

Contemporary  
Government

Challenges



**Australian Government**

**Australian Public Service Commission**

# Policy Implementation through Devolved Government





## Commissioner's Foreword

Australia has a long history of using non-government entities for service delivery. For many years, governments have funded non-government 'third-sector' organisations to deliver a range of social, health and education services. More recently, firms and markets have been used to help in the delivery of services, such as employment services.

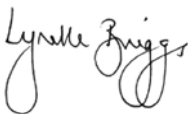
This approach, known as devolved government, has grown in its usage and diversity. It has enabled delivery to better meet government and citizen needs. It is consistent with the approach taken by the Government of 'no ideological preference' for mode of service delivery. But problems can arise, and they tend to highlight the issue of effective oversight by governments and public administrations of devolved government arrangements.

Building the capacity to decide when to use devolved government arrangements and to administer them effectively is a major task for any public administration.

This paper looks at the challenges in ensuring successful devolved government arrangements and the skills, leadership and capability required to meet them. It highlights the benefits to be gained through trialling and ongoing evaluation of different approaches and sharing of experience.

Devolved government invariably involves a shift of power and control, and thus challenges accountability and performance management frameworks built around more traditional hierarchical authority structures. A key challenge is to find new ways to support accountability, performance and public confidence while allowing for innovation and locally designed solutions to meet citizens' needs.

The aim of this paper, as with others in the Contemporary Government Challenges series, is to stimulate debate and the sharing of ideas across the Australian Public Service, and to provide practical ideas and guidance. I hope this paper, which has benefited significantly from the contributions of Ms Lynne Tacy and Dr Kathy McDermott and has been edited by Dr Derek Drinkwater, helps public service managers in their consideration of devolved government issues. It will assist in improving the capacity of the Australian Public Service to deal with the increasingly complex issues we face.



Lynelle Briggs  
Australian Public Service Commissioner



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## Overview

Government in Australia has a long history of delivering public services with and through other sectors. As in many other developed countries, this approach of ‘devolved’ government has increased significantly in scope, scale and complexity.

This paper explores:

- the nature and extent of devolved government
- the choice of devolved government compared to other policy implementation approaches, and
- essential considerations and factors for making it effective.

The paper argues for a strategic, evidence-based approach to choosing and designing how government will operate, including using devolved government approaches. It highlights the need to give greater attention to the implications for the Australian Public Service (APS) of operating under different implementation modes. Key issues that need to be addressed include:

- fit for purpose accountability
- effective approaches to performance management
- building public service capability
- safeguarding citizen satisfaction and trust
- providing for effective policy-delivery interaction, and
- supporting non-government providers.

# What is Devolved Government?

Devolved government involves the use by the public sector of the not-for-profit and/or the private sectors to deliver public goods and services. It has also been termed ‘third-party government’<sup>1</sup> and ‘government by remote control’.<sup>2</sup>

Devolved government can be contrasted with other forms of public sector implementation using the model at Table 1, adapted from the work of Elaine Kamarck.<sup>3</sup>

**Table 1: Modes of Policy Implementation**

## Direct Public Sector Delivery

### Direct provision by public sector organisations and employees

The assumption is that the organisations have undergone management and performance-based reforms (so they operate without the trappings of traditional bureaucracy) and performance measures act as ‘market proxies’, allowing for benchmarking against key indicators. Examples include the services provided by such APS agencies as Centrelink, Medicare, the Child Support Agency, the Australian Taxation Office, the Australian Customs Service and the Australian Quarantine and Inspection Service.

### Government by Network (or Devolved Government)

Funding by the Government of non-government entities for something that the private market on its own would not produce to the extent required.

It may encompass a wide variety of institutions, including not-for-profit and private sector organisations.

Examples include the provision of employment services through the Job Network, assistance to recently arrived refugees through the Settlement Services Program and research and development grants.

### Government by Market

Use by the Government of its power to create a market to fulfil a public purpose, and where the market would not otherwise exist in the private sector in the way required.

Examples include emissions trading schemes and the use of taxation and subsidies, at times combined with standards regulation to achieve public outcomes.

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- 1 S. Goldsmith & W. D. Eggers 2004, *Government by Network: The New Shape of the Public Sector*, Brookings Institution Press, Washington, D.C., p. 10.
  - 2 L. M. Salamon 1989, *Beyond Privatization: The Tools of Government Action*, Urban Institute Press, Washington, D.C., quoted in D. G. & H. G. Frederickson 2006, *Measuring the Performance of the Hollow State*, Georgetown University Press, Washington, D.C., p. 21.
  - 3 E. C. Kamarck 2007, *The End of Government ... As We Know It: Making Public Policy Work*, Lynne Rienner, Boulder, CO, pp. 16–18.

While Kamarck uses ‘government by network’ in her framework, in this paper devolved government is employed as the umbrella term for this mode of policy implementation. The term ‘network’ implies a complex, interconnected group or system. Although this is an apt description of many relevant initiatives, delivery of services via non-government bodies encompasses a wide span of activities—from relatively simple, linear arrangements to complex and highly interconnected relationships. The notion of network as a subset of devolved government usefully highlights the increasing challenges and complexity arising from moving to the network end of the continuum.

Devolved government can occur through a variety of different contractual or funding mechanisms employed to achieve public ends, such as contracts and grants; loans and loan guarantees; subsidies and voucher systems; taxation measures; publicly established private organisations; and public/private partnership ventures.

This paper focuses primarily on those forms of devolved government at the federal level involving government funding of non-government organisations (NGOs) to deliver public outcomes. The issues and challenges canvassed, however, are pertinent to circumstances where multiple layers of government are involved.





## Chapter 1 – Experience with Devolved Government

### Applications and Drivers

Australia's experience with devolved government goes back to the early days of European settlement and the British Government's contracting arrangements to deliver convicts and supplies to its new colony. It has since become increasingly diverse, including:

- **Infrastructure and construction activity.** A range of organisational paradigms has evolved for sub-contracting work and managing projects and, more recently, for using public/private partnerships involving private sector funding and investment to build major infrastructure projects such as roads and tunnels as well as social infrastructure, including schools and hospitals.
- **Support and enabling services.** This initially involved situations of clear commercial analogues and the simple substitution of private for public provision (e.g. cleaning in government buildings), and has progressively expanded in scope as government bodies have sought cost efficiency gains and focused their activity strategically on core business. It reached a new, more concerted level federally in the mid-to-late 1990s with the then Government's drive for agencies to outsource their information and communications technology (ICT) and corporate services functions.
- **Marketisation of government services.** Starting in the 1980s, there have been significant moves for the commercialisation (e.g. Australia Post) and privatisation (e.g. Telstra) of many activities or, in some cases, government withdrawal from involvement (e.g. the former Department of Administrative Services' construction services). The number of government business entities has risen and the use of purchaser/provider splits has grown, with the provider operating as an arm's length APS or Commonwealth body (e.g. the establishment and operation of Centrelink and Medicare).

- **Policy contestability.** Governments have increasingly sought policy advice and input from external quarters as well as the public service, resulting in contestability of ideas and advice. This has included recourse to think-tanks, research institutes, consultancy companies, private sector lobbyists and community advocates who vie with public servants for the ear of Ministers and their political advisers.
- **Delivery of government services to the public.** Historically, many welfare services in Australia had their origins in non-government delivery through charitable organisations. Over time governments became increasingly involved in funding, while continuing service delivery through these NGOs. The expansion continued into the 1970s and 1980s with a broadening scope of human services (e.g. in relation to aged care, child care and services for Indigenous Australians). A mix of service delivery methods evolved using direct service provision as well as the funding of other bodies to provide services, either directly or through State Government funding arrangements. These included subsidies to ensure availability of services of a reasonable standard and applying licensing and regulatory arrangements designed to influence the market for particular services. One of the most comprehensive moves away from direct service provision occurred in 1998 with the creation of a new market for the delivery of employment services through the Job Network.<sup>4</sup>
- **Provision of grants and other funding arrangements.** More widely, a plethora of arrangements has emerged across the spectrum of government activity involving payments to individuals, businesses, not-for-profit organisations, institutions and community organisations for a range of policy outcomes (e.g. to assist with the development of responses to local and national issues, foster ideas and research and/or provide assistance in times of hardship).<sup>5</sup>

The drivers for pursuing different forms of devolved government in Australia are diverse and arise from our institutional, economic and social history. Some:

- are largely historical—the private sector or the charity sector were active in certain areas prior to Australian Government involvement, and the Government decided to purchase their services and expertise or to supplement or build on them or influence them via regulation
- have emerged as Australia grew into an advanced capitalist economy in which the market could deliver many services otherwise provided by governments, such as ICT, defence supplies and telecommunications
- have been responses to cases of market failure, for example, child care and residential aged care
- come from an experience of government-delivered services which suggests that the public service has not focused effectively on services that needed to be tailored to individual

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4 To some extent this development had been foreshadowed, when Working Nation (May 1994) suggested the introduction of competitive delivery of the Commonwealth Employment Service's case management function through the use of both private and community-based case managers.

5 See, for example, the range of grants listed at <<http://www.grantslink.gov.au>>

requirements (e.g. employment advice and training), as well as a recognition that the private and charitable sectors were often better geared to such provision

- were responses to perceived public service inflexibilities, the Industry Commission noting in 1996, for example, that market processes were 'a quick and effective way to change entrenched, archaic and deficient management and work practices and to allow staff to specialise in clients' needs'<sup>6</sup>
- contain elements of cost-saving or Budget efficiencies, such as market testing government corporate services or funding imperatives that could not otherwise be met (e.g. financing of major infrastructure projects)
- reflect increasing interest in, and particular views about, competition and micro-economic reform, with the then Government stressing the view in 1996 'that public services would be provided more efficiently and effectively, with greater client satisfaction, in a more market-oriented environment which provided greater flexibility for management decision-making and the discipline of competition',<sup>7</sup> and
- are simply logistical, like using existing private sector service providers or to support government service delivery in regional areas where the Australian Government may not be strongly represented.

As a more recent driver, the Rudd Government's policy of social inclusion has placed increased emphasis on the role and benefits of a strong community sector and government strategies to support that role. A well-trained, highly-skilled and sufficiently resourced community sector is seen as a critical aspect of social services delivery and social capital building.<sup>8</sup> The development of a National Compact during 2009 will further highlight the third sector's role as a key partner for government in service design and delivery.

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6 E. Webster & G. Harding, *Outsourcing Public Employment Services: The Australian Experience*, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, Melbourne Institute Working Paper No. 4/00, March 2000, p. 33 referring to analysis conducted by the Industry Commission in *Competitive Tendering and Contracting by Public Sector Agencies*, Report No. 48, Australian Government Publishing Service, Melbourne, 1996.

7 National Commission of Audit 1996, *Report to the Commonwealth Government*, Commonwealth of Australia, Canberra, quoted in P. Barrett, 'Corporate Governance in the Public Sector Context', *Canberra Bulletin of Public Administration*, No. 107, March 2003, p. 8.

8 Australian Labor Party 2007, *An Australian Social Inclusion Agenda*, <<http://www.alp.org.au>>

## Extent of Devolved Government

A mosaic of devolved government activity now exists. An indication of its extent can be derived from estimated portfolio expenditure information collected by the Department of Finance and Deregulation. Table 2 presents an estimate of Commonwealth expenditure through third parties.<sup>9</sup>

**Table 2: Estimated Commonwealth Expenditure through Third Parties**

	2006–07 actual	Percentage %	2007–08 estimates	Percentage %
	\$ billion		\$ billion	
<b>State/Territory Government</b>	28.17	64.0	31.60	62.9
<b>Local Government</b>	0.38	0.9	0.55	1.1
<b>Non-government organisations</b>	15.43	35.1	18.08	36.0
<b>Total expenditure</b>	43.98	100.0	50.23	100.0

The primary interest for the purposes of this paper is the funding of NGOs (\$18.08 billion in 2007–08).

