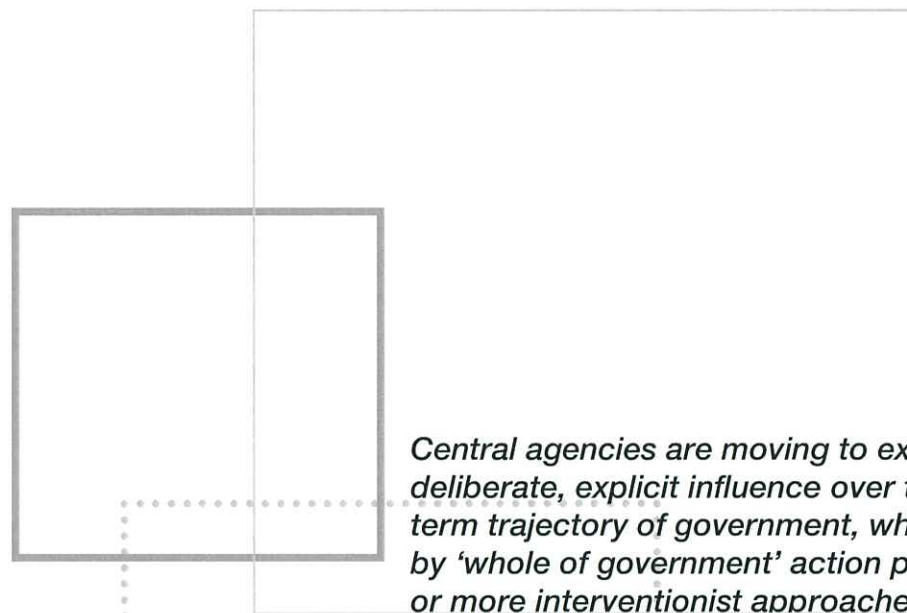




the Australia and New Zealand
School of Government

Shaping a Strategic Centre



Central agencies are moving to exert more deliberate, explicit influence over the long term trajectory of government, whether by 'whole of government' action plans or more interventionist approaches to ensuring existing programs are delivered successfully and in accordance with government priorities. These changes denote a shift in both the ethos and the instruments of central agencies. Yet there is little agreement in either theory or practice on how governments can and should respond to this 'strategic' challenge.

This report presents the findings of extensive research into the challenges facing central agencies in Australia and New Zealand and then proposes a model of strategic engagement as the basis for re-conceiving roles and relationships at the centre of government.

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Contents

1. Shaping a strategic centre: An overview	2
2. Why a strategic centre? Impetus for reform at the centre of government	6
3. Evolution of the centre: organisational adaptation and survival.....	13
4. The centre in Australia and New Zealand today: institutional arrangements	22
4.1 Looking within: Size, symmetry, and priorities at the centre	23
4.2 Functional bases for comparing the centre in Australia and New Zealand	31
5. Views from the frontline: How officials perceive the strategic challenge.....	36
5.1 Questions of mandate and role.....	37
5.2 Building relationships at the centre of government	42
6. Shaping a strategic centre: A model of strategic engagement and capacity building	49
6.1 The promise and limitations of ‘strategy’	49
6.2 Three strategic domains at the centre of government	53
7. Performing the strategic mandate: Instruments, skills and staff.....	58
7.1 Instruments and tools of the strategic centre.....	58
7.1.1 Tensions and competition over instruments and objectives	61
7.1.2 Instruments for coordination in the strategic centre	62
7.1.3 New tools for the strategic centre	67
7.1.4 State Plans – as a tool for coordinating the strategic centre	67
7.1.5 Central review function: Creating the impetus for policy and operational change	71
7.2 Skills and staff in a strategic centre	75
7.2.1 From expert to network facilitator	77
7.2.2 Options from elsewhere	79
7.3 Staffing the strategic centre: Permanence or turnover, generalist or specialist?.....	81
8. Implementing change: Adaptation or transformation?	84
Appendix 1: Overview of State Planning Regimes in Australia.....	90

1. Shaping a strategic centre: An overview

Central agencies are moving to exert more deliberate, explicit influence over the long term trajectory of government. Whether by 'whole of government' action plans or more interventionist approaches to ensuring existing programs are delivered successfully and in accordance with government priorities, 'the centre' is seeking to become more strategic and more interventionist. These changes denote a shift in both the ethos and the instruments of central agencies; a movement away from the hands-off 'steering' philosophy in a bid to wrest control of the oars on the government vessel and to influence change in sectors beyond government.

Explanations of why central agencies are adopting a more activist stance vary. Most include a counter-action to the fragmentation and asymmetry created by devolution under New Public Management; the frustrations of politicians in long-term governments who feel disenfranchised from the actions of government or are frustrated by incremental progress; moves toward an "outcome" or "performance" focus of recent governments; a renewed belief that government action can and should shape the long term shifts in society, ranging from the performance of economic sectors to ageing and preventive health to carbon emissions and urban growth; and a response to the 'transformational' possibilities offered by information technology.

Together these challenges provide the impetus for reform at the centre of government - and this report shows that this impetus is being heeded by central agencies across Australia, New Zealand and internationally. In New Zealand there is an explicit project to 're-conceive the centre'; in New South Wales, South Australia, Queensland and the Commonwealth of Australia, substantial organisational redesign has occurred at the centre of government. Across all jurisdictions we see new units in the central agencies dedicated to strategy, implementation, delivery and review.

These new roles and activities are exacerbating tensions and stresses in the relationships between these agencies and their ability to perform to the high expectations set for them. While central agencies are successfully developing new tools, techniques and roles, the stress created by higher levels of workload and expectation, combined with confusion and conflict over the respective roles of different organisations across the centre, poses a major challenge.

All of the central agencies participating in this project appeared to be struggling to find ways to increase their influence and to ensure they have appropriate and adequately skilled staff. Their reflections on the challenges facing their organisations are probing and questioning but ultimately there is a degree of frustration and dissatisfaction.

Nonetheless, our research found a strong common basis on which to build stronger, clearer agency capabilities and relationships. Many central agencies are determined to develop a new and more proactive role in generating strategic policy and promoting successful implementation and coordination. Yet they are

unsure about how to sustain this role or handle the conflicts between it and the more neutral, process-based and mediating roles historically played by central agencies in government decision-making.

The key challenge identified in this and other research is to develop tools and instruments that allow central agencies to deliver on this emergent mandate while avoiding the key risks of:

- returning to a command and control relationship
- stifling initiatives within line agencies
- losing the gains in efficiency and focused performance that came from NPM reforms
- losing access to the flows of information and specialist knowledge needed to govern effectively in the operating environment of the early 21st century.

Yet, there is little agreement in either theory or practice on how governments can and should respond to this ‘strategic’ challenge. On one hand there is a general consensus that too much intervention runs the risk of undoing gains made under previous reforms. On the other there is little experience or collective wisdom on how those at the centre of government should organise themselves to perform this newly activist role. There are clear tensions between the aim of developing a ‘strategic’ centre focused on whole of government issues, and the increasing demands to be reactive, responsive and involved in all areas of government decision-making. For example, harnessing the capacity of information technology is presented as a path to transformational government; yet claims of information overload and consultation burn-out highlight the need for more deliberate – or strategic – creation and use of data on performance, whether past or future.

The *Shaping the Strategic Centre* project seeks to answer some of these questions by examining how governments in Australia and New Zealand are responding to this challenge and identifying changes required in the future to fulfil this mandate. We do this by providing an overview of the many factors building impetus for change at the centre of government (chapter 2), and then studying the evolution of the centre of governments in Australia and New Zealand (chapter 3). The following four sections (chapters 4-7) use the evidence from interviews, focus groups and documentary analysis to examine the current state of play within central agencies in Australia and New Zealand and develop options for shaping a strategic centre in these governments.

The report proposes a model of that strategic centre built around three strategic domains that provide the basis for clarifying the mandate and role of central agencies, for strengthening key relationships within each domain, and for developing appropriate tools, skills, and staffing requirements within each domain. This model is grounded in the functions and division of labour that have historically been at the core of Westminster governments. Making it work under today’s conditions will require central agencies to reconstruct internal relationships and to place greater emphasis on the skills of ‘influence’ to complement traditional analytical and process management skills.

