funding provided for the Agency’s running costs as included in the Department’s annual appropriation. The funding will be provided under the arrangements set down in the Financial Arrangements Protocol to this Agreement.

10.2 Budget Arrangements

The Department undertakes, as specified in the Financial Arrangements Protocol to this Agreement, to fully consult with and involve the Agency in the Budget development and Additional Appropriation processes.

10.3 Appropriation Arrangements

The Department undertakes to develop, through consultation with the Department of Finance and in association with the Agency, mechanisms which will ensure that the Agency has certainty in the funding made available by the Department in each financial year and the subsequent year (subject to variations arising from government decisions).

11. Performance Monitoring

The Agency agrees to provide to the Department all reasonable assistance required by the Department in its assessment of the Agency’s performance in delivering the services provided for in this Agreement and specifically as provided for in the Data Management, Performance and Evaluation Information Protocol. In particular, the Agency agrees to undertake the following components of the performance review regime and to provide the reports and data from these components to the Department:

- the development of unit cost data for each payment and major product and service provided on behalf of the Department as specified in the Programme Protocols;
- biannual customer satisfaction surveys, as specified in the Programme Protocols; and
- assessment of customer service against the standards established in the Programme Protocol for each payment, product or service delivered on behalf of the Department and specified in that Protocol.

The Agency also agrees that the Department may, at its own discretion but following written advice to and consultation with the Agency, commission audits of the Agency’s operations and performance.

12. Data Access Arrangements

The Agency agrees to provide to the Department the management information and other data required for policy, programme performance and management purposes as set out in the Data Management, Performance and Evaluation Information Protocol to this Agreement as well as other data and information as may be required from time to time by the Department to support its core businesses, in the format specified and free of charge, for the duration of this Agreement.
13. Consultation Arrangements

The Department and the Agency agree to follow the consultation, liaison and reporting obligations detailed below and as outlined in the protocols to this Agreement.

13.1 Strategic Consultation

The Department and the Agency undertake to establish by 1 July 1997 a high level coordination and consultation committee, to be known as the DSS-Agency Relationship Committee, to have the following functions:

- to provide a forum for consultation and coordination on matters of principle, major policy issues, legislation and major operational issues affecting the relationship between the two organisations;
- to resolve disputes between each organisation as set out in Section 15 of this Agreement.

The committee will comprise at least four members (at least two members from each organisation), and have an equal number of members from each organisation. The committee will be chaired by a representative of each organisation on a rotational basis. The committee may adopt such operational guidelines as it chooses in order to carry out its functions. The Department will provide the Secretariat for the committee.

13.2 Operational Consultation

The Department and the Agency undertake to consult on the following matters:

- The Department undertakes to appropriately consult and involve the Agency on any proposed amendments to the Social Security Act 1991 and to take account of any Agency concerns or requests regarding the design of products and services and the delivery of those services which might arise from such amendments.
- The Department undertakes to appropriately consult and involve the Agency on any proposed amendments to the Commonwealth Services Delivery Agency Act 1997 and to take account of any Agency concerns regarding the management, operations, role or core business of the Agency that might arise from such amendments.
- Both the Department and the Agency undertake to consult with one another as required, to ensure that the strategic and corporate plans of each organisation appropriately reflect the policy outputs and outcomes required by the Department and also the corporate service delivery goals of the Agency.
- Both the Department and the Agency acknowledge that it is essential to the core business of each organisation for each to have a clear understanding of the operations and current status of each organisation on an ongoing basis. To this effect, each agrees to consult regularly with the other on operational issues which may be important to the effective and efficient operation of the other organisation and to establish appropriate consultation mechanisms (standing committees, working parties) as may be required to facilitate such consultations.
- The Agency agrees to keep the Department regularly informed of any innovations being pursued by the Agency in customer service delivery.
The Department undertakes to ensure that the Agency is appropriately consulted and involved in ensuring that products and services arising from Departmental policy development projects can be effectively and efficiently implemented by the Agency.

Both organisations agree that, where cross-portfolio consultations are undertaken, each will consult the other on issues of common concern and in relation to any proposal that may require input from both organisations as specified in the Customer, Media and Community Relations Memorandum of Understanding to this Agreement.