The issues relating to the delivery of services via other levels of government are pertinent for devolved government more generally. In this context, the agreement underpinning Commonwealth/State financial relations and the use of Special Purpose Payments have been the subject of major overhaul through the Council of Australian Governments (COAG). It also needs to be noted that a significant amount of intergovernmental funding will be directed to non-government bodies, as part of State Government delivery in such areas as aged care.

Machinery of government changes complicate the tracking of expenditure at the portfolio level over time. However, the following examples of devolved government expenditure indicate the breadth and extent of relevant activity:<sup>10</sup>

- The Department of Agriculture, Fisheries and Forestry provided \$918.0 million to the states and territories in 2007–08 (an increase of \$281.4 million from 2006–07). It also provided \$697.9 million to the private sector through a range of programmes for training and short-term financial assistance to, and supporting change management in, the farming industry, and to drive development and reform in the fisheries, sugar and forestry industries.

9 Australian Public Service Commission 2008, *State of the Service Report 2007–08*, Commonwealth of Australia, Canberra, p. 238, <<http://www.apsc.gov.au>>

10 The figures represent estimated expenditure as outlined in departments' Portfolio Budget Statements for 2007–08, <<http://www.budget.gov.au/2007–08>>

- The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) provided \$2.1 billion to the states and territories and \$1.5 billion to NGOs (an increase of \$482.3 million from 2006–07) for the provision of social services (e.g. to people with disability, Indigenous Australians, families, women, youth and community groups).
- The Department of the Environment, Water, Heritage and the Arts increased its payments to local government significantly (from \$0.94 million to \$2.35 million) and to not-for-profit organisations (from \$107.3 million to \$211.1 million), arising from increased investment in climate change and water policy reform.
- The Department of Education, Employment and Workplace Relations provided \$6.6 billion to universities and \$4.5 billion to the states and territories. It also provided \$1.2 billion to the Job Network through job seeker assistance programmes.
- The Department of Veterans' Affairs allocated \$21.0 million over four years to ensure eligible veterans access to appropriate health care on discharge from hospital, an additional \$10.4 million to in-home respite care services, and \$6.9 million over five years to help veterans manage medications more effectively.
- The Department of Innovation, Industry, Science and Research provided \$474.5 million to universities and \$740.3 million to the private sector, including through programmes to support innovation, research and development, small business and biofuels.
- The Department of Broadband, Communications and the Digital Economy increased local government grants from \$0.79 million to \$17.9 million.
- The Department of Health and Ageing was to provide \$12.6 billion to the states and territories (up by \$1.6 billion on the previous year) and \$2.4 billion to the not-for-profit sector (consistent with 2006–07 expenditure figures).
- The Department of Infrastructure, Transport, Regional Development and Local Government was to provide \$1.8 billion for the maintenance of schools and \$2.6 billion to the states and territories.

Devolved government clearly represents a major component of Australian public sector administration. A trend to increased delivery of government services through the non-government sector has also been evident in other countries. In the UK it has increased significantly, with the greater participation of various community and not-for-profit bodies in service provision. The UK Government has created an Office of the Third Sector as part of the Cabinet Office, with the express purpose of encouraging charities and other third sector organisations to contribute to the 'diversity' of services on offer.<sup>11</sup>

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11 <[http://www.cabinetoffice.gov.uk/third\\_sector](http://www.cabinetoffice.gov.uk/third_sector)>

Research for a recent UK review of the Public Services Industry (PSI) found that:

- of the £79.40 billion in PSI ‘sales’ in 2007–08, the largest categories were health, social protection, defence and education, and
- the PSI had grown in real terms on average by 5.4% each year since 1995–96, such that the PSI, as a share of total GDP, rose from 4.2% in 1995–96 to 5.7% in 2007–08.<sup>12</sup>

In the USA, it has been estimated that, at the federal government level between 1990 and 2001, government contracting-out increased by 24%, while data from the Government Contracting Institute indicates that state government contracts to private firms rose by 65% between 1996 and 2001.<sup>13</sup>

## The Varied Nature of Devolved Government

In Australia and overseas, devolved government has exhibited a significant diversity of approach in:

- **size and complexity.** At the simple end of the spectrum are arrangements involving a small number of single providers in a one-to-one relationship with a government agency (e.g. some agencies’ use of debt collection services). Others are networks of multiple providers with a single agency procurer or funder (e.g. the Job Network). Still others involve multiple agencies (with one acting as lead agency) and at times multiple jurisdictions (e.g. Indigenous service delivery and provision of aged care services).
- **the level of network operations and integration.** Some arrangements are characterised by vertical relationships between the provider(s) and the relevant government agency. For others the providers form a recognised network and horizontal as well as vertical relationships are part of the design logic.
- **how the relationship between agency and provider is governed.** This can be via contract, grants or subsidies and related requirements such as service standards and other regulation, with significant variation evident in the degree of control exercised by government through these mechanisms.

There are also major differences in the type of network used and in the nature of the relationship between purchaser and provider. Reviewing government experience in the USA, Stephen Goldsmith and William D. Eggers have identified six types of network, all evident in Australia:<sup>14</sup>

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12 Oxford Economics 2008, *The Public Services Industry in the UK*, pp. 1–4, 18–19, <<http://www.oxfordeconomics.com>> and <<http://www.berr.gov.uk>> The ‘Public Services Industry’ is defined as ‘private, voluntary or social enterprises (but not regulated industries and utilities) that provide services where the purchasing power is created by Government’ (p. 4).

13 S. Goldsmith & W. D. Eggers 2004, *Government by Network: The New Shape of the Public Sector*, Brookings Institution Press, Washington, D.C., p. 11.

14 S. Goldsmith & W. D. Eggers 2004, *Government by Network: The New Shape of the Public Sector*, Brookings Institution Press, Washington, D.C., pp. 69–70.

1. Service contract: governments use contractual arrangements as organisational tools (prevalent in many areas, including health, mental health, welfare).
2. Supply chain: formed to deliver a complex product to government, for example, a fighter jet (found in the defence and transportation segments).
3. Ad hoc: activation of a network in response to a specific situation, often an emergency (e.g. the Government's response to the 2002 Bali bombings and contingency arrangements for such crises as an avian influenza pandemic).
4. Channel partnership: NGOs carry out transactions on behalf of agencies (e.g. licensed Post Office outlets).
5. Information dissemination: partnerships with NGOs with resources, such as websites, making information readily available (e.g. partnerships with sporting and other bodies as part of information and awareness raising under the National Binge Drinking initiative).
6. Civic switchboard: facilitation by government of connections between diverse organisations to complement each other in delivering a public outcome and producing new net value (e.g. through <<http://www.community.gov.au>> FaHCSIA manages a gateway to information relevant to individuals and communities).

The level of government involvement and its relationship with providers varies depending on the type of network adopted. Government involvement is typically higher at the service contract end of this range of networks and lower at the information dissemination end.





## Chapter 2—Choosing Devolved Government for Policy Implementation

### A Changing Environment

The growth in devolved government is part of a broader diversification of public sector delivery modes. The concept of what constitutes the ‘public service’ has been evolving somewhat by stealth, with a greater focus on an ‘enabling’ rather than a ‘doing’ role. As a result, traditional barriers between sectors have become blurred.

This has been occurring in an increasingly complex operating environment for the public service.<sup>15</sup> Policy issues at the heart of governments’ agendas frequently transcend traditional organisational boundaries, requiring integrated responses that are inter-agency and inter-jurisdictional (e.g. climate change, homelessness and Indigenous affairs). Such issues often call for behavioural change and the active engagement of communities and individuals. At the same time, citizens’ expectations of seamless and tailored service delivery have grown.

The implications of these developments for traditional approaches to public administration are significant. The public service and its agencies will be judged increasingly on their skills in matching policy problem and implementation method, that is, in determining which delivery mode works best for specific policy issues, and in what environments. This calls for what the Prime Minister has called ‘a contemporary view of the role of the state in service delivery’, one informed by ‘the available evidence on how to deliver services efficiently and effectively’.<sup>16</sup>

This in turn requires strong policy, leadership and strategic skills across the APS supported by a deep contextual understanding of the relevant issues and environmental forces at play. It

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15 For more detail on these shifts see the Australian Public Service Commission’s Contemporary Government Challenges series at <<http://www.apsc.gov.au>>

16 Hon. Kevin Rudd MP, ‘Address to Heads of Agencies and Members of the Senior Executive Service’, Great Hall, Parliament House, Canberra, 30 April 2008, p. 7, <<http://www.pm.gov.au>>

also demands a strong focus on outcomes, a preparedness to innovate, trial, test and evaluate and an acceptance of risks and uncertainty.

## Generating Public Value

At the heart of an assessment of how best to deliver services efficiently and effectively is the issue of how to serve the public interest and generate ‘public value’. The concept of public value has been advanced as a way of thinking about and evaluating the goals and performance of public policy and as providing a yardstick for assessing activities produced or supported by government. ‘Public value provides a broader measure than is conventionally used within the new public management literature, covering outcomes, the means used to deliver them as well as trust and legitimacy. It addresses issues such as equity, ethos and accountability’.<sup>17</sup>

Matching implementation approaches (direct delivery, devolved government or a market approach) to particular policy issues must take account of the need to ensure public value. A range of implementation modes and their policy characteristics are presented below.

**Table 3: Policy Characteristics and Likely Implementation Modes**

Implementation Mode	Policy Characteristics	Examples
Direct Government	Consistency and equity of treatment are important (e.g. in cases relating to the amount of welfare benefits paid)	Role of Centrelink, Medicare, Australian Tax Office, Child Support Agency, immigration visa and compliance functions
	Stability and continuity of service must be assured	Pension payments
	A high level of security and/or sensitivity is involved	National security, Customs border security, DFAT passport role
Devolved Government	A differentiated response to clients/citizens is needed. Flexibility and innovation are favoured more than control, such as when a range of options are sought at the service delivery point or the outcome sought is innovation	Tailored welfare-to-work initiatives through the Job Network, research and development grants, or programmes to enable the development of local responses, such as the former Advanced Agricultural Industries Programme

17 G. Kelly, G. Mulgan & S. Muers 2002, *Creating Public Value: An Analytical Framework for Public Service Reform*, UK Cabinet Office, Strategy Unit, p. 3, <<http://www.strategy.gov.uk>>

Implementation Mode	Policy Characteristics	Examples
Devolved Government	Service accessibility and its acceptance by users is a critical success factor (e.g. to increase the reach of service delivery or tap into organisations with close connections to the community or which are group focused) and this cannot be met by government offices	Post Office licensing, homeless persons' assistance, women's refuges, aged care
	Community participation and behavioural change is required to address complex policy issues successfully	Land care programme and engagement in natural resource management
	The required skills are not available to the degree necessary in the public service (and it would not be efficient to acquire or develop that capability). This can also involve Government by Market	Major infrastructure feasibility studies
	The effective operation of certain institutions is important for policy objectives, notably from a social capital perspective, with an array of funding and grants programmes pitched to this end	Support for community, cultural and sporting bodies
	Leveraging of private sector assets is required	Public/Private Partnerships
Government by Market	Behavioural change is required at a mass level with unlimited individual adaptations sought towards an overall policy goal	Water markets and usage
	Citizens place a high value on personal choice and/or such choice and competition is seen as a critical driver	The Government's Register of Family Dispute Resolution Practitioners, the Victorian Government's training guarantee arrangements, child care benefit approved services

While policy issues requiring an emphasis on flexibility, innovation and local engagement have often led governments to adopt a devolved approach, direct government delivery channels are also becoming more innovative. The greater use of devolved arrangements and working with other sectors has helped the public service to break new ground in its own delivery capability. With the implementation of the Northern Territory Intervention Response, for example, Government Business Managers in communities have co-ordinated service delivery by both government and non-government providers.