As one respondent in the research put it, “*we can issue guidelines and we can do tool kits but we’re only ever going to change behaviour and therefore make the*

public service more efficient and effective if we come up with a different form of relationship between our agencies and the central agency.”

The report begins by providing an overview of the story of reform so far by providing a summary of the debate on this issue and then tracing the historical evolution of the centre in Australia and New Zealand. This first section summarises the extensive academic and practitioner literature tracing the evolution of public administration reforms that reshaped the role of the centre. This includes literature on the impact of managerialism and NPM, the so-called second generation reforms that focus on confirming and extending previous reforms by developing better performance management and accountability mechanisms, and on the more recent literature which critiques the impact of these reforms. The notion that public administration reforms “hollowed-out” the centre is an early and repeated critique applied to government across the OECD (Weller et al, 1994). The next section focuses on the historical evolution of the centre in Australia and New Zealand, tracing it from the Westminster roots to the current institutional arrangements. These sections show that the core structures and functional responsibilities of central agencies have remained remarkably stable over the past century. Within this relative stability, central agencies have continually reinvented themselves in line with the predominant ethos of public administration.

Hence, the twin imperatives of functional stability and institutional adaptability have shaped the role and culture of central agencies for over a century. The report presents clear evidence of cross-jurisdictional learning in all of these areas, but these lessons are interpreted and translated through the unique traditions and experiences of each jurisdiction. These sections provide the broad context within which the debate over the strategic centre occurs and are primarily intended for readers who are less familiar with the evolution of central agencies.

The next two sections update this story based on our extensive empirical research into central agencies in Australia and New Zealand today. Here we present our research findings comparing a) organisational structures and dynamics found at the centre of government in Australia and New Zealand; and b) the way officials from central and line agencies perceive the strategic challenges facing government.

- ❖ First, the overall institutional arrangements at the centre of government reflect the broad commonality of a shared heritage, but differ considerably in terms of relative size, administrative ethos and relative importance. This raises important questions about the appropriateness of overall size and the balance between different elements of the centre which are discussed later in the report.
- ❖ Secondly, the participants in our research raised and discussed almost 750 different interpretations of the challenges and tensions facing central agencies in Australia and New Zealand. Yet five core themes repeatedly dominated these conversations in all jurisdictions and across all agencies: **questions about the mandate and role of central agencies** (128 responses); **about the relationship between central agencies and**

other actors in government (200 responses); about three related capacity issues around **the adequacy of central agency tools and instruments** (132 responses); **the skills required to address strategic challenges** (120 responses); and an array of question related to **staff recruitment, development and turnover** (168 responses). From these discussions we identify challenges, criticisms, experiments and possible solutions, within the context of the previous study of institutional arrangements.

Overall, our research shows ‘the centre’ as a complex, interrelated network of institutional actors that is often divided by overlapping goals, disparate cultures and expertise, and a competitive search for influence. Building on and directed by evidence collected from interviews, focus groups and documentary evidence, we analyse jurisdictional structures, arrangements and adaptations, to ask whether they provide the basis for creating a new compact at the centre. The aim of this section is to understand these tensions and challenges, and to recommend ways of resolving them that move central agencies toward a more ‘strategic’ role. Based on this research, the remaining section of the report is to ask, “if central agencies are to perform these new roles, how are they to adapt, what new skills are required, and how do they draw on their past strengths to build new norms and practices?”

The final section of the paper proposes a model of the strategic centre that is built around three domains of ‘strategic’ engagement. Drawing on theories of public administration, public policy, organisational design and strategic management, this section unpacks the **concept of a ‘strategic’ centre to develop a new understanding of what it means to be a ‘strategic centre’.**

Here we examine how coordinating mechanisms used by central agencies impact on organisational structure and ethos, and how these mechanisms shape relationships within the centre and between central agencies and key stakeholders.

It is argued that the centre operates within three **strategic domains**, typically classified as **political, policy and operational**, and the operational differences between these three domains provides the basis for delineating central agency mandate and roles, for clarifying the logic underpinning the relationships between central agencies and other key actors within each domain, and for discussing broader issues of the tools, skills and staff required to perform these roles.

2. Why a strategic centre? Impetus for reform at the centre of government

Why a Strategic Centre: summary of the issues discussed in this research

- The mandate and role of central agencies in government are evolving after the unanticipated consequences and challenges thrown up by NPM reforms, the promise of new technology, and the pursuit of a more activist political centre that rejected the minimalist role assigned for it under previous reforms.
- Efforts to rebuild the capacity of central agencies began almost a decade ago and included the introduction of whole of government planning devices; strategic policy groups; delivery-implementation units; and a range of review and evaluation initiatives. Most innovations emerged incrementally; there is evidence of cross-jurisdictional learning with adaptation.
- The key challenge identified in this and other research is to develop tools and instruments that allow central agencies to deliver on this emergent mandate without returning to a command and control relationship, without stifling initiatives within line agencies, and without losing the positives that came from NPM reforms.
- The notion of a strategic centre has appeal because it suggests central agencies guided by an ethos that encourages actions that are selective, creative, responsive, future-directed, and provide the basis for “whole-of-government” direction and policy making.
- However, this is an indistinct concept upon which to shape the centre of government. Decades of research show ‘strategy’ to be a multi-dimensional concept that is objective, focused on action and outcome, and used to justify a wide range of interventions on behalf of central agencies. Without further exploration, the desire to be more ‘strategic’ is likely to compound existing confusions and tensions over the role of central agencies.
- So, the key question driving this research is “how can we shape a strategic centre of government”?

Current debates over a ‘strategic centre’ align with changes in the norms and models of public administration and in particular the perception that previous reforms ‘hollowed-out’ the capacity of central agencies and ministers to direct the ship of state. These debates include a counteraction to the managerial philosophy which fragmented governments and limited the role of political actors; the expansion of government policy agendas and media responsiveness; and the result of opportunities offered through a) advances in information technology, b) generational changes, and c) changes in the accepted boundaries of service delivery techniques which change organisational form and introduce more networked governance structures. The following section summarises the key issues in this debate and how these inform the research discussed throughout this report.

The mandate and roles of central agencies in Australia and New Zealand have changed dramatically during the past thirty years. Initially these changes related to the expansion of government activity during the Depression and then again in the post-war period. Acceptance of Keynesian economics expanded the policy mandate of Treasuries across the globe by establishing

demand for fiscal and economic policy advice. Similarly the growth in public sector activities demanded more of the institutions supporting cabinet decision-making whether at a policy or procedural level. Yet these changes did little to challenge the power and operating mandates of existing central agencies and they continued to function within a relatively settled *modus operandi*.

This all changed with the widespread acceptance of the “managerialist” critique which redefined the terms of public administration debate across Australia and New Zealand. From the 1970s onwards, governments across the OECD commissioned reviews of the existing systems of public administration, and then sought to create central agencies focused on steering – rather than ‘rowing’ – the ship of state.

At its core the managerial critique questioned the impact of traditional central agency activities on public sector efficiency and policy effectiveness. The resultant reforms reduced the power of the centre to micro-manage resources, delegated authority to managers and dismantled the centralised bureaucratic structures upon which central agencies relied. In particular, the various Public Service Commissions faced extinction as departments claimed more and more responsibility for the personnel functions, often taking full autonomous responsibility for recruiting, training, promotion and remuneration of their staff. A decade of budget and financial management reforms shifted responsibility for detailed resource management to line agencies by aggregating the vote structure and then controlling departmental spending levels through broadly determined departmental expenditure limits (Schick, 1996; Kelly & Wanna, 2001; Rubin & Kelly, 2005). In sum, the managerial reforms sought to devolve responsibility for managing human, financial and physical resources to ensure the efficient delivery of public program outputs, and create accountability structures that ensured the desired goals were achieved (Bogdanor & Hood, 2004; Kelman, 2006; Olsen, 2007).