13.3 International Relations and Related Matters

Both organisations agree that, in relation to social security portfolio matters, they will co-operate in servicing requests in relation to participation in the activities of international organisations such as the OECD and the International Social Security Association. Each organisation will carry its own costs associated with such activities. It will also provide the other organisation with details of their responses to requests for information or participation in other international organisations in which they share a common interest (e.g. the OECD).

Both organisations also agree that they will consult and co-operate with each other in the provision of international constancy services relating to social security portfolio matters by jointly bidding for and conducting such consultancies for which the Department will act as the managing partner.

The Department agrees to provide overall management responsibility for the conduct of study tours to DSS and CSDA facilities by foreign visitors, and that the direct costs and revenues associated with such activities attach to the two organisations in proportion to their respective efforts in relation to the particular activities involved.

13.4 Staff Interchange

The Department and the Agency agree that they will facilitate staff interchanges with the intention of ensuring that the Department’s core policy business is appropriately informed of service delivery issues and considerations and the Agency’s core operations are adequately informed of policy issues and concerns, as specified in the Programme Management and Related Matters Protocol and the Programme Protocols to this Agreement.

14. Defaults and Dispute Resolution

Where any dispute or alleged default arises under this Agreement, both parties agree that they will take all necessary steps to resolve the dispute/alleged default by mutual agreement, using the following procedures:

- initial negotiation on the matter in dispute be undertaken between the appropriate managers in the Department and the Agency (e.g. between a DSS Programme Manager and an Agency Customer Segment Leader);
- if not resolved through the initial negotiation, the matter to then be referred for resolution through negotiations between the Deputy Secretary of the Department or his/her delegate and the appropriate Deputy CEO of the Agency or his/her delegate, or to the DSS-Agency Relationship Committee if so agreed by both organisations;
- if not resolved, the matter be referred for discussion between the Secretary and the CEO;
If not then resolved, the matter to be referred for discussion between the Secretary and the Board of the CSDA.

Any matter not resolved by the above procedures may be referred by either party to the minister for resolution, following written notification to the other party that it intends to do so. Such written notification must be made, if by the Department to the Chair of the CSDA Board and the CEO and if by the Agency to the Secretary.

Despite the existence of a dispute, each party will (unless requested not to do so by the other party) continue to perform its obligations under this Agreement.

15. Waiver

A waiver by either party in respect of any breach of a condition or provision of this Agreement will not be deemed to be a waiver in respect of any other, or any subsequent breach of that provision, or breach of any other provision. The failure of either party to enforce at any time any of the provisions of this Agreement will in no way be interpreted as a waiver of such provision.

16. Assignment and Novation

Each party agrees that it will not assign, in whole or in part, the benefits or obligations under this Agreement without agreement of the other party.

Each party agrees that it will not consult with any other organisation or person for the purposes of entering into an arrangement which will require novation of this Agreement without the prior agreement of the other party.

17. Changes to the Agreement

Changes to this Agreement can only be made with the consent of both parties, such changes being in writing and signed by the Secretary and the CEO.

18. Term of the Agreement

This Agreement will operate from the date of signature by both parties and will conclude on 30 June 1998. Both parties agree to begin consultations on the replacement Agreement at least three months prior to the expiration of this Agreement and to have finalised the replacement Agreement prior to the expiration of this Agreement. In the event that a replacement Agreement has not been finalised, this Agreement will continue in force until such time as a replacement Agreement is entered into by both parties.
EXAMPLES OF PROTOCOLS WHICH FORM PART OF THE STRATEGIC PARTNERSHIP AGREEMENT

Financial Arrangements Protocol

1. Matters Covered by this Protocol

This protocol governs the financial arrangements entered into between the Department of Social Security (the Department) and the Commonwealth Services Delivery Agency (the Agency).

2. Protocol Objectives

The objectives of this protocol are:

- to define the Budget and associated financial arrangements for funding the Agency to carry out its service provision functions in respect of Social Security programmes;
- to provide certainty of funding for core operations for the Agency for the delivery of services under the Department’s programmes; and
- to enable the Minister for Social Security and the Department to fulfil their financial reporting obligations.