Other operational issues which are important when considering devolved government or alternative delivery models include whether:

- accountability, privacy, security, consumer protection, access and equity or other policy considerations can be addressed satisfactorily through the contract or funding agreement specification and performance management arrangements.
- the service can be specified and performance measured to the degree appropriate to the levels of risk tolerance identified and the degree of control required.
- there is an established market, or number of providers able to undertake delivery, bearing in mind the maturity of that market, and
- the agency has the capability for network design and/or for administering and managing the funding and contractual arrangement.

Of course, choice of implementation mode will not always be clear cut. A mix of approaches may be required, particularly where there are multiple agency and jurisdictional players, and multiple services touch the same citizen, such as in the provision of Indigenous and aged care services. In these cases, complex networks encompassing both direct public delivery and devolved delivery can operate along with elements of a market approach.

The advantages identified in practice for devolved government centre on flexibility, competition, the capacity for tailored responses and legitimacy, that is, there is proximity to, and acceptance by, users.<sup>18</sup> It is also expected that service delivery will be based on increased cooperation between the three tiers of government, business and community groups.<sup>19</sup> Such an approach recognises that limits exist to what government can do and that the private and community sectors also have much to offer. This networked approach will become increasingly important for the public service, particularly in view of the call for more innovative responses to complex policy challenges like social inclusion where tailored solutions offer potential for sustainable change supported by community engagement and ownership.

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18 See, for example, D. G. & H. G. Frederickson 2006, *Measuring the Performance of the Hollow State*, Georgetown University Press, Washington, D.C., p. 21.

19 T. Moran, 'Splicing the Perspectives of the Commonwealth and States into a Workable Federation', Keynote Address, ANZSOG Annual Conference on Federalism, Melbourne, 12 September 2008, p. 7, <<http://www.dpnc.gov.au>>



## Chapter 3—Managing for Effective Devolved Government

### New Approach Required

Just as the approaches to policy implementation have evolved and diversified, so too must the framework for public administration. It cannot be assumed that the public sector architecture established to support traditional bureaucratic forms of public administration will support alternative delivery arrangements adequately. New approaches to accountability are required which call for strong strategic leadership.

Concerted attention must be given to the implications of a shift for the public service, where appropriate, from a doing to a more enabling role, including it operating in some policy settings within what the Fredericksons have termed a ‘hollow state’. This term is used to connote separation between the financing of government services and the provision of services, with the authors arguing that this requires a new approach to public sector and performance management.<sup>20</sup>

### Dimensions of Effective Devolved Government

A number of key public value dimensions are central to this new approach and to ensuring that the potential benefits of devolved government are realised. They are summarised in point form below and then discussed in greater detail in subsequent sections. Areas where supportive action at the APS-wide level would assist are also identified.

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20 D. G. & H. G. Frederickson 2006, *Measuring the Performance of the Hollow State*, Georgetown University Press, Washington, D.C., p. 21.

## Fit for Purpose Accountability

Accountability arrangements are built into upfront decision-making about, and the scope and design of, implementation approaches.

They are tailored to the policy issue at hand, appropriately balance the need to be accountable for the use of public resources and performance and the achievement of desired outcomes, and include adequate provision for external scrutiny.

They are based on a clear understanding of:

- the responsibilities and accountabilities of different players and the nature of what is being funded
- the level of risk tolerance and the stringency of the controls required, and
- the degree of specificity and flexibility attached to the product or service to be funded and whether outcomes are preset or are developed locally within agreed parameters.

Such arrangements are built on:

- agencies taking responsibility and being accountable for the design and implementation of devolved arrangements and for the overall performance of the network
- the establishment of shared goals and outcomes, and
- the performance management of individual providers.

Where the initiative involves local flexibility and innovation in the design of measures and accountability arrangements need to support an adaptive approach, there will also need to be assurance of:

- strong local governance arrangements and capability, and
- shared commitments on objectives and parameters and a strong sense of common goals.

Considerable strategic attention is given to the choice and framing of the most appropriate funding mechanism (whether a contract, grant or other form of funding agreement) for reflecting provider accountabilities.

Review and evaluation processes are used, particularly where complex networks and adaptive systems are involved.

External scrutiny is tailored to the nature of the exercise by focusing on the quality of the risk management framework, its design, how it has been managed, the appropriateness of the control mechanisms and how they are applied.

At the service-wide level, consideration is given to:

- providing guidance on managing accountability in different implementation modes and on varied approaches to dissemination of information on devolved government regarding lessons learnt and pitfalls to avoid
- building evaluation capacity
- focusing attention on the respective uses of contracts, grants and other funding arrangements, and
- fostering strategic conversations on the practical implications for accountability, particularly in relation to initiatives involving the devolution of decision-making power and those based on community collaboration.

## Effective Approaches to Performance Management

Performance management arrangements to support delivery of outcomes with and through non-government providers are built into the upfront design of approaches in order to secure accountability and the proper use of public resources. They are also designed to drive continuous improvement and produce better outcomes from a public interest and user point of view.

Outcome measures are used where possible, recognising that output and input indicators may also be appropriate depending on the circumstances. They are employed only after considerable clarity has been achieved as to the status of the indicator and the link between indicators and stated policy outcomes.

The level of risk tolerance and control is articulated and used to underpin the setting of performance indicators.

Indicators are pitched to the nature and purpose of the product or service being funded, and on the basis that the potential impact of performance measurement requirements on the capability of providers and performance overall, is recognised and addressed.

Performance reporting requirements are as streamlined as possible, focusing on data that is required for the effective management and operation of the initiative, and ensuring that timing, content and mechanisms are not counterproductive but user-friendly and developed in consultation with stakeholders.

Performance measures and reporting systems are reviewed regularly and adjusted where required.

Skills development in performance management is a recognised area for project design and investment.

A strategic approach is taken to driving overall performance through supportive systems.

Effective performance information systems are in place enabling comparative performance data to be developed and tested in consultation with stakeholders.

There is joint consideration of the impact of multi-source funding and reporting requirements on common non-government providers (including on a cross-agency and inter-jurisdictional basis).

At the service-wide level, consideration is given to:

- encouraging debate and information sharing on the design and application of different performance metrics and systems, research and evaluation and sharing of both negative and positive experience, and
- incorporating the performance management challenges in devolved government settings and guidance on how to meet them in relevant learning and development programmes.

## Building Public Service Capability

Capability demands for devolved government centre on the public service in an enabling rather than a doing mode, having the skills to deliver with and through others, requiring new forms of public management, and organisational alignment of skills, ICT, culture and orientation to delivery mode.

Organisational leadership provides strong strategic direction, aided by business-focused corporate services.

Sufficient business intelligence and subject area expertise is retained by agencies to enable them to manage ongoing policy development and implementation.

Strong capacity exists in contract design and management and more broadly in managing other funding and grants administration issues, including attention to the management of conflict of interest and integrity issues that can arise in a more commercialised environment.

Strong capacity also exists in systems design for recognising the complexities involved in fusing multiple players into a system for seamless service delivery, a process which must be informed by an evidence-based understanding and readiness for trial and adaptation.

Skills in systems thinking, network building and relationship management are developed, valued and supported through recruitment, development and increased mobility between sectors.

Integration and connectedness is a design critical feature, with integration approaches including government as integrator, prime contractor as integrator and third party as integrator.

Supportive organisational systems are in place, including: complex network applications requiring significant investment of resources; high-level management attention and stakeholder engagement; and strong strategic, project management and operational capacity.

At the service-wide level, consideration is given to:

- fostering skills development in systems design and network management, as well as strategic leadership in such a setting
- facilitating a community of practice and sharing experience and lessons learnt
- focusing on commissioning skills and their development as well as leadership in devolved government and how to work proactively in this mode
- addressing ICT skills shortages and fostering collaborative approaches to systems development, and
- encouraging mobility and interchange between sectors.

## Safeguarding Citizen Satisfaction and Trust

Protecting public confidence is seen as a core part of the design and management of delivery systems and as a matter of public accountability.

Approaches are adapted to:

- ensuring service quality, continuity and sustainability, public scrutiny, and avenues for redress when things go wrong
- giving service users access to meaningful information, and
- ensuring seamless delivery of services designed around the experience and circumstances of the citizen.

Testing of citizen satisfaction and experience, and the active use of feedback as a basis for service improvement, forms part of systems design and ongoing implementation.

At the service-wide level, consideration is given to:

- trialling models of co-ordination and joined up government from the citizen point of view, including through COAG
- fostering research and evaluation in order to 'know what works', including into both 'people' and 'places' policies
- giving consideration to wider use in Australia of the Canadian Common Measurements Tool or like tools,<sup>21</sup> and
- encouraging greater use of Web 2.0 technology to enhance citizen feedback and engagement.

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21 The Common Measurements Tool (CMT) was introduced in Canada in 1998 as an easy-to-use, question-based client satisfaction survey instrument. It facilitates benchmarking across jurisdictions and enables public sector managers to better understand client expectations, assess levels of satisfaction with service delivery and identify priorities for improvement. The Institute for Citizen-Centred Service (ICCS) acts as custodian of the CMT and oversees arrangements for licensing its use by other jurisdictions <<http://www.iccs-isac.org/en/cmt>>

## Providing for Effective Policy/Delivery Interaction

Effective feedback loops are established between policy development and delivery.

Approaches are adopted to ensure that implementation is consistent and aligned with policy objectives, including through action to foster goal clarity and congruence, provider selection and reinforcement through performance management regimes.

Approaches are adopted aimed at ensuring that policy development is informed by on-the-ground intelligence and experience, including by means of mobility and interchange, avenues for interaction with network members, collection of provider and user views and evaluations.

There is recognition of some inherent revisiting of the purchaser/provider split in adaptive systems involving local flexibility of response.

## Supporting Non-Government Providers

Strategic consideration is given to supporting the capability of non-government providers, particularly not-for-profit organisations.

A tailored approach is developed, including such measures as information provision, training, sharing of experience and better practice, provision of professional support, and, wherever possible, streamlining reporting requirements and mechanisms to assist provider efficiency.

There is a good understanding of non-government providers, their potential, modus operandi, the challenges they face and themselves present, and the impact that doing government business has on them.

At the service-wide level, consideration is given to:

- facilitating a better understanding of third sector issues and the potential for collaborative work, and
- supporting productive relationships with the sector.



## Chapter 4 — Providing for Accountability

### A Fit for Purpose Approach

The current accountability framework and arrangements were designed around traditional modes of government bureaucracy. Devolved government brings additional levels of complexity and challenge; it involves longer, and often more diffuse, relationship and responsibility chains. Many policy responses, whatever the implementation approach, require flexibility and innovation at the point of delivery, implying a degree of open-endedness which does not always sit easily with traditional accountability mechanisms.

Some fine-tuning of arrangements has occurred over the past decade in response to concerns about contracting raised by parliamentary committees, the Australian National Audit Office (ANAO) and other organisations. Recommendations for improvement include:<sup>22</sup>

- the insertion of access clauses in contracts and public/private partnerships to enable ANAO to access contractors' records and premises and carry out appropriate audits<sup>23</sup>
- moves to discourage the use of commercial-in-confidence provisions in contracts which can limit public scrutiny, and
- an increased focus on good recordkeeping practice.