Perceptions of the appropriate policy role for central agencies also changed under this regime. Reforms were variously guided by management theories and neo-institutional economics which both emphasised the division between policy development and service delivery. Management by Objectives (MBO), for example, argued that the best policy results would be achieved when senior leadership articulated clear goals for managers and then allowed them to allocate resources required to achieve them. This was adapted to develop a variety of Performance, Planning and Budgeting Systems (PPBS). Principal-Agent theory offered a rationalised economic approach to the operations of the state and emphasised quasi-contractual relationship the minister as policy principal and department as delivery agent. Hence we see a ‘purchaser-provider’ split between minister and bureaucrat, and between line and central agencies. This model led the Department of Finance to see its role as ‘strategic purchaser of public services’ (Wanna & Bartos, 2004). Within this context, the policy tasks of the centre of government were limited to translating political choices into a broad policy-framework in which desired performance was both articulated and measurable to the extent they could be purchased.

While the power of most central agencies declined under the New Public Management reforms, that of the budget office expanded significantly. The budgetary function grew from ‘government accountant’ to include issues ranging from the management of budgetary aggregates (including fiscal policy and medium term expenditure frameworks), to resource allocation (including policy development, performance management and program review), and ensuring the efficiency of operational and program management within departments. Such is the perceived importance of the budgetary system under this model that the *Modernising Government* report by the OECD positioned it as the core mechanism for operational management and accountability within government.

Collectively these reforms led to what some have called a hollow state – one where authority is diluted to the extent that “political leadership is shackled by a vast array of constraints, from globalisation to internal fragmentation and rationalisation, making a heroic model of decisive political leadership hard to sustain” (Weller et al, 1997). Experience showed fragmented and siloed governments lacked the capacity to answer complex and multi-levelled public policy challenges where the actions of numerous departments contribute to even relatively simple policy goals. When questions of climate change or the desolation in regional communities arise in the agenda, governments must coordinate efforts across all service providers regardless of department, level of government or sector. Secondly, in blurring of boundaries between public, private and not for profit organisations, the service delivery reforms complicated the accountability mechanisms established under NPM as the primary tool of oversight and control (Considine). In seeking to overcome this difficulty central agencies expanded and enhanced the systems of performance management – Treasury claimed financial and non-financial performance information; the Premier/Prime Minister demanded community polling, client satisfaction, and program ‘results’, as well as information on the ‘performance’ of organisations and individuals. This created a perfect storm of information overload – often with little result.

A Hollow Crown?

‘Hollowing out’ refers... to the way the state has been eaten away and fragmented by the consolidation of market-style policies initiated in the 1980s: privatisation, the contracting out of services and the setting up of quangos and quasi-markets. In a study of the core executive, Smith (1999) underlines how internal and external forces are responsible for the movement towards a hollowed-out, fragmented polity. The internal hollowing out of the core executive is mainly the result of market orientated public sector reforms. The acceleration of globalisation in recent years has resulted in the external hollowing out of the nation state, with the internationalisation of finance and production placing especial pressures upon the ability of central government to manoeuvre freely. It is noted that central government is not hollowed out *tout court* or that government is operating in the hollowed-out epoch (Rhodes, 1997, p. 100). Rhodes acknowledges that government does retain extensive control over the financial levers of policy. However, such control mechanisms oversee an increasingly shrinking policy intervention base.

From Marinetto (2003: 592)

Table 1 below captures the second stage of the transition as agencies sought to overcome some of the rigidities that the first stage of NPM had thrown up¹.

¹ From Development Goals for the New Zealand State Services – Draft Milestones for 2015.
http://www.ssc.govt.nz/display/document.asp?docid=6331&pageno=1#P5_0

Table 1. The second stage

FROM	TO
Output-focused	Results-driven
Command and control	Influencing and partnering
Government-driven	User-driven
Vertical management	Governing through networks
Emphasising expertise	Integrating expertise
Sharp boundaries	Permeable boundaries
Arms-length relationships	Partner and co-producer relationships
Rules and regulation	Alignment on results

In summary, three unanticipated consequences of managerial reforms have promoted a re-examination of the role performed by central agencies *vis a vis* other parts of executive government.

1. **'First generation' public sector reforms focused on improving management and service delivery capacity *within* line agencies have blurred responsibilities between central and line agencies.** On one hand, all things managerial were elevated in importance, and devolved to line managers; questions of output and efficiency became the key articulated criteria for evaluating the performance of departmental heads, and with responsibility firmly (and often legally) located in the departmental domain. As a result any attempts to centralise administrative policy and oversight are viewed dimly and often actively resisted.
2. **In contrast, responsibility for "policy" was split between those setting the overall goals and direction (theoretically individual ministers), and those delivering government programs (the line agencies).** This shift caused difficulties at two related levels: first, line departments placed less emphasis on the broad questions of policy development and analysis and sought to reallocate their budgets away from policy research and advisory functions in favour of 'releasing resources to the front line'. In response central agencies sought to build analytic capacity, and so the capacity for policy analysis gradually became concentrated in the centre of government – often the economics ministry.
3. Second, in a bid to counter this trend, ministers looked externally for policy advice (especially think tanks, universities and consulting firms) and increasingly they built their own offices to provide policy as well as political advice. As a result many saw the notion of civil servants providing 'frank and fearless' policy advice to the captured minister as a quaint historical relic. However, it seems that the longer term policy challenges facing government require a more coordinated, whole of government response. Similarly, the complex nature of public policy problems typically mean they cannot be 'resolved' by a single group of policy experts whether in the minister's office, central or line agencies.

4. **Thirdly, NPM typically limits the role of politicians:** Ministers are primarily seen as managers; cabinet the 'board of directors' setting high level goals and objectives; parliament as an authorising body whose primary role is to support the system of performance management through the various institutions of accountability. The political objectives and rationale of elected representatives are to be tamed by this model through the imposition of a more rational and 'evidence-based' system of decision making. Yet increasingly politicians rejected these constraints as their own frustrations were compounded by the public disenchantment with the political process, which seemed to coincide with the escalation of scrutiny and accountability through the 24 hours media.² In response, ministers began to take a more directive role in program development and implementation (see the rise of discretionary grants for example), parliament refused to constrain its agenda in accord with the performance information offered by the executives, and the senior members of cabinet sought to impose their own priorities through a variety of mechanisms including priorities statements and State Plans.

Motivated by the desire for stronger political control, the reforms intended to resolve these difficulties have produced a trend toward executive-centred leadership where the centre is increasingly active and interventionist. Yet the command and control mechanisms traditionally used by the centre to impose its will are no longer suited to the bureaucracies which implemented NPM reforms. These following issues are particularly thorny in this regard:

- A more complex and distributed agency environment, with statutory authorities, executive agencies, regulatory bodies, local government, and partnership structures has created a wide range of governance institutions, many of which are resistant to 'interference' by either ministers or senior officials.
- A growing focus on political communication and media relations as the front line of political contest and ministerial performance has resulted in efforts for the centre to integrate policy formulation, media management, and the overall business of government. Hence we see a preoccupation with highly centralised management, coordination and integration of political communications, and policy.
- An information explosion has created pressures for greater transparency, exposure and interaction, much greater and more direct comparison between different systems and jurisdictions, and a growing concern for evidence and data in policy, management and evaluation of government work.
- In trying to develop more coherent and integrated services for citizens, governments are creating holistic services and solutions, variously including one-stop shops, single window engagement,

² By way of current example: this report is being written in London as the 'MPs expenses scandal' runs into its third week with no sight of abating. In response, the media is full of debate over constitutional reforms that re-empower 'the people' including new voting system, fixed term governments, strengthening the parliamentary committee system and directly elected president.

citizen-centred service delivery, joined-up government, and 'personalised services'. These solutions create complex, large scale networks with thousands of players that cannot be managed, changed or even resourced through a centralised system of government.

- In establishing new forms of outcome-based management systems governments are seeking to tighten central control over key priorities by linking budgeting processes to long term policy objectives, refocusing efforts on the production of performance and evaluation data, and by creating structures to prioritise implementation and performance management. Yet these can only be delivered through increased external collaboration through complex networks, evolving coalitions and (in Australia) redesigned inter-governmental relationships.