3. Financial Arrangements

3.1 Allocations

Following the passage of Appropriation Bills Nos. 1 and 2 through the Parliament all funds included in those Bills for the purchase of service delivery, and related activities, from the CSDA (Division 560-2-12; Division 948-1-01) will be transferred by the Department to the Agency on 1 July each year, or as soon as possible after those funds have been made available by the Department of Finance.

The Department will transfer to the Agency following the passage of the Appropriation Bills Nos. 3 & 4 through the Parliament:

- any variations to allocations for the delivery of services through the Agency contained in Appropriation Bill (No. 3) and Appropriation Bill (No. 4); and
- any variations due to changes in the proportions of services delivered on behalf of the Department by the Agency and by other agencies, as soon as possible after funds have been made available by the Department of Finance.
If funding already received by the CSDA is to be reduced through the application of agreed workload funding model(s) or the reversal of a Cabinet Decision, the Department of Finance (DoF) will consult with DSS and the CSDA and issue a revised Funds Allocation Advice (warrant) to withdraw the funds. Any funds withdrawal will be accounted for as a saving to Budget at the next available opportunity (i.e. either at Budget or Additional Estimates).

3.2 Programme Costs

The funds required to meet the programme costs of the services to be delivered by the Agency will continue to be secured by way of Special Appropriations under the Social Security Act 1991 or the Student and Youth Assistance Act 1973, supplemented by Advances from the Minister for Finance as necessary. Arrangements will be made for the Agency to access the Drawing Accounts for these appropriations in order to deliver entitlements on behalf of the Department.

The Department will be responsible for obtaining Funds Allocation Authorities for programme costs and will be responsible for ensuring funds availability.

The Department will be responsible for claiming reimbursements of programme costs from:

- New Zealand, under the reciprocal agreement in force between Australia and New Zealand;
- The Department of Defence, for Australian Defence Personnel living in subsidised housing.

3.3 Annual Running Costs

Running costs for services to be delivered by the Agency in fulfilment of Departmental programmes will be included in a new DSS "Other Services" appropriation item entitled "Payment for delivery of income support services".

The funds made available under this item will be transferred to the Agency as outlined in 3.1 above, after adjustment, if any, for the delivery of services relating to the Department’s programmes by other agencies. The amount of such adjustment will not be varied after Additional Estimates.

A net annotated running costs appropriation item will be established for the Agency to enable receipt by it of payments from the Department (and other client departments) for the purchase of programme delivery services and immediate re-appropriation of these amounts for expenditure by the Agency as running costs. This item will also encompass the receipt and re-appropriation of other amounts usually covered by Section 35 agreements. In addition the Agency will have available to it the full range of flexibilities provided under the running cost arrangements.

The initial appropriation for this item in 1997-98 will be the carryover agreed for the Agency from the DSS appropriation for the 1996-97 financial year. In subsequent years the appropriation will reflect any carry-over agreed for the Agency in the context of the prevailing running cost rules applicable to it.

The Section 35 agreement to be developed in relation to this item will specify the nature of the transactions to be captured by the item but will not include any prescription as to financial limits.
3.4 Annual Capital Equipment Appropriations

The capital works and services appropriation will continue with the Department and an annotated appropriation item established for the Agency to effect the transfer of funds. The annotated appropriation may be used by the Agency to also receive similar funds to be secured through appropriations by client departments other than the Department.

3.5 Other Appropriation Matters

Appropriations for defective administration, compensation and legal payments will continue as departmental appropriations. Access to these funds and responsibility for their management will be on the same basis as that outlined in 3.2 above.

Any existing or future bequests made in favour of former DSS service delivery staff or offices transferred to the Agency will remain with the Agency and will not be subject to this protocol.

3.6 Efficiency Savings

Agreed efficiency savings will be reflected in the amounts appropriated to the Department for the purchase of delivery of services, and accordingly will be reflected in the amounts to be paid to the Agency. The Department will not unilaterally vary the amounts paid for programme delivery services as a result of any variation between efficiencies achieved and agreed levels.

4. Key Outcomes 1997/98

The following key result areas will be required for the 1997/98 financial year:

- arrangements made for the Agency to access the Drawing Accounts for programme Special Appropriations;
- funds made available under the DSS “Other Services” appropriation item transferred to the Agency as specified in 3.1 above;
- establishment of a net annotated running costs appropriation item for the Agency to enable receipt by it of payments from the Department (and other client departments) for the purchase of programme delivery services and immediate reappropriation of these amounts for expenditure by the Agency as running costs;
- development of a Section 35 agreement; and
- establishment of a mechanism for the Agency to access Act of Grace, *ex gratia*, maladministration, compensation and legal payments.