While these have led to important developments, more fundamental reconsiderations of accountability concepts and mechanisms are required. Key questions include:

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22 See, for example, Senate Finance and Public Administration References Committee, *Contracting Out of Government Services*, Second Report (1998); *Commonwealth Contracts: A New Framework for Accountability* (2001); Joint Committee of Public Accounts and Audit, *Contract Management in the Australian Public Service* (2000); ANAO, *Developing and Managing Contracts: Getting the Right Outcomes* (2007); Administrative Review Council, *The Contracting Out of Government Services* (1998).

23 Australian Public Service Commission 2009, *Delivering Performance and Accountability*, Commonwealth of Australia, Canberra, p. 13, <<http://www.apsc.gov.au>>

- Given the changing nature of public sector delivery, are traditional approaches to accountability adequate for the different implementation tools available?
- Do they allow for sufficient transparency and accountability in relation to the use of public money, while supporting high performance and innovation?, and
- Do they encourage risk avoidance and conservative decision-making?

Experience in Australia and internationally points to an inherent balancing act or trade-off between accountability and flexibility and innovation. Richard Mulgan argues that ‘accountability is inevitably reduced under contracting out and ... at best, involves a trade-off between efficiency and accountability’ and refers to a series of ‘accountability deficits’.<sup>24</sup> A companion paper in the Contemporary Government Challenges series, *Delivering Performance and Accountability*, explores how current accountability and performance management arrangements are applied to the three different public policy implementation modes in Kamarck’s model, arguing that:

A one-size-fits-all accountability and performance management framework may be seen as anachronistic in light of the diversity of policy implementation modes and the accountability and performance gaps emerging in the current framework.<sup>25</sup>

Suggesting that current arrangements may constrain innovation, *Delivering Performance and Accountability* supports fit for purpose accountability and performance management arrangements depending on the delivery mode.<sup>26</sup> Its suggestions for accountability mechanisms and preferred mode of accountability are set out below, with the implications for government by network highlighted (noting the focus is on government by network rather than devolved government more broadly).<sup>27</sup>

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24 R. Mulgan 1997, *Contracting Out and Accountability*, Discussion Paper No. 51, Graduate Public Policy Program, Australian National University, p. 2.

25 Australian Public Service Commission 2009, *Delivering Performance and Accountability*, Commonwealth of Australia, Canberra, p. 2, <<http://www.apsc.gov.au>>

26 Australian Public Service Commission 2009, *Delivering Performance and Accountability*, Commonwealth of Australia, Canberra, p. 33, <<http://www.apsc.gov.au>>

27 Australian Public Service Commission 2009, *Delivering Performance and Accountability*, Commonwealth of Australia, Canberra, pp. 38–39, <<http://www.apsc.gov.au>>

**Table 4: A More Diversified Approach to Accountability and Performance Management**

Accountability mechanisms	Performance managed bureaucracy	Government by network	Government by market
	Performance measures and objectives replacing some rules and regulations  Compliance with process	Overall goals for the network  Individual performance management of third party providers  Shared performance for outcomes  Benchmarking  Evaluations	Performance measured in the aggregate and only after some time has passed  Individual performance is not relevant  Evaluations
<b>Preferred mode for accountability</b>	Performance management and reporting	System evaluation  Periodic reviews of overall outcomes  Performance management of third party providers	Infrequent systemic review and evaluation

How such an approach is to be applied in practice needs to be consciously factored into decisions on policy implementation tools and the development of new forms of devolved government. Accountability and how it is to be delivered should be an element in the upfront design stage of policy formulation. This is also reflected in the Government’s reform agenda for grants administration which stresses the need for a fit for purpose approach with ‘key design features and related processes ... commensurate with the scale, nature, complexity and risks involved in the program’.<sup>28</sup>

Such considerations would be assisted by focusing on the different dimensions of accountability—who is accountable to whom, for what and how. Designing accountability arrangements for devolved government needs to take account of the different nature of the responsibilities in the accountability chain. Providers will be accountable for their use of resources as set against the requirements of the funding arrangement. The funding agency has a broader accountability for the operation of the network as a whole and the delivery of overall policy outcomes.

How the service is delivered may be important and form part of the specification of the service itself (i.e. ‘the what’). This is notably so with respect to human services and where

28 Hon. Lindsay Tanner MP, Minister for Finance and Deregulation, Media Release, 9 December 2008, <<http://www.financeminister.gov.au>>

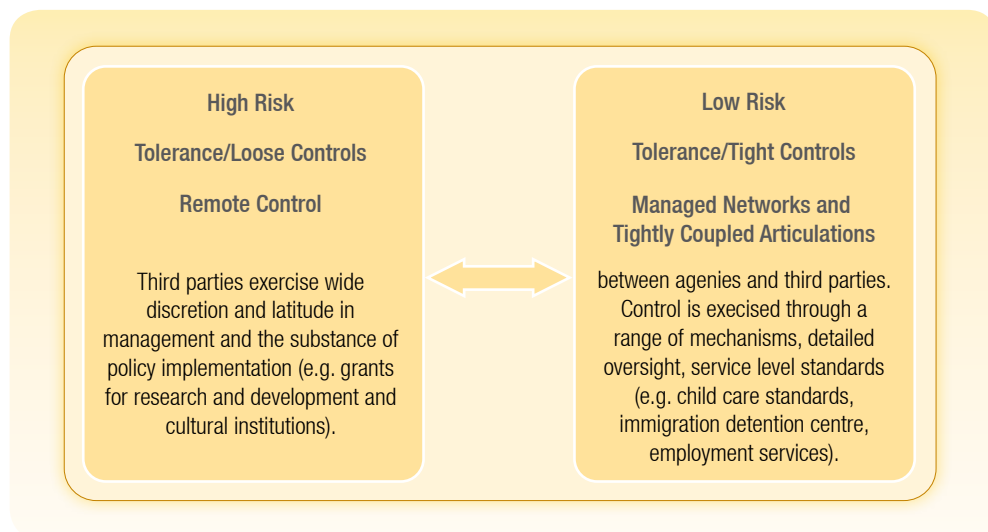
service standards might need to be applied. In such cases these must form part of the accountability arrangements.

The mechanisms for supporting accountability ('the how') will vary depending on the policy issue involved, the context and circumstances, and the degree and specificity of control required. Clarity regarding the degree of risk tolerance involved as well as understanding whoever is responsible for managing that risk will be critical in determining the degree and nature of control to be built in.

For programmes like the former Advancing Agricultural Industries Program, which supported industries in order to identify challenges and opportunities and address them by developing and implementing industry-led strategies, flexibility was envisaged with respect to outcomes and how they were to be delivered.<sup>29</sup> Similarly, in providing grants for research and development the objective was to foster innovation—the expected outcomes would be closely defined with risk tolerance likely to be high. The need for control mechanisms in such cases was expected to be minimal. In contrast, where the provision of human services was involved (e.g. aged care or prison management), risk tolerance would be significantly less, and the standards to be met and related control mechanisms likely to be more detailed and onerous.

The range of these two scenarios can be depicted as a risk tolerance and control continuum. Reviewing public administration case studies in the USA, the Fredericksons use such a continuum to describe the nature and quality of network articulation, ranging from what they term 'remote control' to 'managed' networks.<sup>30</sup> Table 5 combines this with the range of risk tolerance involved.

**Table 5: Risk Tolerance and Control Continuum**



29 <<http://www.daff.gov.au>>

30 D. G. & H. G. Frederickson 2006, *Measuring the Performance of the Hollow State*, Georgetown University Press, Washington D.C., p. 31.

The approach adopted will vary depending on the nature and scale of the initiative and where it fits on this risk tolerance continuum. Other factors to be taken into account include:

- whether and how complex elements of networked government are involved (as distinct from a more simple linear arrangement)
- whether the exercise involves the delivery of human services and whether service standards are involved and, if so, how compliance is to be assured
- what the non-government provider is being funded to deliver and how tightly this is defined, and
- whether the desired outcomes are pre-set or the non-government bodies involved are given some flexibility and authority to devise local solutions.

Addressing these issues successfully depends on those implementing policy being clear about what business they are in and what it is that is being funded, and designing approaches to accountability accordingly. Those approaches will differ depending on whether the programme is directed at funding provision of:

- a specific product (where the provider has discretion as to how it is delivered)
- a specific service (where service standards may dictate to varying degrees how it is to be delivered)
- a capacity or social good (where funding is provided to support an organisation in which the policy outcome sought relates to building social fabric or capital), or
- a process or methodology directed at meeting agreed outcomes (where providers and/or community groups have some discretion concerning measures to be taken and where responses are developed through engagement).

In the above cases, decision-making authority about allocation of resources and tailoring of responses can be devolved and shared with non-government providers. They contain an element of community co-production of policy and system adaptability. In such circumstances of 'participatory policy', arrangements need to be implemented that, while safeguarding the proper use of public funds, also support local discretion, innovation and an adaptive and evolving approach, with local ownership and responsibility to the fore. Such arrangements have been termed 'joint accountability'.<sup>31</sup> Key elements will include:

- the establishment and maintenance of negotiated and shared commitments, parameters and a strong sense of goal congruence and trust in the relationship
- streamlined reporting to ensure that resources used are consistent with agreed objectives but not unduly restrictive of local flexibility and discretion
- effective locally-based, devolved governance arrangements to provide assurance on resource management and setting of priorities—indeed the existence of such a capability

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31 Australian Public Service Commission 2009, *Delivering Performance and Accountability*, Commonwealth of Australia, Canberra, pp. 28–29, <<http://www.apsc.gov.au>>

may be a necessary precondition to taking this route, and

- evaluation to ensure that the programme is working to achieve its overall objectives and to identify learnings which can be fed into any necessary recalibration and continuous improvement.

Depending on the particular circumstances, an aspect of such arrangements may be what has been termed ‘earned autonomy’. This has been utilised in some sectors in the UK to require individual providers ‘to demonstrate certain standards of performance before they are granted an increase in autonomy’.<sup>32</sup> The idea is to facilitate ‘a manageable level of experimentation’ by allowing for the streamlining or suspension of some performance measures in order to encourage selected proven providers to pursue innovation that supports increased responsiveness to stakeholders. This approach could be reinforced by the allocation of a proportion of funding for innovation.

Whatever the approach, the government agency is responsible and accountable for the design, establishment and management of effective arrangements and the performance of the network or initiative. It is also responsible for implementing an effective risk identification and management approach. These elements should form a focus for external scrutiny by bodies such as ANAO as part of accountability processes.

The role of evaluation in accountability assumes increased importance more generally in devolved government settings. This is particularly so where accountability mechanisms cannot be transactionally focused and when overall network outcomes as well as the performance of different components need to be assessed. Evaluation also has a key role to play in drawing out lessons from experience, thereby supporting continuous improvement and informing future policy development. The Family Relationship Centre initiative is an example of where an intensive process of evaluation has been designed as part of the new arrangements from the outset.

### Family Relationship Centres: Evaluation Strategy

Family Relationship Centres were established as part of a major package of changes to the family law system. A multi-faceted evaluation of the package, being undertaken by the Australian Institute of Family Studies, covers legislative changes, the new and expanded services and the impact of the changes on Australian families. Baseline data was collected before the changes were implemented and the Centres rolled out. Evaluation activities include surveys of parents, the legal profession, clients and staff of the services, supplemented by interviews and focus groups with family law system professionals. Service data routinely collected by the Centres is also being used as part of the evaluation. Associated longitudinal research, involving 10,000 separated parents, will provide additional insight into the effectiveness of the changes and the new services. Apart from this major evaluation and research, the Centres undertake their own action research and, in many cases, other evaluation and research activities to support continuous improvement.