All of these trends have exacerbated a challenge to the separation of functions and roles between centre and line through 'principal-agent' relationships. While central agencies have sought to act as principals promoting efficient and focused service delivery by operational units, increasingly their capacity to identify and execute effective strategy depends on information and knowledge which is distributed across operational systems and among expert practitioners, and therefore more available to line agencies. This 'epistemological critique' of the NPM reforms and of the principal-agent concept undermines the capacity of the centre to be able to drive reform without finding new ways to harvest information and knowledge from across the systems it is seeking to reform.[ref Charles Sabel, 2003]

The debate on shaping a strategic centre within government is taking place within this complex environment of merging centralising and horizontalising forces. In practice it means that reforms aim partly at strengthening the coordinating capacity of the centre to achieve politically prioritised goals and partly at correcting the pitfalls of the previous generations of reform by improving the capacity of the centre to gather intelligence and coordinate across widely distributed fields.

To this end, central agencies now undertake a range of new roles and administrative responsibilities on top of the traditional role of providing policy advice and supporting the Cabinet and budget systems. Central agencies are moving to exert more deliberate, explicit influence over the long term trajectory of government by focusing on questions of policy coherence across government, strategic overview and developing systems to measure and ensure accountability for performance and implementation. Emergent tools include 'whole of government' plans or more interventionist approaches to ensure existing programs are delivered successfully and in accordance with government priorities. These changes denote a shift in both the ethos and the instruments of central agencies.

Decades of managerialism elevated the position of line agencies and identified them as the primary site for making decisions related to service delivery, resource allocation and other questions of departmental performance management. The emphasis on service delivery and implementation over policy

development during a period of cost-cutting saw many line agencies reduce their investment in policy research and analysis. In response, the centre began to invest in policy formulation and research capacities and gradually began to see this as their rightful domain.

Together these trends institutionalised the separation between policy and service delivery. Yet the practicalities of policy are much messier: policy development, implementation, redesign and adaptation are interconnected through an adaptive, interactive process that pays no heed to institutional boundaries.

So, the aim of this research is to understand what it means to be a “strategic centre” and how this can and is being shaped in Australia and New Zealand.

Overall, our primary concern is with ‘the centre’ as a whole rather than the individual parts as this provides the basis for a comparative study, for studying relationships between different agencies within the centre, and for developing recommendations that apply to the system as a whole. Yet our starting point is individual agencies as these form the basic units of analysis and allow us to understand components and dynamics within this network. The study proceeded through two parallel stages that aimed to diagnose and compare the key elements of central agencies in Australia and New Zealand today. Specifically, the research included:

- an institutional analysis which focused on the basic organisational arrangements at the centre of government including an examination of how the centre evolved historically, and an empirical analysis and comparison of the structure, size and composition of the centre today.
- a survey of key participants to understand how they perceived the ‘strategic challenge’. The summary included officials from line and central agencies, focus-groups, and interviews.

The following chapters present and discuss this research in two sections – the first looks at the evolution of institutional arrangements; the second looks below the surface to diagnose how central agencies in Australia and New Zealand are responding to the challenges surveyed above. The data collected through organisational analysis, documentary evidence, focus groups and in-depth interviews were subjected to analysis which identified the key issues, variables and concepts that are shaping central agencies, and to understand how they aligned with the notion of a strategic centre. This analysis drew on a range of theoretical and disciplinary frameworks including public policy, network analysis, organisational and management theories to identify a basis for modelling, organising and developing – for shaping – a strategic centre.

3. Evolution of the centre: organisational adaptation and survival

Key points of this section:

The agencies that lie at the centre of governments in Australia and New Zealand today share a common history that is tightly linked to the evolution and ethos of public administration in Westminster governments. Over time, we see that central agencies have proved remarkably resilient institutions, retaining the key features of their organisational structure and functional responsibilities. Most central agencies have evolved in a largely incremental manner and by adapting to changes in the administrative and political norms they have ensured the survival of the key institutional arrangements and protected against most radical reforms or restructures. The most notable organisational changes have occurred in 'grandchildren' of the Public Service Boards and in the growth of the Office of the First Minister – and these largely align with moves away from a centralised staffing norm, and the increasing powers of the Prime Ministers.

The agencies that lie at the centre of government in New Zealand and Australia today can trace their evolution through the history of Westminster government. The following discusses how these organisations have evolved with changes in the underlying ethos of and approach to public administration and with changes in the role of cabinet ministers. In Australia and New Zealand most organisational reform has been incremental and occurred within the structures established in the early years of self-government. There are occasional – and often dramatic – exceptions to this evolutionary model where institutions once seen as inviolate bastions of public service power were undermined; examples from the Commonwealth of Australia include the split of the Treasury in 1976 and the abolition of the Public Service Board in 1987. Yet even here, history showed the adaptability of both organisations and the exaggeration of their apparent death: the PSB was gradually revived as the APSC; establishment of the Department of Finance merely allowed the Treasury to expand its influence by ridding itself of the 'bean-counting function' and focussing on the 'big' issues across all policy areas – a 'two-headed hydra' the result (Kelly & Wanna, 1996).

The following section shows a relatively stable organisational structure built around five key functional areas that form the foundational mandate of the central agencies in all governments studied – and across Westminster governments more broadly. Yet below this level adaptation has taken place in response to changes in the ethos and norms of public administration. Central agencies have repeatedly adapted their tools and systems, sometimes pro-actively, other times defensively. It should be noted that this research focuses on 'the centre' as a whole; it is interested in the specific institutional arrangements within each jurisdiction to the extent that they explain the centre as a whole, not as an end in itself.³ So, we are interested in

³ The 'centre' here is defined pragmatically and historically to include those agencies typically referred to as 'central agencies' in Australia and New Zealand. This reflects the definition used in the Haldrane Report of 1918 where 'the centre' was those departments responsible for "the functions of Central Coordination and Control [i.e., a Prime Minister's Department] which were split in the report between the Cabinet and the Treasury". This is broader than the definition used by the OECD which only focuses on the actors responsible for the First Minister and the Council of Ministers (OECD, 2003) but

understanding the activities, roles and responsibilities performed by central agencies (the parts), how these are divided between different agencies, the relative importance of each grouping, and the relationships between them. In comparing different experiences we sought to improve understanding of the directions and options for public administration at the centre of government (the whole). We do not intend to provide an in-depth description of each agency, nor recommend specific reforms for each agency. Instead, the report examines how and why central agency roles and objectives evolved and are changing, and examines how this impacts on the structure, operations and various relationships between central agencies.

Treasury: 1066 and all that...

Scholars of Westminster history largely agree that Treasury is the earliest central agency in Westminster Government. Initially a depository for the Monarch's 'treasure', the function developed with the evolution of Westminster government. Supported by his department, the Chancellor of the Exchequer played an important role as nexus between parliament and the crown, at first ensuring taxes were sufficient to cover the expenses of the crown, but slowly moving to place a restraint on the claims of the crown and ensuring that expenditures did not exceed those approved by the parliament. Hence, Treasury began to perform a dual role of developing expenditure plans and then ensuring these were adhered to throughout the course of the budget year.

Political leadership of the Treasury similarly evolved with changes in the balance of power between parliament and the executive, and then with the growing complexity of cabinet government. Initially the function fell to the Lord Treasurer as appointed by the Monarch but gradually shifted to a group of individuals commissioned by the Monarch and led by the First Lord of the Exchequer. The shared – or collective – responsibility over the Treasury mirrored the evolution of a cabinet system built on collective power. Given the political importance of this role, it is not surprising that the First Lord of the Treasury became *de facto* head of government, and gradually morphed into the position of Prime Minister (or perhaps vice versa), and that appointment powers shifted from the Monarch to the parliament.