5. Liaison, Consultation and Reporting Arrangements

5.1 Liaison and Consultation Arrangements

The Agency will provide to the Department sufficient access to its financial management information system to enable monitoring and query resolution in relation to programme expenditures.
The Department agrees to consult and involve the Agency in the development and review of Budget proposals that affect the Agency.

The Agency will provide estimates to the Department of the running and, where appropriate, programme costs implications of new policy proposals. The Department will negotiate such estimates with the Department of Finance in consultation with the Agency.

The Agency agrees to assist the Department in:

- negotiations with the Department of Finance;
- appearances before Parliamentary committees;
- appearances before Cabinet committees, including the Expenditure Review Committee of Cabinet; and
- relevant discussions and negotiations with other portfolios.

5.2 Reporting Arrangements

The Agency will provide to the Department:

- data in relation to its operations which are required for the Department to meet its formal reporting obligations, including material required for inclusion in:
  - Social Security Portfolio Budget Statements.
  - the Department’s Annual Report;
  - a disaggregation of both actual and expected non-programme expenditures according to the Department’s programme, sub-programme and component structure;
  - annual financial statements prepared on both cash and accrual accounting bases;
  - fortnightly advice of the numbers of recipients of Departmental programmes serviced by the Agency, disaggregated by payment type;
  - regular performance data, disaggregated by programme; and
  - information required in relation to customers served by itself for the Department to claim specific reimbursements of programme costs as referred to in 3.2. above.
EXAMPLES OF PROTOCOLS WHICH FORM PART OF THE STRATEGIC PARTNERSHIP AGREEMENT

Programme Management and Related Matters

1. **Matters Covered by this Protocol**

This protocol is concerned with:

- Programme Management;
- Product Design;
- The Host Area Partnership Model.

2. **Protocol Objectives and Obligations**

The objectives of this protocol are to set out the responsibilities of DSS and the CSDA in relation to the matters covered in the context of a strategic partnership between them.

To this end, each organisation will seek to:

- ensure that its staff understand and follow the arrangements for programme management and product design set out in this protocol;
- encourage informal communication between them at all levels.

3. **Programme Management**

3.1 **Principles**

The division of programme management responsibilities between the CSDA and DSS will be based on the following principles:

- the Department is the principal policy formulation and advising body and retains its accountability for the products used to deliver policy;
- the CSDA is the principal service delivery body and is accountable for improving the way in which services are delivered;
- the day-to-day conduct of these responsibilities will be based on a strategic partnership, with a commitment from both parties to work together based on a clear delineation of their responsibilities and interests.

3.2 **Micro-policy and Related Issues**

In the context of the delivery of products and services set down in the Programme Protocols, the Department will maintain help desk arrangements on the interpretation of the Act, the Guide to the Administration of the Social Security Act (the Guide), or other policy issues, to assist the CSDA to deliver those services and products. In availing themselves of such assistance, staff in CSDA...
3.3 Changes to Programmes and Products

The CSDA will be entitled to make changes to the details of product elements and service delivery arrangements, provided they are in accordance with policy and legislation and subject to a requirement to advise DSS of changes in advance of implementation and to consider any comments which it may offer. Time frames for consultation will be subject to agreement between Programme Managers and Customer Segment Leaders on a case by case basis. The following product elements will be treated in this way:

- claim and review forms;
- the texts of customer letters;
- customer newspaper, magazine and pamphlet style products, and most other information products;
- training products;
- significant changes to clerical procedures used by the CSDA to deliver programmes and products.

Departmental agreement will be required in relation to more substantial changes and they should be subject to the "product design" protocol (set down below) involving agreement between Customer Segment Leaders and Programme Managers as to an appropriate product design methodology. The following product elements will be handled in this way:

- any changes impacting on the behaviour required or expected from people receiving income support payments or that could impact on programme outlays (e.g. changes to administration of the activity test, or to notification requirements for changes in income or assets);
- products or arrangements which have been specifically agreed to by Cabinet (e.g. the Financial Information Service, Retirement or Family Service Centres, the JET Programme, the DRP Programme or major publications such as "Home and Residence Choices");
- changes to broad service delivery strategies as opposed to product details (e.g. a decision to use Teleservice Centres for different purposes, or to cease sending letters to categories of customers, or the introduction of electronic claims lodgement).