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32 J. Chapman 2002, *Systems Failure*, Demos, London, p. 57, <<http://www.demos.co.uk>>

Given the increasing reliance on devolved government, better recognition of the implications of securing accountability and adopting a more diversified and tailored approach is required. This calls for a strategic conversation among public service leaders, policy designers and external scrutiny agencies about how to set and meet accountability requirements while fostering innovation and a results orientation, framed on the premise of maximising the generation of public value through the appropriate use of public resources. This would be assisted by comparative analysis of, and sharing information about, approaches taken and lessons learnt. With the growing acceptance of the need for community engagement and collaborative approaches for local development of responses to difficult policy issues, how accountability is supported in these cases could be a useful focus for further attention and research.





## Chapter 5 – Effective Performance Management

### The Challenge

Effective performance management in a devolved government setting is critical from both accountability and service improvement perspectives. It can be difficult to get right, and not doing so can have potentially serious consequences within a context where performance management remains a challenge for traditional bureaucracies.

An increasing focus for public administration internationally, performance management has been reinforced in Australia by the introduction of performance-based budgeting and an outcomes and outputs framework. These moves have been a major facet of public sector reform in this country.

According to ANAO, however, implementation of the framework is still a work-in-progress. ANAO has pointed to the need for: periodic review; better integration into agency operations; improvement of performance indicators; and more effective monitoring and reporting arrangements.<sup>33</sup> These issues take on additional dimensions and complexities in the case of devolved government approaches. Experience highlights a number of common issues and areas for further work and attention.

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33 Australian National Audit Office 2007, *Application of the Outcomes and Outputs Framework*, Performance Audit Report No. 23, 2006–07, p. 17, <<http://www.anao.gov.au>>

## Articulating Outcomes and Performance Indicators

The process of developing performance objectives and indicators for devolved service provision can be demanding, and has become increasingly so as the services being delivered are increasingly complex and sensitive. As the Organisation for Economic Cooperation and Development (OECD) has found, ‘Results are relatively simple to assess for fixed services that are highly standardised, such as administering inoculations, but difficult to set and measure in dealing with complex multi-faceted services.’<sup>34</sup>

‘What’, the OECD asks, ‘is the desired outcome of group home care for emotionally disturbed children?’ How is it measured? Can such outcomes be specified in ways that support direct measurements, or can they only be measured indirectly, through partial and indicative inputs and outputs? Once a satisfactory answer to these questions is given, there remain the processes of defining and securing agreement on potential indicators.<sup>35</sup>

In reality, a range of input, output and outcome measures are used across different programme and service activity. While there appears to be broad agreement that as programmes mature, target-setting should progress towards outcome indicators, this may not always be possible or desirable. It is critical that the status of the indicator is recognised and the logic linking lower-level indicators and policy outcomes is understood. Whether this holds true in practice is subject to evaluation. Recent COAG initiatives are instructive in this regard, with their increased focus on specifying the links between policy directions, objectives, outputs and performance indicators and related performance measurement systems.

Whatever level of performance measure is used, the degree of specificity in measures applied to non-government providers through funding agreements and contracts will be a matter for careful judgement in each case. As noted earlier, where consistency and control are important, detailed requirements, such as service standards, will apply. In other cases, when innovation and local flexibility are sought, and indeed are critical to the policy objective, the performance measures chosen will need to allow for this flexibility.

Experience has highlighted the potential for poorly framed and overly detailed performance measures to undermine the responsiveness of some more complex devolved governance arrangements, and even to distort or constrict the services being delivered by making the indicator (or target) rather than the service the focus of provision.<sup>36</sup> They can also:

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34 Organisation for Economic Cooperation and Development, *The ‘Enabling State’?: From Public to Private Responsibility for Social Protection—Pathways and Pitfalls*, Background Note, 23 March 2005, p. 10, <<http://www.oecd.org>>

35 Organisation for Economic Cooperation and Development, *The ‘Enabling State’?: From Public to Private Responsibility for Social Protection—Pathways and Pitfalls*, Background Note, 23 March 2005, pp. 10–11, <<http://www.oecd.org>>

36 See, for example, G. Kelly, G. Mulgan & S. Muers 2002, *Creating Public Value: An Analytical Framework for Public Service Reform*, UK Cabinet Office, Strategy Unit, <<http://www.strategy.gov.uk>>; J. Chapman 2002, *Systems Failure*, Demos, London, <<http://www.demos.co.uk>>; and R. Mulgan 2005, *Government Accountability for Outsourced Services*, Asia Pacific School of Economics and Government, Discussion Paper No. 6–05, Australian National University, Canberra, <<http://www.apseg.anu.edu.au>>

undermine efforts to trial different approaches; exploit significant intersections with other services; and tailor integrated responses at the local level for a particular community or citizen grouping.<sup>37</sup>

Previous Job Network arrangements were criticised for their narrow focus on 'speed to placement' rewarding of short-term outcomes, thereby discouraging investment in retention and skills development and an emphasis on sustained placement. A revised approach incorporating individually tailored plans for job seekers which brings together the various sorts of assistance, backed by a flexible pool of funding to enable providers to purchase assistance in addressing vocational and non-vocational barriers, is being introduced under new tender arrangements.<sup>38</sup>

The difficulty on the one hand is overkill (stifling provider efficiency and innovation) and/or skewed incentives (impeding policy outcomes). On the other, an overly lax approach could result in an inappropriate use of public resources and poor outcomes from a user (or a citizen) point of view. Where the right balance lies will be case-specific.

The key to developing real performance metrics will be found in the recognition that there are many types of third parties, numerous ways of implementing public policy, and a wide range of agency-third party articulations and vertical networks of third parties. The effectiveness of devolved management depends on the development of solid performance metrics that are compatible with the details of the modern hollow state.<sup>39</sup>

The APS needs the capacity to design and apply sophisticated and workable measures across the range of devolved government exercises. This is a skills set to be carefully developed and informed by experience. It is an area that would benefit from further research and evaluation and a sharing of experience (positive and negative) across a spectrum of devolved government exercises.

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37 See discussion in M. J. Palmer, *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau. Report*, July 2005, p. 153, <<http://www.minister.immi.gov.au>>

38 Department of Education, Employment and Workplace Relations 2008, 'Exposure Draft of the New Employment Services 2009–12 Purchasing Arrangements', <<http://www.deewr.gov.au>>

39 D. G. & H. G. Frederickson 2006, *Measuring the Performance of the Hollow State*, Georgetown University Press, Washington, D.C., p. 172.

## Performance Information and Monitoring Systems

Robust reporting and monitoring systems will be required to provide the basis for appropriate accountability and scrutiny, thus ensuring optimal value in the use of public resources. These systems need to be kept as streamlined as possible, thereby minimising the administrative burden on service delivery and the constraints on innovation. Experience highlights the perverse impacts that too complex or poorly tailored control mechanisms can have. These include:

- overly onerous reporting requirements and red tape which hamper provider efficiency<sup>40</sup>
- unnecessary administrative burdens being imposed on service providers, recipients and communities arising from duplication between departments in joint funding arrangements and the separate application of their individual accountability requirements<sup>41</sup>
- the problems for bodies relying on multiple funding sources for their viability (with different contracts and conditions, funding cycles and reporting requirements)<sup>42</sup>
- relatively small exposure to risk in small grants is not recognised in the way grants are treated (i.e. similar reporting frequency and large numbers of performance indicators against which data has to be collected)<sup>43</sup>
- requirement for annual applications for programmes that continue year after year even where there is little change in the funding organisation's circumstances or risk profile<sup>44</sup>
- performance indicators not being well-matched to funded activity, and complex contractual and other rules constraining providers, limiting their ability to exercise judgement in working effectively with disadvantaged people,<sup>45</sup> and
- an overly rigid compliance paradigm with unthinking adoption and application of standard procedures and requirements stifling innovation and a collaborative approach.<sup>46</sup>

The nature of the contract or funding arrangement can have a significant impact on the capacity of non-government bodies to provide the services required.

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40 Australian Public Service Commission 2009, *Delivering Performance and Accountability*, Commonwealth of Australia, Canberra, p. 25, <<http://www.apsc.gov.au>>

41 Australian National Audit Office 2007, *Whole of Government Indigenous Service Delivery Arrangements*, Performance Audit Report No. 10, 2007–08, pp. 24–25, <<http://www.anao.gov.au>>

42 Morgan Disney & Associates Pty Ltd 2006, *A Red Tape Evaluation in Selected Indigenous Communities* (Final Report for the Office of Indigenous Policy Coordination), p. 8, <<http://www.fahcsia.gov.au>>

43 Morgan Disney & Associates Pty Ltd 2006, *A Red Tape Evaluation in Selected Indigenous Communities* (Final Report for the Office of Indigenous Policy Coordination), p. 7, <<http://www.fahcsia.gov.au>>

44 Morgan Disney & Associates Pty Ltd 2006, *A Red Tape Evaluation in Selected Indigenous Communities* (Final Report for the Office of Indigenous Policy Coordination), p. 7, <<http://www.fahcsia.gov.au>>

45 Morgan Disney & Associates Pty Ltd 2006, *A Red Tape Evaluation in Selected Indigenous Communities* (Final Report for the Office of Indigenous Policy Coordination), pp. 7–8, <<http://www.fahcsia.gov.au>> See also Department of Education, Employment and Workplace Relations, *The Future of Employment Services in Australia*, Discussion Paper, released by Hon. Brendan O'Connor MP, Minister for Employment Participation, May 2008, pp. 5–6.

46 M. J. Palmer, *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau: Report*, July 2005, p. 176, <<http://www.minister.immi.gov.au>>

Experience in relation to arrangements for the Job Network, immigration detention centres and delivery of Indigenous programmes shows performance reporting systems to be very much an evolving practice. This is another area that would benefit from further evaluation and a sharing of experience.

## Supporting and Driving Performance

Looking more broadly and beyond performance indicators and reporting, devolved government arrangements require a very strategic and sophisticated approach to performance management.

The capacity to understand how the arrangements and new individual components are working will be critical. Managing performance calls for the ability to define performance and make adjustments so that learning and performance are increased. It also requires systems in place which support learning from experience through the sharing of performance information.

Information systems have a central role to play in generating comparative performance data on providers and supporting performance improvement. Experience with the Job Network's Star Ratings system,<sup>47</sup> which has been (and continues to be) refined significantly since its introduction in 1998, highlights the importance of testing and evaluation and the benefits of: effective engagement with stakeholders; a strong ICT platform and capacity; and an integrated approach to performance monitoring and improvement and network management.

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47 The Job Network Star Ratings system was developed to show the relative performance of individual Job Network members in placing job seekers into jobs, with ratings ranging from '1 Star' (room for improvement) to '5 Stars' (excellent performance). Star Ratings have been used by: job seekers to assess the comparative performance of Job Network members in their local area; Job Network members as a measure of performance; and the Department of Education, Employment and Workplace Relations to drive improved performance and allocate business share to members.





## Chapter 6—Building Public Sector Capability

### A Leadership Challenge

Capability requirements—skills, systems and organisational culture—will vary depending on the policy implementation mode adopted. This presents a key challenge for agencies transitioning between modes (e.g. from operating the Commonwealth Employment Service to managing the Job Network system or for agencies moving into funded programme management activity). It is particularly challenging for agencies operating in a mix of modes.

For devolved government, capability demands centre on the public service working as an enabler or facilitator, rather than a doer—and on it having the skills to deliver with and through others. These demands intensify as more complex devolved arrangements are involved. This brings new dimensions to organisational leadership and puts a greater premium on agencies being supported by strategic and business-focused corporate services areas.