This historical pattern shaped the development of central agencies in Australia and New Zealand. Initially it was not unusual for Prime Ministers to combine their position as cabinet chair with the more substantive role of Treasurer (Australia) or Minister of Finance (New Zealand). In New Zealand, Prime Ministers Snedden, Hall-Jones, Ward, Massey, Holland and Muldoon assumed this dual role for substantial periods during their term in office; in Australia, dual roles were held by Prime Ministers Chifley and Lyons for much of their prime ministership. At the state level, a recent example is Peter Beattie who assumed the combined roles of Premier and Treasurer between July 2005 and February 2006.

narrower the definition used by Hood and other UK theorists who include all legally constituted departments and ministries of government (Whitehall).

The Chancellor of the Exchequer

The office of Chancellor of the Exchequer dates from about the 13th century. In the mediaeval Exchequer there was both a Treasurer and a Chancellor (the King's Chancellor.) The Treasurer was responsible for superintending every department while the Chancellor acted as a check upon the accounts of the Treasurer.

Over the years, the Treasurer and the Chancellor delegated more of their duties to, respectively, the Under Treasurer of the Exchequer and the Chancellor's clerk. In the reign of Henry III, the Chancellor's Clerk became an officer of the court as the Chancellor of the Exchequer.

Under Elizabeth I, the office of Under Treasurer was joined to that of Chancellor of the Exchequer though it wasn't until the eighteenth century, when the Chancellor of the Exchequer became the second Lord Commissioner of the Treasury, and the Prime Minister became the first Lord of the Treasury, that the office assumed something like its modern form.

Source: HM Treasury

Today prime ministers rarely assume this dual responsibility and they must therefore rely on a variety of indirect mechanisms to control Treasury. These include chairing budget committees, setting the overall policy framework within which budget decisions are made and, as discussed below, by building an institutional counter-balance by establishing a Department of the Prime Minister. As a result, the relative power of the Prime Minister and the Minister of Finance/Treasurer is a continual and frequent point of tension in most governments – and this is often reflected in relationships between their departments.

Similarly, ministerial responsibility for the Treasury is typically shared by a collection of ministers led by the Treasurer (Australia) or Minister of Finance (New Zealand) and including a number of more junior ministerial positions. Under this system, the minister acts as a conduit – some may say an honest broker – between the legislature and executive by a) developing a budget which sets out the revenue and expenditure requirements of the executive, and b) tabling and explaining these in parliament. This is why the Treasurer, rather than the Prime Minister, tables the budget and appropriation bills in Parliament.

A quick scan of Treasury websites today highlights their long history and the expansion of their size and functional responsibilities. Most 'history' sections typically begin with a statement similar to that of the NZ treasury:

Established in 1840, the Treasury is one of New Zealand's oldest institutions. Initially the Treasury consisted of just a few officials responsible for managing the Government's day-to-day financial affairs. Today the Treasury employs just over 300 people is the Government's lead advisor on economic and financial policy, and has the overall vision of helping governments achieve higher living standards for all New Zealanders. (John Whitehead, Secretary to the NZ Treasury)

The Australian Treasury similarly states that:

The Commonwealth Treasury began operations in Melbourne in January 1901, the smallest of the seven Commonwealth departments established with Federation. The original five members of the department were

bookkeepers. Over time, the department was required to establish policy in areas such as public service pay and conditions, bank notes, the taxation system including land and income tax, pensions and other welfare payments, postage stamps and the collection of statistics. Today, the department focuses primarily on economic policy.

From a relatively narrow focus on accounting – or bean-counting – the Treasury department expanded to include responsibility for shaping and directing the fiscal, economic and monetary policies of government, for negotiating intergovernmental fiscal agreements (in Australia), and for providing a range of policy options and advice to the government of the day. As these policy functions expanded, responsibility was devolved to specialists in newly established divisions separate from the more generalist role of departmental budget (or vote) analyst.

Gradually, ‘the budget office’ role became distinct from that of economic adviser – most dramatically the institutional separation when Malcolm Fraser split the Australia Treasury in 1976 (Wanna, Kelly & Forster, 1997). Today, the economic and budgetary roles continue to overlap at the point where government decides how much to spend (known as aggregate expenditure levels), but there is clear evidence that these have become distinct functional areas. Even though most continue to operate within a single organisational structure, these groups have different cultures, client groups, timetables, workflows and professional ethos, and hence they operate as distinct organisational groupings at the centre of government.

From Colonial Secretary to Premier and Prime Minister

Under early colonial rule in Australia and New Zealand, the position of Prime Minister was essentially an administrative one in which laws of the imperial parliament were enacted, and the Treasury guarded. By the mid-1850s, a system of self-rule based on tenets of responsible government emerged, and executive powers were collectively vested in the Cabinet. Within this system we see evolution of a Cabinet Secretariat or Office to support the system of collective decision-making by managing timetables, paperwork and communications, to shaping the agenda of cabinet meetings and eventually keeping note of cabinet decisions.

Typically the Cabinet Office worked directly with the Prime Minister or Premier as the Chair of Cabinet but it was seen to be a function separate from the day to day support provided to the Prime Minister, typically through a private office. Expansion of the cabinet machinery to include a plethora of *ad hoc* and standing cabinet committees reinforced the need for detailed agenda development, process management and record-keeping. This expansion also began to include the provision of advice on questions of policy to the Cabinet collectively, and the Prime Minister individually. The power of this office lay in the ability to shape the rules of engagement, to keep issues on or off the cabinet agenda, and to generally shape the sequence and levels of involvement in Cabinet decision making.

Within this framework we also see the emergence of a central agency to specifically support the Prime Minister or Premier outside the broader interests of cabinet. For example, a small yet separate office was created for the Premier of Victoria in 1883 and it retained its position with federation in 1901, eventually becoming a separate department around 1936:

At Federation, the Department has a staff of six. Over the next two decades it operates under several different names, remaining a small, all male office where seniority reflects years of service and the vital skill is an ability to take shorthand.

As the quote suggests, the original Premiers departments typically performed administrative functions and they were often housed in the larger

Department over which the Premier had ministerial responsibilities; more often than not, this was the Treasury. Nonetheless precedent was set and the separate departments began to emerge in the mid-1950s.

Yet even today, the existence of a separate Department of the Prime Minister or Premier and its relationship with the Cabinet Office remains a relatively contentious issue in Westminster government. This debate revolves around the tensions of individual and collective ministerial responsibility, and the related question of whether the prime minister should receive policy advice indirectly via briefings to cabinet by individual ministers or directly through a separate department. As a result debate continues over the legitimacy of a 'Department of the Prime Minister' outside the Cabinet Office or a personal and private political office (see Weller and Rose as the key proponents of this debate), and the UK Prime Minister's Strategy Unit continues to reside within the Cabinet Office.

History of the Cabinet Office

The modern history of the Cabinet began in the 16th Century with the Privy Council, a small group of advisers to the Monarch. Sir Robert Walpole, the first Prime Minister, held occasional meetings of the King's Ministers – Cabinet – but not in its modern form.

The 1832 Reform Act emphasised the need for government to have the confidence of Parliament as well as the Monarch and for it to act coherently. William Pitt (1783-1801) established the right of the PM to ask ministers to resign. So the conventions of collective Cabinet responsibility and Prime Ministerial control developed. This enabled Ministers to stand together against Parliament under clear leadership.

Up to 1916, a letter written by the PM to the Monarch was the only record kept of cabinet decisions. In 1916 the 'War' Cabinet Secretariat and the post of Cabinet Secretary was created. The basic system has survived since then.

In Australia and New Zealand this tension was resolved by merging the two departments to create unified departments of Prime Minister (or Premier) and Cabinet, although the relationship between executive support and policy functions remains unresolved. In New Zealand the Department of Prime Minister and Cabinet was established in 1991, arguably to counterbalance the escalating power of the Minister of Finance and the Treasury. In Victoria and Western Australia for example, the two departments remained separate until 1982 and 1983 respectively when a unified Department of Premier and Cabinet was created; in NSW the merged department was separated in 1988 (arguably to reduce the concentration of power held by a single public servant), but it was re-merged in 2007 in a bid to rehouse policy advice under the Premier.