3.4 Monitoring of Performance

Performance measures and standards for individual programmes are specified in the programme protocols.
In assessing CSDA performance in relation to those measures and standards, DSS and the CSDA will adopt a co-operative approach based on the following principles:

- DSS will focus on monitoring performance outputs and outcomes (e.g. take-up, qualification and payment at the correct rate);
- DSS and the CSDA will recognise that performance in delivering programmes must be assessed by considering all agreed performance indicators and that undue emphasis should not be given to individual indicators taken out of context;
- DSS and the CSDA will use a common information system to provide performance reports in an agreed standard format to both parties as a basis for discussion on performance issues;
- the CSDA will respond within the time frame set out in the separate protocol on MI to queries from DSS arising out of performance reports;
- a recognition that each party has a responsibility to be open in drawing to the other’s attention issues likely to impact on performance and actual problems with policy or service delivery;
- resolution of problems by informal consultation wherever possible, and access on an informal basis to staff at all levels to achieve this;
- referral of outstanding issues to joint meetings of the Executives of both Agencies or to some other mechanism as may be jointly agreed.

3.5 Explaining Programmes

DSS and CSDA roles in providing public explanations of programmes will be based on their core responsibilities with the department focussing on explaining programmes and policy and the CSDA focussing on service delivery issues.

However, the department, as the purchaser of services from the CSDA and the direct provider of services to the minister, will remain accountable for the overall quality of programmes and their delivery in the Social Security portfolio. This means that there may be occasions in which it will become involved in responding to material which concerns the implementation of policy.

The ministerial and Parliamentary Services Section (in the Department) and the Information and Public Relations Branch (in the CSDA) will coordinate responses to issues which require the involvement of both agencies.

3.6 Planning and Reporting on Programmes

DSS and the CSDA will have separate business planning processes but will recognise each other as key stakeholders in those processes.

The Department will be responsible for coordinating input to portfolio-wide reporting requirements such as Portfolio Budget Statements and related documents.
4. **Product Design**

The Programme Manager (in DSS) and Customer Segment Leader (CSDA) will be jointly responsible for the design and enhancement of products and services, including the implementation of policy changes required by the government. They will have scope to customise the arrangements for product design in accordance with the nature of the product/project. They will initiate and manage the product design task by:

- jointly appointing a project team for each product, with a project manager from each organisation;
- jointly agreeing on a Host Area Partner (HAP) for matters that require these arrangements;
- if appropriate, reporting to a joint DSS/CSDA committee of which they will be members (and may co-chair).

The two Project Managers will work together organising resources (including financial resources) to meet the needs of the project. This may be achieved in ways that suit the two managers having regard to the nature of the specific project. If there is a conflict, however, the Departmental Project Manager will, as purchaser, be authorised to make the decision on how to proceed, taking account of advice on the implications for cost/service etc provided by the CSDA Project Manager.

In broad terms, responsibility for product design tasks will be assigned as follows:

- the Department will be responsible for the policy content of decision support information, training material and public information. In the main, the CSDA will be responsible for producing this material subject to agreement with the Department;
- the CSDA will be responsible for material which is essentially procedural and for the "customer interface" of such material (its style, format and delivery).

This means, subject to agreement on any variations to meet specific needs or circumstances, that:

- the Department will write the Guide, which will focus on policy issues;
- the CSDA will write National Instructions, job aids, etc;
- the CSDA will prepare training material, with input from the Department concerning policy content (including the policy rationale for the product);
- the CSDA will be responsible for delivery of training;
- the Department will be responsible for publications having major policy content;
- the CSDA will write most customer pamphlets;
- the CSDA will be responsible for the texts of letters to customers;
- all publications and other texts written by the CSDA will be subject to sign off by the Department in regard to their legislative and policy elements;
- the Departmental and CSDA Project Managers will have direct access to all team members, keeping each other fully informed.

The CSDA will be responsible for ensuring that its procedures and operations comply with the Privacy Act.