In analysing the experience of the Job Network, Michael Keating points to the risk of the Government progressively losing some of its access to labour market intelligence with consequences for its future assessment and policy development capacities.<sup>48</sup> For agencies using devolved delivery modes, a challenge will be to guard against becoming overly hollowed out; they will also need to retain the business intelligence and subject area expertise required to manage ongoing policy development and implementation.

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<sup>48</sup> M. Keating, 'Reshaping Service Delivery' in G. Davis & P. Weller (eds.), *Are You Being Served?: State, Citizens and Governance*, Allen and Unwin, Crows Nest, NSW, 2001, p. 112.

## Contract Management Skills

One of the most obvious issues and pitfalls for devolved government has been contract management capacity. A recurring theme from Australian and international experience is shortcomings in contract design and management detracting from outcomes, with the potential to have serious consequences.

### The Immigration Detention Centres Experience

A number of reports have highlighted deficiencies in the early contractual arrangements of the Department of Immigration and Citizenship for managing immigration detention centres. These included a lack of clearly identified and articulated objectives, and monitoring arrangements that failed to further define or measure lawful, appropriate, humane or efficient detention. The Palmer report concluded that the contract was ‘flawed’—onerous in its application, lacking focus in its performance audit and monitoring arrangements, and transferring risk to the service provider.<sup>49</sup> It also concluded that the contract and contract management behaviour created ‘a culture where the specified performance measures become, by default, entrenched as maximum standards because the service provider’s focus is on ensuring compliance so as to avoid financial sanction’.<sup>50</sup>

ANAO has been active in highlighting the need for skills development in this area and has supported this through better practice guidance. It has stressed consistently the need for staff to understand the relevant legal and policy frameworks and contracting practice; the importance of senior management support; the need for employees to be able to access expert advice when required; the advantages of employing personnel with the requisite interpersonal, subject matter and project management skills; and the necessity for contract managers to be fully cognisant of contractor capabilities.<sup>51</sup>

In 1998, the Senate Finance and Public Administration References Committee concluded:

Despite the volumes of advice on best practice which emphasise the need to approach contracting out cautiously, to invest heavily in all aspects of the process and to prepare carefully for the actual implementation, and the substantial body of comment in reports from the Auditor-General indicating that Commonwealth agencies have a very mixed record as project and contract managers, the prevailing ethos still seems to promote contracting out as a management option that will yield inevitable benefits. Resources must be made available to ensure that contract managers have the skills to carry out the task.<sup>52</sup>

49 M. J. Palmer, *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau: Report*, July 2005, p. 176, <<http://www.minister.immi.gov.au>>

50 M. J. Palmer, *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau: Report*, July 2005, pp. 177–178, <<http://www.minister.immi.gov.au>>

51 Australian National Audit Office & Department of Finance and Administration 2007, *Developing and Managing Contracts—Getting the Right Outcome, Paying the Right Price*, Commonwealth of Australia, Canberra, <<http://www.anao.gov.au>>

52 Senate Finance and Public Administration References Committee 1998, *Contracting Out of Government Services*, Second Report, The Parliament of the Commonwealth of Australia, Canberra, Chapter 3, ‘Managing the Contract’, <<http://www.aph.gov.au>>

In the decade since the Committee reported, investment in (and the focus on) contract management as a core capability has increased within the APS. Significant levels of central agency guidance and other support have been provided, for example, by ANAO, the Australian Public Service Commission and the Department of Finance and Deregulation. Increased investment in developing such skills at the agency level has been evident. DEEWR, for example, has produced an induction package, established accredited contract manager training and provided systems support to assist its network of contract managers and employment service providers. DIAC has also invested significantly in building contract and procurement skills.

While overall capability appears to have improved, shortcomings continue to become apparent. Some agencies are still experiencing problems, whose origins are usually attributed to skills shortages in contract management. In the *State of the Service Report 2007–08*, 18% of agencies identified such shortages as having a moderate or severe impact on their operations.<sup>53</sup> This remains a priority area for development, not solely for those involved in contract management, but also for those managing other forms of funding arrangement, notably grants administration.<sup>54</sup>

Greater involvement by public sector agencies in managing devolved funding activity can also give rise to potential conflict of interest and integrity issues which require careful management.

## Systems Design and Management

Designing and managing devolved arrangements is complex and demanding. Delivering through others and ensuring that the desired public outcomes are achieved requires new capabilities. This is so for devolved government generally, and particularly so for more complex, networked applications. As Goldsmith and Eggers argue:

To achieve high performance in this environment, governments will need to develop core capabilities in a host of areas where today they have scant experience ... conceptualising the network, integrating it, and developing effective knowledge sharing practices across the network.<sup>55</sup>

Systems design, particularly for complex networked arrangements where a range of private and public sector organisations are brought together with the objective of seamless delivery, requires a great deal of skill. It needs to be informed by an in-depth and evidence-based understanding of how systems work, including trial and adjustment. Important design

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53 Australian Public Service Commission 2008, *State of the Service Report 2007–08*, Commonwealth of Australia, Canberra, p. 77, Figure 4.2, <<http://www.apsc.gov.au>>

54 Recent changes in government administration have been announced by the Minister for Finance and Deregulation aimed at increasing transparency and improving grants administration—See Hon. Lindsay Tanner MP, Minister for Finance and Deregulation, Media Releases, Nos. 42 and 43, 2008, <<http://www.financeminister.gov.au>>

55 S. Goldsmith & W. D. Eggers 2004, *Government by Network: The New Shape of the Public Sector*, Brookings Institution Press, Washington, D.C., p. 184.

features, depending on the type and scale of the network, include:

- accountability, performance management, service stability, and transition arrangements (as already discussed)
- choosing the right network members and partners (e.g. for cultural and operational capability and/or proximity to the service user)
- providing for the capacity to capture learning from the network, and
- supporting goal congruence within the network.

Managing networks and relationships has significant implications for, and makes major demands on, agency systems, skills sets and orientations. Indeed, it has been described as ‘a full-blown cultural transformation’ which requires ‘changing the very definition of “public employee”’.<sup>56</sup> Performance in such a setting depends increasingly on the ability to manage partnerships and hold partners accountable, requirements that represent a different form of public management.

Operating in network mode calls for a high level of systems thinking as well as the skills needed for ‘activating, arranging, stabilising, integrating, and managing a network’ which are qualitatively different to those required for more traditional delivery modes.<sup>57</sup> Connectors will be valued—people who can build up relationships across the public, private and not-for-profit sectors and leverage these relationships to build networks of mutual benefit.<sup>58</sup>

Continuing action will be required across the APS to ensure it has the necessary skills through strategic approaches to recruitment, development and fostering mobility between sectors. It is also important that such action is characterised by an opportunistic and proactive orientation, one designed to look for different and better ways of delivering public value, including through harnessing third sector potential by means of constructive partnerships.

In the UK, recognition of these issues led to the introduction of a National Programme for Third Sector Commissioning, aimed at building the project commissioning skills of civil servants and improving understanding of what the third sector can offer.<sup>59</sup> An Improvement and Development Agency has also been set up to improve commissioning practice and provide comprehensive training on what the third sector is able to offer.

This suggests there may be benefits in the broader approach to procurement capacity being considered in the Australian devolved delivery context, one which would go beyond better practice procurement and put an increased focus on how to work proactively in this mode. The development of a social inclusion agenda is likely to include a strong focus on

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56 S. Goldsmith & W. D. Eggers 2004, *Government by Network: The New Shape of the Public Sector*, Brookings Institution Press, Washington, D.C., p. 158.

57 S. Goldsmith & W. D. Eggers 2004, *Government by Network: The New Shape of the Public Sector*, Brookings Institution Press, Washington, D.C., p. 157.

58 S. Goldsmith & W. D. Eggers 2004, *Government by Network: The New Shape of the Public Sector*, Brookings Institution Press, Washington, D.C., pp. 169–170.

59 <[http://www.cabinetoffice.gov.uk/third\\_sector](http://www.cabinetoffice.gov.uk/third_sector)>

developing both third sector and government capacity in this regard.

Building integration and connectedness within a network is also a fundamental design and management issue. The nature of relationships within networks varies significantly. In some, the interests and goals of different players are similar; in others they may be in competition. Significant differences might exist in culture and ethos (e.g. between private sector and not-for-profit sector organisations). Trust may be an issue between key players because of past policies and/or practices. Network design and management will need to take account of these factors.

Integration is a significant component of well-designed and operating networks. Approaches evident through experience include:<sup>60</sup>

- **Government as integrator.** This has been a common and long-standing practice across a range of devolved government arrangements. Examples include the role of DEEWR with respect to the Job Network and FaHCSIA and the Attorney-General's Department (AGD) for the Family Relationship Centres.
- **Prime contractor as integrator.** This approach has been taken where the contractor is seen as having specialist skills and industry connections not present in the public service which would better equip it for the role, for instance, major defence procurement exercises, construction projects, and ICT applications.
- **Third party as integrator.** This involves the funding of an organisation not involved in direct delivery of the service(s) to manage the network on behalf of the Government or public service agency. Examples include: Employer Brokers being established as part of the employment services system to co-ordinate and target the efforts of employment service providers, which includes matching the needs of job seekers and labour requirements; and the Aged Care Assessment Teams (ACATs) used to assess elderly care requirements and provide advice on, and referrals to, community services and other programmes for in-home assistance and help in moving to residential aged care.

Forging connections in an increasingly fluid environment of public sector delivery can be a formidable challenge, particularly as networks become more complex and diffuse, and involve elements of participative governance and active community engagement. In many policy areas, numerous intersections exist between services, and multiple services touch on a particular group (e.g. those living in remote communities or the homeless). Providing an integrated response in such areas (whether people- or place-based) will often mean establishing connections between different networks of multiple government and non-government players. In addition, defined networks can operate within larger networks (e.g. the Employer Brokers and ACATs instanced above). Operating effectively and adaptively across boundaries in this environment is part of the new world for public services.

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60 S. Goldsmith & W. D. Eggers 2004, *Government by Network: The New Shape of the Public Sector*, Brookings Institution Press, Washington, D.C., pp. 75–88.

## Organisational Systems

Supportive organisational systems will also be required. Sophisticated ICT platforms to provide linkages within networks and with the coordinating authority are at the operational heart of complex network applications. They can involve multi-tiered arrangements comprising: information on providers' performance from a monitoring and accountability perspective to inform citizen choice; resource and contextual information and/or better practice advice and examples to assist providers; and a shared operational platform for government and non-government partners. These represent major undertakings requiring a significant investment of resources and a high level of management attention and stakeholder engagement.

In 2005, the Australian Customs Service introduced the imports module of its online Integrated Cargo System (ICS) linking those involved in cargo movement, including brokers and freight forwarders. Severe difficulties ensued, with major consequences for the movement of sea cargo. A review identified shortcomings in governance and a lack of adequate testing and staged implementation.<sup>61</sup> Critical issues included third party software incompatibility and inadequate training of relevant employees in operating the ICS with the result that network members were not sufficiently prepared for the new system.

The Employment Services Review (2008) identified stakeholder concerns with the Job Network ICT system's complexity, its functionality and resultant 'work arounds' and increased administrative burden.<sup>62</sup> A major redevelopment is underway, along with an extensive process of stakeholder engagement.

A new Child Care Management System (CCMS) is being implemented to standardise and simplify Child Care Benefit administration and provide for the electronic lodgement of benefit data.<sup>63</sup> Approved child care services have operated under the new system since 1 June 2009. A major transitional programme is underway to assist providers with the move, including: provision of training and learning material; use of registered software providers to ensure that software meets systems requirements; financial assistance; and the capacity to move early to the new system.