Arguably the Cabinet Office function has suffered from these mergers, and these divisions are often portrayed as operating as managers of politics, process or paper. The concurrent rise of ministerial advisers in developing and coordinating policy advice across government departments can also undermine the centrality of the Cabinet Office in shaping the actual (if not the formal) decision making structures of cabinet. Standing in apparent contrast to this trend is a recent change in South Australia which merged the policy advice and cabinet support functions within a strengthened Cabinet Office, albeit still in the Department of Premier and Cabinet.

Rebuilding the Cabinet Office as a Policy Centre: Reform in South Australia

Midway through 2007, the Cabinet office underwent a major overhaul. On the recommendations of the Government Reform Commission, headed by former Premier Wayne Goss, the Government agreed to expand the office and equip it with the right mix of skills to take a more assertive role in public policy development and coordination in South Australia. The former Office of the Executive Committee of Cabinet was merged with Cabinet Office, and the staffing complement expanded through secondments from each of the other government agencies.

After a round of competitive selection processes, a diverse and talented team, including a new group of managers, was installed to implement this new version of a modern, proactive Cabinet Office. The Office moved quickly to develop more efficient working practices, including a new web-based Cabinet commenting system (soon to be rolled out), improved processes to monitor implementation of Cabinet decisions, and better inter-agency coordination. We have benefited from a better integration of SA Strategic Plan work – with its medium to long term focus – with the weekly business of Cabinet decision making. And we have been better able to respond to the ambitious agenda for COAG.

Luckily we have had strong support throughout this reform process from the Premier down. We have also benefited from the insights offered to us by people like Wayne Goss, Dr Michael Keating, and Geoff Mulgan. Most importantly, we have been able to make a positive difference through the contributions of our great team, including all our valued secondees from other government agencies.

Source: Department of Premier & Cabinet, South Australia

Neutral and Professional Public Service: Managing public sector employment

Public Service Boards are an early and common feature of the public services in Australia and New Zealand. They share a common goal of ensuring political neutrality by establishing the terms and conditions of public service employment and promotion. The State Services Commission in New Zealand, for example, was established in 1912 “to employ all public servants, so protecting the Public Service from political influence and enabling the preservation of the political neutrality of the public sector”. Similarly, an independent Public Service Board was established in NSW in 1895 to overcome perceptions of political patronage and a ‘lame duck’ public service (Text box 3). Indeed, today’s debates over the provision of “frank and fearless” advice are mirrored in the following quote from New South Wales debates in the early 1900s:

“... though we have a loyal and faithful service, we must have a fearless service. I mean a service which will not be spineless, or a cringing, craving service, which is always indicative of that which is wrong, because ultimately they would find that a service which dare not express its views in a reasonable and proper manner, and dare not ask for what was legitimately its rights, was bound, more or less, to be a menace to the State.”
(Beauer, 1900, calling for a public service association).

Driven by the quest for non-partisanship and neutrality within the public service, most public service boards were established as independent boards with full control over employment and promotion within the public sector. Reflecting the core tenets of bureaucracy (as later articulated by Max Weber in 1918), the early PSB/SSCs performed this role by assuming responsibility for all areas of public service employment. They sought to establish a clear legal framework within which the bureaucracy operated, including job categories or classifications, merit based recruitment and promotion, and a system of remuneration based around positions rather than individuals. Initially, the role was performed by assuming direct responsibility over “recruitment, promotion, classification, discipline, dismissal, pay and employment conditions” (Nethercote).

In some jurisdictions, direct delivery was replaced by more ‘supervisory’ tools where managers operated within the confines of centrally determined procedures and routines. By 1922, for example, the State Services Commission in New Zealand adopted a more ‘hands-off’ approach in some areas by establishing procedural rules and then conducting regular reviews and investigations into the administrative activities of government departments. Nonetheless, some direct responsibilities were retained: in particular, the highly protected right to appoint heads of departments separately from the political leadership – a role which the SSC continues to hold and treasure. In most Australian jurisdictions, the Public Service Boards continued to take active and direct control over most aspects of public service employment. In the Commonwealth of Australia, New South Wales, Victoria, Western Australia and Queensland, the public service boards created highly centralised modes of government until at least the mid-1970s. They operated by directly appointing staff, designing jobs, conducting training sessions, reviewing operations, and

negotiating terms and conditions of employment through the industrial relations systems. They advised the prime minister on issues of organisational structure and changes in the machinery of government.

Creation and abolition of the Public Service Board in New South Wales (1884-1977)

...[Colonial] Ministers retained the time-honoured practice of political patronage by making appointments to lucrative public offices that sometimes were merely sinecures. Other politicians managed to find places for their wastrel nephews, or constituents to whom they owed favours. People without political or family connections naturally resented these practices, but it was 1884 before there was a serious attempt at reform. The resulting Civil Service Board was a lame duck because individual ministers retained the right to recruit, promote and dismiss employees.

Following a Royal Commission, an independent Public Service Board was appointed in 1895 to improve the efficiency and economy of the public service. The Board's first task was to review the operation and staffing of all departments and to classify their employees into appropriate salary grades based on duties, rather than the individual person. In future, recruitment and advancement would be based on competitive written examination, to ensure that merit was recognised and talent rewarded. The days of patronage were pronounced dead.

... another Royal Commission was appointed in 1917, conducted by (Sir) George Mason Allard, a Sydney accountant with no experience in managing a large organisation. In 1918 the government adopted his recommendations, replacing the existing Public Service Board with a new Board of three members. The chairman was given the power to override decisions of his two colleagues, making him effectively a dictator. The Public Service Board controlled its empire through regular inspections of the departments and through written decrees. Every senior officer had a set of regulations covering everything from the timing of lunchbreaks to borrowing money from other staff. There was widespread resentment at the proliferation of inflexible rules, which had grown to a bound volume of 367 pages by 1938.

...Although there were periodic calls for the Public Service Board to be disbanded, perhaps to be replaced by a single Commissioner, it continued its rather negative course, remaining all but invisible to everyone but its discontented employees. Centralised control by the Public Service Board soon became an anachronism. Following another review in 1977, departments became directly accountable to the relevant minister for the management of their own organisations. Finally, in 1988 the Public Service Board was abolished, seven years before its centenary. In its place an Office of Public Management was created under the Premier's direction, thus restoring the government's ascendancy over its public servants.

Source: *Your Obedient Most Servants*, Tyler 2006

The power of this “most powerful and active central agency” began to wane with the shift in focus from public service neutrality to questions of efficiency and effectiveness, and the resultant ethos of ‘letting managers manage’. Despite efforts to adopt a more hands-off approach the PSB was seen as a chief barrier to improving efficiency and reforms within the public sector. In Australia, the PSBs were abolished by the Australian government (1987), NSW (1988) and Victoria. In New Zealand the State Services Commission continued to exist after the introduction of the *Public Service Act 1988*, but with a significantly reduced mandate and role – although retaining the responsibility for CEO appointments. In most jurisdictions responsibility was diffused throughout the system: operational managers assumed responsibility for the operational details of job design, performance management and promotion, and for staff training and development. Control over staffing levels was initially moved to the budget office, and then delegated to managers within individual departments as

responsibility over the allocation of resources – financial and human – moved outward to agencies.

Nonetheless some functions remained at the centre of government, typically housed in an office for public employment or management within the Premier's Department. These offices continued to issue directives, undertake reviews and fund (in some instances deliver) training programs, and establish the terms and conditions under which public servants were employed and managed. Some operated in a manner similar to the old-style board; others adopted a much more hands-off approach. Importantly, the relative centralisation of the industrial relations system within each jurisdiction became a key differentiating factor between the approaches adopted in each government. But, in most jurisdictions the pendulum between the central and line agencies had clearly swung in favour of the latter.⁴

The mid-1990s saw the beginning of a resurgence of the central agencies performing this human resource management function in most jurisdictions across Australia. Expectations of an apolitical, merit-based public service 'cadre' united by a common ethical basis strengthened, and as a result most governments re-established the role of independent Commissioner to 'oversee and protect' the ethics and standards of public sector employment. Commissioners were appointed in Western Australia (1994); the Australian (1995); and Queensland (1996), and throughout the next decade the role and structure of these organisations continued to evolve. They typically resided within the Premier's portfolio area but maintained a strong sense of independence underpinned by a clearly legislated mandate, and a management board governance structure.