These arrangements will be implemented progressively on a project by project basis, as agreed between the responsible Customer Segment Leader and Programme Manager.
5. **Host Area Partnership Model**

The Host Area Partnership Model will continue under current arrangements. Both organisations agree to undertake a joint review by March 1998.

Arrangements for access by DSS staff to the CSDA network are set out in the Access to Business Premises Protocol.
EXAMPLES OF PROTOCOLS WHICH FORM PART OF THE STRATEGIC PARTNERSHIP AGREEMENT

Example of a Memorandum of Understanding

Overview

The memoranda of understanding included in the strategic partnership agreement are:

1. Financial and resources services
2. IT services
3. Human resource management
4. Ministerial and parliamentary services
5. Media, public relations and printing
6. Records management and access
7. Property and tuggeranong office park services
8. Security services
Media, Public Relations and Printing

Memorandum of Understanding

1. Services Covered by this Memorandum

This memorandum defines the media, public relations and printing services that the Agency will provide to the Department. It also defines the arrangements to co-ordinate media issues that apply to both organisations.

2. Objectives

The objectives of this memorandum are to:

- define the basis on which the Agency will provide media, public relations and printing services to the Department; and
- ensure that media messages on topics common to both the Agency and the Department are consistent.

3. Services to be Delivered in 1997/98

The Agency will continue to provide the same media, public relations and printing services to the Department after 1 July 1997 as were provided prior to that date, including access to and reasonable use of the Agency corporate television and broadcast facilities.

4. Key Result Areas for 1997/98

The KRAs for 1997/98 are:

- the level of services provided to the Department is maintained at the standard achieved in 1996/97 or higher; and
- media messages from the Agency and the Department are coordinated and consistent.

5. Liaison, Consultation Arrangements

Where issues of joint interest arise, the relevant Agency Media Liaison Officer and the relevant Programme Manager in the Department will consult and agree on the coordination of any joint or separately issued media statements. In relation to the DSS Information Handbook, the Budget Kit and Ministerial Press Releases, the relevant contacts will be as specified below.
<table>
<thead>
<tr>
<th>Media, Public Relations and Printing Product/Service</th>
<th>DSS Contact Point</th>
<th>CSDA Contact Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Handbook</td>
<td>Director, Budget Coordination</td>
<td>National Manager, I&amp;PR</td>
</tr>
<tr>
<td>Budget Kit</td>
<td>Director, Budget Coordination</td>
<td>National Manager, I&amp;PR</td>
</tr>
<tr>
<td>Ministerial Press Releases</td>
<td>Relevant Programme Manager</td>
<td>National Manager, I&amp;PR</td>
</tr>
</tbody>
</table>

6. **Resources**

The Agency agrees to allocate fifteen per cent (15 per cent) of the National Information Programme (NIP) funding to meet the cost of it providing media, public relations and printing services to the Department for purposes and projects identified by it. These funds are to be separately managed and monitored by the Agency and quarterly expenditure reports provided to the Department.

The Agency agrees to allocate fifteen per cent (15 per cent) of its general printing funds to meet the cost of Departmental printing, these funds to be used for purposes and projects identified by the Department. These funds are to be separately managed and monitored by the Agency and quarterly expenditure reports provided to the Department.
ATTACHMENT 2

AN OVERVIEW OF THE DEETYA-CENTRELINK SERVICE ARRANGEMENT 1997/98:

An Extract from a Brochure for Staff


The Service Arrangement between the Department of Employment, Education, Training and Youth Affairs (DEETYA) and Centrelink provides a framework for the delivery of DEETYA services and programmes to over one million job seekers and over 500,000 students.

DEETYA is providing Centrelink with $181 million in 1997/98 to deliver timely and quality services to unemployed people, young people and students under this Arrangement. The Arrangement will be renegotiated in early 1998 for the next financial year.

The Service Arrangement

- describes the agreed services Centrelink will deliver for DEETYA;
- establishes the agreed responsibilities of Centrelink and DEETYA;
- identifies Key Performance Indicators to monitor Centrelink performance; sets out the performance review, payment and evaluation arrangements.

The Service Arrangement will be updated for the transition to the Employment Services Market in December 1997 and again when the Employment Services Market is introduced in May 1998.