ICT skills—high-level strategic, project management and operational—will be critical to such undertakings. Skills shortages in this area have been an issue for a number of agencies with such shortages continuing to be the most pressing capability challenge identified by agencies in the *State of the Service Report 2007–08*.<sup>64</sup> They are expected to remain a priority area for action, and are being addressed as part of the Government's response to the Gershon Review.

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61 Booz, Allen, Hamilton 2006, *Review of the Integrated Cargo System: Final Report* (Produced for the Australian Customs Service), 'Executive Summary', pp. 1–4, <<http://www.customs.gov.au>>

62 Department of Education, Employment and Workplace Relations, *The Future of Employment Services in Australia*, Discussion Paper, released by Hon. Brendan O'Connor MP, Minister for Employment Participation, May 2008, pp. 5–6.

63 See the Child Care Management System home page at <[http://www.dest.gov.au/sectors/early\\_childhood/programmes\\_funding/CCMS](http://www.dest.gov.au/sectors/early_childhood/programmes_funding/CCMS)>

64 Australian Public Service Commission 2008, *State of the Service Report 2007–08*, Commonwealth of Australia, Canberra, p. 77, <<http://www.apsc.gov.au>>

## Safeguarding Citizen Satisfaction and Trust

High levels of citizen satisfaction with, and trust in, the processes and machinery of devolved government are integral to effective public sector service provision.

### Citizen-Focused Design

Regardless of the vehicle selected for delivering government services to the public (e.g. directly by a government agency such as Centrelink or Medicare or indirectly through funded bodies like Job Network providers or Family Relationship Centres), protecting public confidence and ensuring citizen satisfaction should be of paramount concern. Achieving this by means of indirect, devolved government arrangements where the control mechanisms are less immediate requires skilful design. Having an understanding of the level and nature of risk tolerance (or intolerance) and how to manage this by balancing funding and accountability requirements, performance monitoring and relationship building will be critical.

Prominent cases such as the 2000 kerosene baths case at Melbourne's Riverside aged care facility<sup>65</sup> and reports of maltreatment of residents of immigration detention centres attest to the impact on public confidence where the right balance is not achieved.<sup>66</sup> The critical design questions are:

- How can services of quality be delivered, service continuity assured, and appropriate avenues of public scrutiny and redress accessed when things go wrong?
- What information do service users need and how is this best provided?, and
- How can services be provided more seamlessly, presenting a less complex maze to service users?

### Service Quality

The establishment of service standards by way of funding arrangements has been a common feature of the provision of human services through devolved arrangements. Appropriate articulation of service expectations and standards and establishment of associated monitoring mechanisms has at times varied considerably and best practice is still evolving.

Under the Settlement Grants Program, following a review which identified the need for service standards in funded organisations' contractual obligations, funded organisations must adopt and report on a set of Service Principles.<sup>67</sup>

A major criticism of the early immigration detention services contractual arrangements was

65 *Commonwealth Parliamentary Debates* (House of Representatives), 8 March 2000, pp.14157–8.

66 M. J. Palmer, *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau: Report*, July 2005, p. 176, <<http://www.minister.immi.gov.au>>

67 Department of Immigration and Multicultural and Indigenous Affairs 2003, *Report of the Review of Settlement Services for Migrants and Humanitarian Entrants*, <<http://www.immi.gov.au>>

that service requirements and quality standards were poorly defined.<sup>68</sup>

The arrangements for the Job Network have been progressively strengthened since its inception in 1998. A Code of Practice is being developed setting out the professional and ethical standards required of providers in delivering services to job seekers as part of the revised employment services arrangements.<sup>69</sup>

Service charters—a standard practice for government agencies providing services to the public for some time—have also become a common feature of devolved delivery arrangements.

Family Relationship Centres (funded by AGD and FaHCSIA) are required to display a common service charter setting out their commitment to high-quality, timely, safe and ethical services, and what clients can expect of the Centre.<sup>70</sup> The Centres are also obliged to ensure that their family practitioners meet approved accreditation standards.

As part of its Early Childhood Development agenda, the Government is working through COAG to introduce strong national quality standards for child care and preschool, involving consultation with the sector, families and child care experts.<sup>71</sup>

The challenge is to set meaningful indicators for standards from the citizen or user perspective and focus on what really matters rather than imposing a bureaucratic and stifling overlay of requirements. The Government's discussion paper on a national quality framework for early childhood education and care, for example, highlights the overlap between Australian Government and State and Territory Government activities such as quality checking through both licensing and accreditation, resulting in an unnecessary administrative burden and a potential reduction in the focus on quality.<sup>72</sup>

One approach to supporting service quality is to seek service user views. DEEWR, for example, measures Job Network member effectiveness through survey testing of job seeker satisfaction. Internationally, several jurisdictions have developed tools to test citizen views of government services (e.g. in Canada, Singapore and New Zealand, where the Canadian Common Measurements Tool is being used). Tools of this kind could be employed to valuable effect in Australia.

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68 M. J. Palmer, *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau: Report*, July 2005, p. 176, <<http://www.minister.immi.gov.au>>

69 <<http://www.workplace.gov.au>>

70 <<http://www.familyrelationships.gov.au>>

71 Department of Education, Employment and Workplace Relations 2008, *A National Quality Framework for Early Childhood Education and Care*, Discussion Paper, <<http://www.deewr.gov.au>>

72 Department of Education, Employment and Workplace Relations 2008, *A National Quality Framework for Early Childhood Education and Care*, Discussion Paper, <<http://www.deewr.gov.au>>

## Service Continuity and Sustainability

Managing the devolved provision of services in order to ensure continuity and sustainability, even when providers change or go out of business, will be a significant factor in maintaining public confidence in, and satisfaction with, government service provision. Effective transition arrangements need to be a key design feature of network modes of delivery.

Emerging challenges for the Building Excellence in Support and Training (BEST) programme administered by the Department of Veterans' Affairs illustrate the need to review and refine programmes so as to ensure that the service provided is sustainable over time. Operating successfully for many years, BEST supports ex-service organisations in providing volunteer assistance to veterans applying for entitlements.<sup>73</sup> A recent review highlighted the need for adjustment, finding that volunteers were not well enough connected with young veterans whose experience and expectations differed considerably from their own. The review also found that volunteers find it difficult to keep up with the increased complexity of entitlements arrangements.<sup>74</sup>

## Avenues for Complaint and Redress

Effective avenues for citizen complaint and redress are vital in building public confidence in service delivery; they also form an important element in public accountability.

Such avenues have been a feature of direct service delivery for some time and have progressively become a regular part of the devolved delivery of services to the public. Two examples are:

- New arrangements for the Job Network include a process which enables clients to raise issues with their providers and, if they are not satisfied, to express these concerns to the DEEWR Customer Service Line.
- Family Relationship Centres are required to have an internal complaints procedure in place and it must be displayed prominently as part of the service charter. Complaints are referred to FaHCSIA if the complainant is dissatisfied with how the Centre has handled the issue.

The system-wide infrastructure for dealing with such matters was changed by a 2005 amendment to the *Ombudsman Act 1976* giving the Commonwealth Ombudsman jurisdiction over government services delivered by contractors and sub-contractors ('Commonwealth service providers'). The Ombudsman can investigate complaints about services delivered by contractors such as Job Network members and Disability Employment Networks on behalf of the Australian Government. The Ombudsman is also the Immigration Ombudsman with a specific role, inter alia, to investigate complaints about

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73 R. N. McLeod 2007, *Review of Commonwealths Agencies' Relationship with the late Signaller Geoffrey Gregg, Part 3: Systemic and Cross-Agency Issues*, para. 108, <<http://www.dva.gov.au>>

74 R. N. McLeod 2007, *Review of Commonwealths Agencies' Relationship with the late Signaller Geoffrey Gregg, Part 3: Systemic and Cross-Agency Issues*, para. 114, <<http://www.dva.gov.au>>

services delivered by contractors for, or on behalf of, the Government, such as immigration detention centre operators.

More generally, the quality of feedback mechanisms will be important in building citizen confidence in service delivery and driving continuous improvement. Processes need to be in place to ensure that complaints are handled in a timely and effective way and that data is collected, analysed and used to identify and address any systemic issues.

## Information for Service Users

Openness and transparency through public dissemination of information on provider performance can play an important role in strengthening public trust in relation to services. Citizen choice is a central design feature of a range of endeavours (e.g. child care and aged care). Informed choice requires the provision of relevant and accessible information.

DEEWR publishes comparative performance data on Job Network providers.

Under its Early Childhood Development agenda the Government has committed to introducing a quality ratings system to drive continuous improvement in quality child care and preschool and enhance parents' access to information about their options.

A common issue has been how to present the information in user-friendly form rather than as bureaucratic reportage. An area for further development is the greater use of interactive, Web 2.0 technology to enhance feedback and citizen engagement between government programmes and services and clients.<sup>75</sup>

## Putting Citizens at the Centre

Improving service delivery through better citizen-focused design and greater scope for citizen engagement has been an increasing focus of public administration. The Prime Minister has stressed the need to 'continue to reform our system of government and government service, so that our citizens lie at the centre rather than the inflexible behemoths of official bureaucracy'.<sup>76</sup>

Government services (what is available and how to access them) can be confusing, particularly where a range of providers and services are involved. For people undergoing major life events (e.g. the transition to elderly care) or those with particular needs (e.g. Indigenous people in remote communities or recently arrived refugees) the maze can be bewildering. There might also be an array of different and interconnecting services and obligations overseen by different tiers of government (federal, state and local)—all with their own forms, procedures and processes and a tendency to pass on the task of 'joining the dots'

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75 Australian Public Service Commission 2008, *State of the Service Report 2007–08*, Commonwealth of Australia, Canberra, p. 269, <<http://www.apsc.gov.au>>

76 Hon. Kevin Rudd MP, 'Hard Heads, Soft Hearts: A Future Reform Agenda for the New Australian Government', Progressive Governance Conference, London, 4 April 2008, p. 4, <<http://www.pm.gov.au>>

to the citizen. It is even more complex when devolved government is involved—increasing the number of players and the potential for confusion. The result can be a series of intersecting networks or mazes, with no clear entry point and no clear directions for moving between them.

The tendency has been to develop services based on bureaucratic needs. The issue is how to reorient service delivery so that citizen circumstances become the organising principle and citizen expectations for more seamless service delivery are met. Whether to focus on ‘place’ (e.g. remote communities) or on ‘person’ (e.g. elderly citizens) is important in determining the most effective organising rationale for a network and delivering particular policy outcomes.

The UK Government has implemented a range of person- and place-based policies to address disadvantage. A recent assessment of the evidence base relating to the effectiveness of these policies highlights a lack of systematic evaluation of the implementation approaches and resultant evidence basis for ‘Knowing What Works’, and for understanding the relative effectiveness of different person- and place-based policies. Conclusions were being drawn on the basis of ad hoc rationalisation and speculation and policies were generally being developed separately and sometimes in isolation from each other with little focus on exploiting the logical synergies between people and place.<sup>77</sup>

It is an area that would benefit from further attention in Australia through research and evaluation and sharing of learning across the federal, state and territory public sectors.

Tailoring services and gathering confirmation of their effectiveness will be critical in ensuring that service delivery can be continuously improved. Sharing lessons across agencies, jurisdictions and networks will also assist in promoting more citizen-friendly services.

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77 J. Griggs *et al* 2008, *Person- or Place-Based Policies to Tackle Disadvantage?: Not Knowing What Works*, Joseph Rowntree Foundation, York, <<http://www.jrf.org.uk>>





## Chapter 7 – Providing for Effective Policy/Delivery Interaction

### Policy/Delivery Splits

Devolved government can bring into sharp relief the interaction between policy development and delivery and the problems that can occur in the absence of effective feedback loops between them. The same issue can arise with the use of purchaser/provider split arrangements within government (e.g. with the establishment of Centrelink).