Over the past decade most state jurisdictions in Australia have followed the federal government by recreating an independent Public or State Services Commission with a mandate to promote public sector management and reform rather than focus on more operational functions previously performed, e.g. Queensland (2008) and Western Australia (2009). The two territories and NSW remain notable exceptions, although recent reforms in NSW may suggest a similar trend may be emerging.

⁴ See Radcliffe (1991:12-17).

4. The centre in Australia and New Zealand today: institutional arrangements

This common history is clearly reflected in the institutional arrangements at the centre of government in Australia and New Zealand today. Table 2 describes the organisational structures found within these jurisdictions and shows a relatively consistent story. All jurisdictions have a unified Department of Prime Minister/Premier and Cabinet – although New South Wales experimented with two separate departments from 1988 to 2007. Similarly the Department of Treasury and Finance is unified in all jurisdictions except the Commonwealth of Australia. Here the budget and economic policy functions were split between the Treasury and Department of Finance in 1979.

Table 2: Central Agencies in New Zealand and Australia (at April 2009)

Jurisdictions	Central Agencies		
New Zealand	Department of the Prime Minister & Cabinet	State Services Commission	The Treasury
Commonwealth of Australia	Department of the Prime Minister and Cabinet	Australian Public Service Commission	Department of Finance & Deregulation The Treasury
New South Wales	Department of Premier & Cabinet ⁵		The Treasury
Victoria	Department of Premier and Cabinet	State Services Authority	Department of Treasury & Finance
Western Australia	Department of the Premier & Cabinet	Public Sector Commission	Department of Treasury and Finance
Queensland	Department of the Premier and Cabinet	Public Service Commission ⁶	Queensland Treasury
South Australia	Department of the Premier and Cabinet ²¹		Department of Treasury and Finance
Tasmania	Department of Premier & Cabinet	Office of the State Service Commissioner	Department of Treasury and Finance
Northern Territory	Department of the Chief Minister	Office of the Commissioner for Public Sector Employment	Northern Territory Treasury
Australian Capital Territory	Chief Minister's Department		Department of Treasury

The largest structural variations are found around the office responsible for public service employment and management. Here responsibility is divided across the public sector and between line and central agencies. All state governments maintain a group within the Department of Premier and Cabinet

⁵ Includes the Public Sector Workforce Office since 1988; until recently this was a stand-alone division but was housed in a division of "Public Sector Management Reform and Corporate Governance" during a recent restructure within the department.

⁶ On 1 July 2008 the Queensland Public Service Commission was established while the "Office of the Public Service Commissioner" and the "Service Delivery and Performance Commission" were abolished.

that holds responsibility for establishing the broader regulatory structure within which public servants can be employed; responsibility for the industrial relations framework is either completely delegated, or lies here or in a sector in the Department of Industrial Relations. Variation occurs across the broader spheres of cross-departmental human resource management, and in relation to questions of public sector workforce planning and training, public sector reform and performance management. The common focus is on people and questions of personnel management, although even here there are debates emerging around the questions of expanding 'performance management' from individuals to organisations as a whole.

The New Zealand and Australian governments, for example, are working to expand the mandate of these organisations to include evaluating managerial competencies and organisational performance across the public sector. In Australia and New Zealand, the evaluative framework was coupled within the broader framework of performance payments for senior executives. This role has continued to evolve throughout the period of this research and it continues to be one of the most volatile areas of central agency activity. For example, a Public Service Commissioner was created in WA in September 2008, South Australia established a Public Sector Performance Commission in early 2009, and New South Wales appointed a separate Minister for Public Sector Reform and then rearranged divisions within the Department of Premier & Cabinet to create a division of 'Public Sector Management Reform and Corporate Governance' in March 2009. In September 2009 the Australian Prime Minister announced a review of the Australian Public Service with the aim of making it 'world's best' and equipping it for the future through innovation and renewal.

4.1 Looking within: Size, symmetry, and priorities at the centre

Beyond these similarities in organisational structure, our data show considerable differences in the relative size, balance and composition of the centre. The following discussion is based on the figures set out in Table 3 below which compares the size of 'the centre' and ranks jurisdictions from largest to smallest. Size is measured for all jurisdictions simply by adding the number of FTE employees in each central agency at June 2008.⁷ The UK is included for comparative purposes.

⁷ This measured on the FTE at June 2008 in all central agencies; other measures such as budget appropriations and operating expenses were considered but variations across departments and jurisdictions meant they were a less useful basis for comparison. Structural changes since that date are not included in these figures as FTE were not publicly available.

Table 3: FTE in central agencies (Australia and New Zealand at June 2008)

Jurisdictions	Central Agencies ¹			Total FTE in central agencies
	DPC/DPMC	PSC /SSC	Treasury & Finance	
Australia	419	194	2,104 ²	2,717
Queensland	454	108 ³	1,711	2,256
South Australia	1,295		876	2,171
WA	824		1,173	1,997
ACT	165		1,010 ⁸	1,175
Victoria	280	44	517	841
NSW	536		261	797
Tasmania	361	5	316	682
New Zealand	106	233	338	677
NT	171	37	197	405
United Kingdom	1,322		1,136	2,458

¹ Generic terms have been used to describe the central agencies to facilitate comparison

² Including 1,294 (DoFR) and 810 (Treasury)

³ This figure includes FTE in the Office of the Public Service Commissioner (91) and the Service Delivery and Performance Commissioner (17), both of which were abolished in July 2008

Note on sources: FTE figures as reported in the 2007-07 annual report of each department; wherever possible these figures were confirmed by reference to a secondary source (for example State of the Service Reports); organisational changes since that time are not reflected, hence current figures may differ in some jurisdictions; FTE for the HR/PSM units are included in DPC figures unless specified otherwise. Non-departmental activities have been excluded wherever possible.

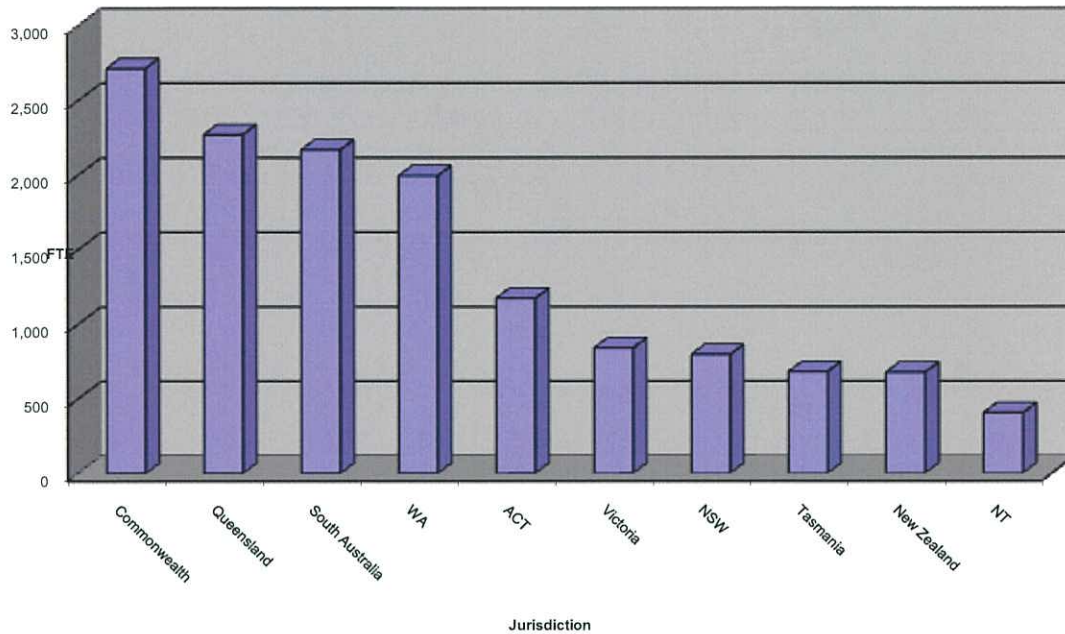
Size of government does not predict size of the centre: some of the smallest governments have the largest centres.