The key role of DEETYA is to provide policy advice and guidance to Centrelink whose primary goal is to deliver quality services.

On behalf of DEETYA Centrelink will provide:

- registration, assessment and referral services;
- information and self-help services to assist job seekers; specialist services to Indigenous Australians, people from non-English speaking backgrounds, people with disabilities, sole parents, women returning to the workforce and people in remote and rural areas;
- student assistance services including registering, assessing and reviewing students for assistance payments; and
- services for young people aged 15 to 20 including the Youth Training Initiative and other specialist programmes.
Performance will be monitored through Key Performance Indicators (KPIs) which relate to:

KPI 1  Satisfaction with the type and quality of information customers receive at registration
KPI 2  The registration of job seekers as unemployed, including those in special needs categories and young people
KPI 3  The level of job search activity using Touch Screen Units
KPI 4  Case management organisations operating with at least 95 per cent capacity
KPI 5  The access of job seekers, including those in special needs categories and young people, to job vacancies, traineeships, case management, labour market programmes and return to study and training.
KPI 6  Satisfaction of employment service providers, including the CES, with the services of Centrelink.
KPI 7  Satisfaction of students with the accessibility and quality of information and the accuracy and timeliness of processing applications for student assistance.
KPI 8  The achievement of Student Assistance Service Standards relating to the assessment of applications, processing of client variations, and timely and accurate payments.

Your role as part of the Service Arrangement is:

To help customers maximise their access to, and participation in, employment, education and training.

You must ensure that job seekers, young people and students can access Centrelink services, have personalised attention and are made aware of the choices in the types of services available to them. This includes providing accurate and timely advice, friendly and helpful service and referral to appropriate assistance.

Through a collaborative approach, the DEETYA-Centrelink partnership will achieve these objectives.
Notes


4. Ministry payments are principally income support payments plus housing related payments, the latter principally made to provincial governments for public housing provision:

- Social Security payments: $A 39.6 billion
- Student Assistance payments: $A 1.6 billion
- Child Care payments: $A 0.8 billion
- Housing payments: $A 0.999 billion

5. Discussion and consideration of mechanisms for separating policy, service and corporate support functions has been taking place for some years in the APS. See: Smith, Catherine, “Clarifying the exchange: a review of purchaser/provider arrangements”, *Resource Management Improvement Branch Discussion Paper*, No. 2, Canberra, Department of Finance, November 1995

6. Inquiries about the purchaser-provider split within the Employment, Education, Training and Youth Affairs Ministry should be directed to: The Secretary, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, ACT 2601, Australia.

7. The Child Support Agency, an office within the Australian Taxation Office, is responsible for the enforcement, collection and disbursement of parental maintenance payment determinations made by the Family Court of Australia arising from divorce and related legal proceedings.

8. This legislation is the *Commonwealth Service Delivery Agency Act 1997*.

9. For one Australian view of New Public Management, see: Hughes, Owen E., *Public Management and Administration: An Introduction*, London, St Martin’s Press, 1986; Chapter 3 particularly addresses New Public Administration. More recent interpretations are provided in: Wanna, John; O’Faircheallaigh,


16. In the Australian Public Service, this has been principally achieved through the introduction of new legislation in 1997, simplifying the financial management framework for the public sector and anticipated legislation for changing the industrial relations and human resource management frameworks in 1998.

17. An outputs orientation is inherent in the Financial Management Improvement Programme (FMIP) introduced in the APS in 1984. For information on the nature and intentions of the FMIP, see: Australia,
Reforming the Australian Public Sector, Canberra, AGPS, December 1983; Department of Finance, Budget Reform: A Statement of the Government’s Achievements and Intentions in Reforming Australian Government Financial Administration, Canberra, AGPS, 1984; Public Service Board and Department of Finance, FMIP Report, Canberra, Department of Finance, 1986; Public Service Board and Department of Finance, 1988 FMIP Report, Canberra, AGPS, 1988. The contemporary extension of this outputs orientation is now being principally pursued through the introduction of accrual budgeting into the APS. Discussion of this and related issues can be found in: Churchill, Michael, “Accrual accounting in the public sector”, The Australian Accountant, 62(5), 1992; Forster, John and Wanna, John, Budgetary Management and Control: The Public Sector, Sydney, Macmillan Press and the Centre for Australian Public Sector Management, 1997.