On the one hand, it is important to ensure that implementation is consistent and aligned with policy objectives. This requires goal clarity and alignment, judicious selection of providers, and reinforcement through contractual and performance arrangements and appropriate monitoring.

On the other hand, informing policy development with on-the-ground intelligence, knowledge of operational issues and the views of service providers and users is also essential. Providing workable mechanisms for this will form an important element of system design. Such mechanisms can include:

- encouraging mobility and interchange between sectors to strengthen ongoing capability
- providing avenues for interaction with network members
- establishing effective feedback loops, undertaking analysis and taking account of provider views
- collecting information on user experience (e.g. through client surveys, analysis of complaints data), and
- pursuing programme evaluation.

Initiatives where decision-making power is shared with providers involve an inherent revisiting of the nature and extent of the purchaser/provider split. This goes to the view that

for some policy issues—if the objective is to deliver services in a sustainable format able to adapt to changing social and environmental demands—it can be the case that ‘the “centre” cannot specify how best a local agency providing a complex service can best go about boosting service satisfaction, improving outcomes and securing local legitimacy’.<sup>78</sup>

The argument here is that the distinction between policy development and programme implementation, and between the purchasers and providers of services, should be progressively blurred, particularly in the case of very complex systems. A UK study asserts that system design should be iterative:

Past experience shows that delivery is rarely a one-off task. It is best understood not as a linear process—leading from policy ideas through implementation to change on the ground—but rather as a more circular process involving continuous learning, adaptation and improvement, with policy changing in response to implementation as well as vice versa.<sup>79</sup>

Such a circular process should be part of implementation approaches whether the model is one of a tightly and centrally controlled network or a more diffuse one involving power sharing with providers and communities. It is important that this is given upfront attention in the design of the overall approach.

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78 G. Kelly, G. Mulgan & S. Muers 2002, *Creating Public Value: An Analytical Framework for Public Service Reform*, UK Cabinet Office, Strategy Unit, pp. 34–35, <<http://www.strategy.gov.uk>>

79 G. Mulgan & A. Lee 2001, *Better Policy Delivery and Design*, Discussion Paper, UK Cabinet Office, Performance and Innovation Unit, p. 4, <<http://www.cabinetoffice.gov.uk>>



## Chapter 8—Supporting Devolved Government

### Third Sector Capacity

Third sector capacity to deliver government services is obviously critical for successful devolved government. The public sector's role in supporting that capacity requires strategic thought, and is an issue under consideration as part of the development of a National Compact with the third sector.<sup>80</sup>

Experience has highlighted a number of challenges for the not-for-profit sector when it engages in public service delivery. Such bodies often do not have the internal processes or skills required to satisfy adequately the reporting and governance requirements placed on them. They can find integrating a new business activity function (as a government service provider) with their charitable structure, vision and ethos to be challenging, including achieving the optimal balance between their advocacy role and that of government service provider. Many also find dealing with grants and other funding arrangements time consuming and inefficient, and that these detract from their core business.

Workforce capability issues in NGOs may constrain the scope and effectiveness of collaborative arrangements. More broadly, while non-government provision of a service may be considered appropriate for social capital and/or proximity reasons, the supply of potential providers may be insufficient.

In the UK these issues have led to government action on third sector support. The Office of the Third Sector (OTS) leads work across government to create the environment for a thriving third sector (voluntary and community groups, social enterprises, charities, co-

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80 Senator Hon. Ursula Stephens, Parliamentary Secretary for Social Inclusion and the Voluntary Sector and Parliamentary Secretary Assisting the Prime Minister for Social Inclusion, 'First Consultation on a National Compact', Speech, Melbourne, 22 July 2008, <<http://mediacentre.dewr.gov.au>>

operatives and mutuals), enabling the sector to campaign for change, deliver public services, promote social enterprise and strengthen communities. More specifically, the role of the OTS is to:

- drive cross-government action to improve partnership working and ensure better terms of engagement between the third sector and the Government
- invest in programmes designed to develop and promote the sector
- forge a policy and regulatory environment favourable to it, and
- develop a strong evidence base and analysis function for third sector activities.

OTS has been active in streamlining funding procedures, reducing red tape, giving advice to providers and procurers, and enhancing stability by encouraging three-year financial settlements. The UK Government has established a Compact setting out principles guiding the Government-Third Sector relationship which is reinforced by an independent Commissioner. It has also introduced a Future Builders' programme to assist frontline third sector organisations in building their capacity to increase the scale and scope of public service delivery.

Two reports in the UK (released in 2001 and 2008 respectively) have examined the efficacy of the third sector approach and highlighted areas for improvement in better supporting such activity. Although positive about progress to date, the Review Group on Banking Service Consumer Codes, chaired by Ms DeAnne Julius of the Bank of England, identified: the need for a greater commitment to opening up, and increasing understanding of, public service markets; balancing commissioning objectives; achieving competitive neutrality between bidders from different sectors; developing partnership approaches; and streamlining procedures.<sup>81</sup> A House of Commons Public Administration Select Committee inquiry report<sup>82</sup> was less positive, finding no compelling evidence to support the Government's claim that the third sector is able to deliver, and therefore provide, public services in distinctive ways. It concluded that most charities would never have the resources to compete effectively with the public and private sectors and made a series of recommendations for implementing 'intelligent commissioning', including:

- concentrating on improving results for service users rather than simply delivering cost savings
- identifying opportunities to advertise contracts on a smaller scale, so that smaller organisations can compete
- working with community organisations to identify what matters to service users, and what types of organisation might be best placed to meet those needs
- supporting organisations which struggle with commissioning processes, and

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81 Review Group on Banking Service Consumer Codes 2001, *Cracking the Codes for Banking Customers* (9 July 2001), <<http://www.hm-treasury.gov.uk>>

82 House of Commons Public Administration Select Committee 2008, *Public Services and the Third Sector: Rhetoric and Reality* (9 July 2008), pp. 3–5, 82–92, <<http://www.parliament.uk>>

- abolishing ‘perverse practices’ such as clawing back surpluses from organisations which deliver at a lower cost than expected, or unnecessarily short-term contracting.

These points go to issues related to those raised above about public sector commissioning skills capacity. They also go to the need for a strategic approach to supporting capacity building through more positive government-third sector engagement.

As noted earlier, the Rudd Government’s Social Inclusion agenda envisages a strong role for the community sector. The Deputy Prime Minister, Hon. Julia Gillard, signalled in early 2008 that the Government would identify and remove clauses from government contracts that prevent groups from undertaking their advocacy role.<sup>83</sup> As part of the new mechanisms to build trust, enhance public confidence and work more closely with the sector, the Government is consulting on the development of a National Compact with the sector aimed at:

- developing effective relationships between government and the sector in building social inclusion and ensuring consistency of treatment across government agencies
- devising standards to guide accountability between the Government and the sector
- recognising the social and economic value of the sector, as well as its independence
- providing a vehicle for consulting about, and addressing, social inclusion priorities
- creating opportunities to hear the views of disadvantaged and marginalised Australians, and
- strengthening sector capacity to deliver efficient and effective services and promote innovative policy and responses to community needs.<sup>84</sup>

The Government has directed the Productivity Commission to examine the measurement of the contribution of the not-for-profit sector, and how to boost this contribution.<sup>85</sup> It has also consulted with the sector on issues relating to incorporation and taxation regimes and recently announced its intention of slashing red tape for the not-for-profit sector through COAG.<sup>86</sup>

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83 Hon. Julia Gillard MP, Minister for Education, Minister for Employment and Workplace Relations, Minister for Social Inclusion, Transcript, Media Conference, Melbourne, 9 January 2008, <<http://mediacentre.dewr.gov.au>>

84 Senator Hon. Ursula Stephens, Parliamentary Secretary for Social Inclusion and the Voluntary Sector and Parliamentary Secretary Assisting the Prime Minister for Social Inclusion, ‘First Consultation on a National Compact’, Speech, Melbourne, 22 July 2008, <<http://mediacentre.dewr.gov.au>>

85 <<http://www.pc.gov.au/projects/study/not-for-profit>>

86 Hon. Lindsay Tanner MP, Minister for Finance and Deregulation & Senator Hon. Ursula Stephens, Parliamentary Secretary for Social Inclusion and the Voluntary Sector, ‘Red Tape to be Slashed for Charities and Other Non-Profit Groups’, Joint Media Release, 13 March 2009, <<http://www.financeminister.gov.au>>

At the agency level there is a need to pay closer attention to the capability of third sector providers in devolved government arrangements and to identify what support may be necessary through:

- provision of information about the relevant operating environment and developments (e.g. providing new arrivals data to non-government players as part of the Settlement Services Program, and research and other resource material to approved child care services and Family Relationship Centre providers)
- provision of training and/or assistance in reporting and governance requirements (e.g. providing orientation training to new Family Relationship Centre managers)
- sharing of information about better practice innovations (e.g. the coordinated action research process instigated as part of the Family Relationship Centre initiative)
- provision of skills training and professional support (e.g. the Inclusion and Professional Support Program, an Australian Government funded programme delivered by State and Territory Governments that provides access to support, advice, resources and training to approved child care services, and the Department of Veterans' Affairs Training and Information Program which provides training and information for volunteers working as veterans advisers with ex-service organisations), and
- streamlining contractual or funding agreement arrangements and associated reporting (e.g. in 2006, as part of its system improvement process, FaHCSIA commissioned an independent evaluation of the administrative burden of government funding programmes on Indigenous organisations).



## Conclusion

The public service delivers policy outcomes for government via different implementation modes (i.e. direct delivery, devolved government, government by market). Demonstrated capacity in matching policy issues with implementation tools and in working effectively through different modes is a hallmark of the quality of a public sector.

Resort to devolved government has grown—as has the diversity of its forms. Devolved government brings significant potential benefits and presents notable challenges. It involves a rethinking of the public service role from a doing to a more enabling one, with significant implications for public service structure, culture and capability.

A tailoring of accountability and performance management frameworks and approaches is required to support devolved government. Strong leadership and organisational positioning is also called for to ensure that the necessary skills, systems and cultural orientation are present.

The range of devolved government activity needs to be recognised. Funding a cultural institution through a grants arrangement differs from managing a complex network of multiple players in tackling disadvantage and supporting social inclusion at the local level. This paper argues for a careful tailoring of approach, one based on a deep understanding of the policy context and the nature of the business outcomes being sought.

At the complex end of network arrangements involving citizen engagement and co-production, a key challenge is to devise new ways of supporting accountability, performance and public confidence while allowing for innovation and locally designed solutions to meet agreed outcomes. How to provide for local governance and joint accountability will be central to initiatives aimed at finding new and more sustainable ways of tackling deep-seated social policy challenges.

The paper raises a series of issues which must be addressed if the potential of devolved government is to be realised. It highlights the benefits to be gained through trialling and ongoing evaluation of approaches and a sharing of experience in contributing to 'the available evidence on how to deliver services efficiently and effectively', while moving towards a more 'contemporary view of the role of the state in service delivery'.<sup>87</sup> It is an area for all levels of public administration and one where inter-jurisdictional collaboration would be of value, particularly in light of the key policy issues on the COAG agenda, many of which involve complex and intersecting networks.

Devolved government arrangements will continue to play a major role in the delivery of public outcomes. Determining when and how to work most effectively in this mode will be a key strategic issue for agencies and the APS as a whole.

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87 Hon. Kevin Rudd MP; 'Address to Heads of Agencies and Members of the Senior Executive Service', Great Hall, Parliament House, Canberra, 30 April 2008, p. 7, <<http://www.pm.gov.au>>