18. A recent paper which examines the concept of contestability in the APS environment by a Department of Finance official is: Morant, Ann, “Achieving contestability and accountability for improved decision making”, paper presented at the AIC Government Policy Conference, Sydney, July 1997. See also: Hepner, Allen, “Examining contestability within the APS: initial information, concepts, case studies and lessons learned”, Management Improvement Discussion Paper, No. 3, Canberra, Department of Finance, November 1995. The contemporary Australian policy advising environment is discussed in the following: Corbett, David, Australian Public Sector Management, Allen and Unwin, Sydney, 1996; Kouzmin, Alexander and Scott, Nicholas (eds.), Dynamics in Australian Public Management: Selected Essays, Macmillan, Sydney, 1990. There has also been a concern within the APS for assessing the quality of public service advice to government, resulting in a project currently being undertaken within several ministries, including the social security ministry, to assess the quality of policy advising. Two earlier publications on this matter are: Australian Public Service Commission, "Performance assessment of policy work: report of Working Group”, PSC Occasional Paper, No. 1, 1995; and, Uhr, John and Mackay, Keith, Evaluating Policy Advice: Learning from the Commonwealth Experience, Canberra, Australian National University and Department of Finance, 1996.


21. One view of performance information and reporting can be found in: Bartos, Stephen, "Current developments in performance information", Australian Journal of Public Administration, 54(3) 1995, pp. 386-392. Two papers which address the specific performance information needs of the Department of Social Security are: McWilliam, John, Performance Measures for Results, paper presented at the
Within the Social Security Ministry, the last ministerial statement on service quality was made in 1992 and provided the ministry framework until the purchaser-provider split. See: Minister for Social Security Australia, "Client Service Delivery Statement", Canberra, Department of Social Security, 1992. Quality service issues are addressed within Centrelink through: Centrelink Australia, "About Centrelink", Canberra, Centrelink, 1997. This booklet contains Centrelink’s Strategic Directions document, Customer Service Charter, Quality Service Framework and Internal Service Statement. Under the strategic partnership agreement, the Department of Social Security requires Centrelink to produce regular National Performance Reports for services and payments as one part of a quality assurance system. Quality issues across the Australian Public Service have been addressed in: Nethercote, John R.; Prasser, S. and Wiggins, M., "Quality service standards: the role of quality standards in meeting the needs of government and clients", Canberra Bulletin of Public Administration, 74, November 1993; and Department of Finance Australia, Quality for Our Clients: Improvements for the Future, Canberra, Department of Finance, 1995. Benchmarking is also used within the APS as a quality assurance strategy. See: Trosa, Sylvia and Williams, Suzanne, "Measuring up: a primer for benchmarking in the Australian Public Service", Resource Management Improvement Branch Discussion Paper, No. 4, Canberra, Department of Finance, February 1996.


The control of Secretaries (vice-ministers) and Chief Executives has been substantially augmented through the introduction of risk management strategies, particularly in relation to financial management and through changes to the industrial relations environment which give them some powers similar to those of employers in the private sector. These changes in the human resource management environment are addressed in: Baker, John R., Some Private Sector Models for New Directions in Public Sector Human Resource Management: An Australian Public Service Perspective, Canberra, Public Service Commission and AGPS, 1989: Public Service and Merit Protection Commission, Framework for Human Resource Management in the Australian Public Service, Canberra, AGPS, 1997.


This section draws upon an earlier internal, unpublished DSS paper written by Carmen Zanetti and Jenny Klugman.
29. DEETYA faced a more difficult period of transition, in that the staff of the ministry were effectively being split among four destinations; i.e. the ministry itself, Centrelink, the proposed Public Employment Placement Enterprise (PEPE) and possible redundancy. This was made more complicated as greater efficiency gains were being demanded of the PEPE through the direct pressure of external competition with the private sector as the employment and labour exchange functions of DEETYA were corporatised.


34. DSS has incorporated some of these behaviours in senior executive performance agreements and also in the public document which forms part of the department’s strategic directions documents. See: DSS Australia, *DSS Leadership Behaviours*, Canberra, DSS, 1997. DSS has also begun to plan for the introduction of 360° feedback as part of management and leadership performance appraisal.