The size of ‘the centre’ varies significantly between jurisdictions in New Zealand and Australia, and does not correlate with the size of government.

Figure 1 shows the size of the centre in each jurisdiction by totalling the FTE count of all central agencies. It is not surprising, perhaps, that the Commonwealth of Australia has the largest centre (2,717 FTE), and the Northern Territory has the smallest (405 FTE). Within these broad parameters there are two broad clusters: the centre is around 2000 FTE in Queensland, South Australia and Western Australia; whereas Victoria, NSW, Tasmania and New Zealand have much smaller centres with FTEs in the range of 670-840. This finding is unexpected because it shows some of the smallest governments with the largest centres, and vice versa. If the size of the centre was a product of workload we would expect size of centre and government to align.

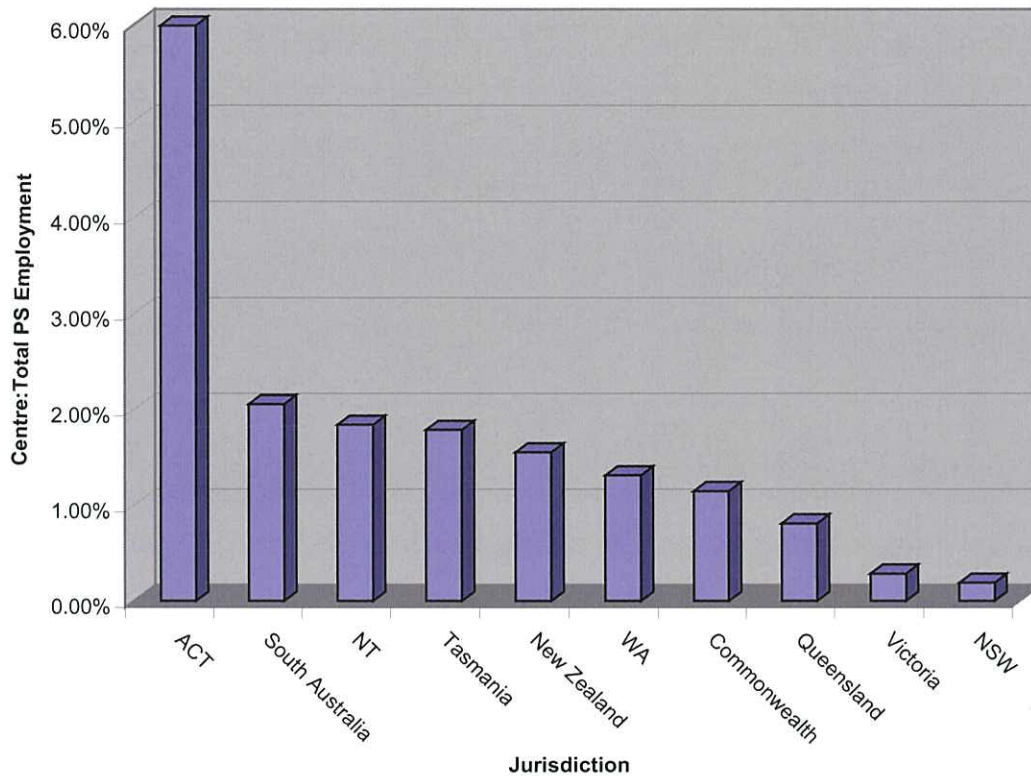
⁸ The ACT Treasury was reduced to 190 after the election in November 2008 by removing Shared Services. The following analysis keeps the FTE at June 2008 and is indicative of the type of variations occurring in central agencies at present.

Figure 1: Size of 'the centre' (all jurisdictions at June 2008)



When measured on a proportionate basis this story is reinforced and future exaggerated. Figure 2 shows the size of the centre in each government measured as a proportion of total public sector employment. On this basis, the ACT is clearly the largest 'centre' at almost six per cent of total public sector employment in that jurisdiction. The next three smallest governments – South Australia, Northern Territory and Tasmania – have slightly smaller centres that range from 2.0 to 1.8 per cent of total public sector employment respectively. Even so, these are large when compared with other jurisdictions. The two largest State governments – New South Wales (0.19 per cent) and Victoria (0.28 per cent) – have very small centres, whereas New Zealand and the Commonwealth of Australia lie in between with 1.55 and 1.15 per cent respectively. These figures show that smallest four governments have the largest centres.

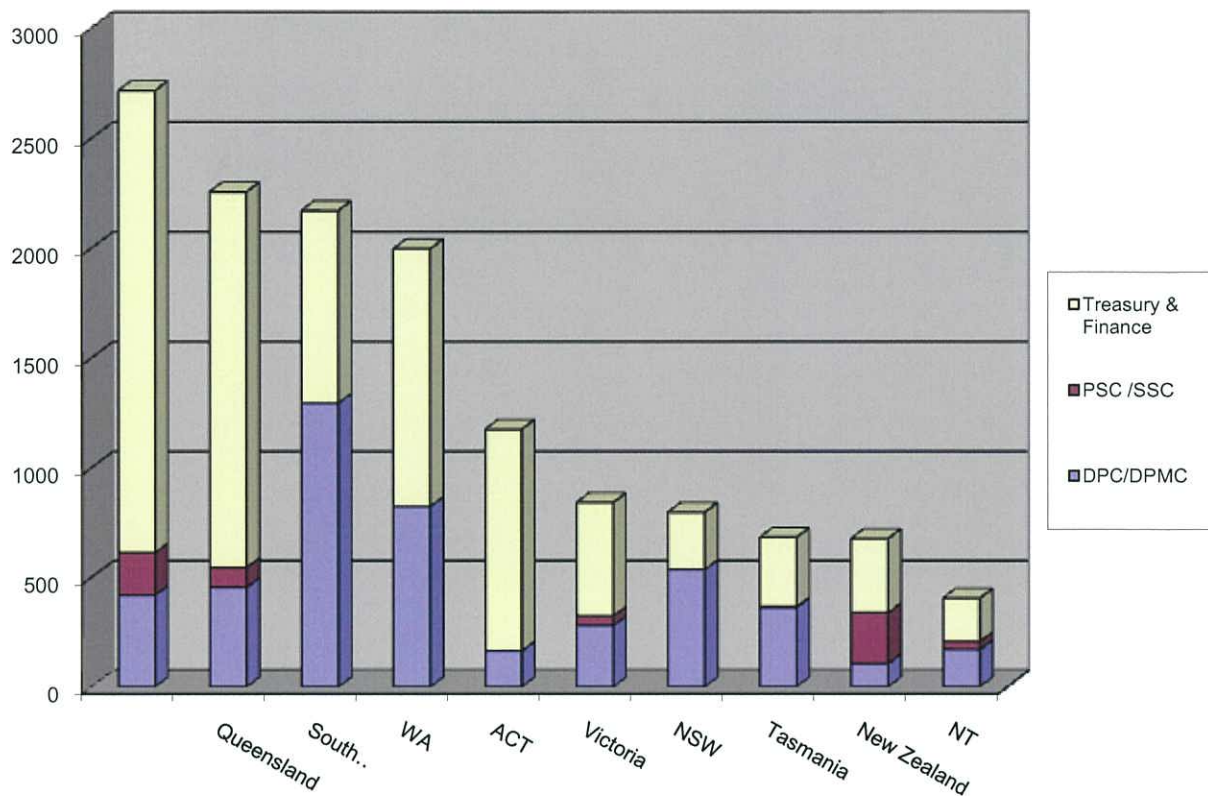
Figure 2: Size of Centre (as ratio of Public Sector Employment)



The composition of the centre varies significantly across jurisdictions, suggesting possible differences in the capacity and the importance of central agency functions

The structural analysis in previous sections suggested a 'typical' centre in New Zealand and Australia consists of three central agencies in relative balance. To characterise this position somewhat, the implication is of a centre equally focused on questions of policy, finance, and people. This is mirrored in many discussions on the role of centre, which promote a need to integrate the centre and ensure an equal voice for these concerns. Yet the analysis in Figure 3 below presents a different picture in which the composition and relative balance within the centre varies enormously across governments.

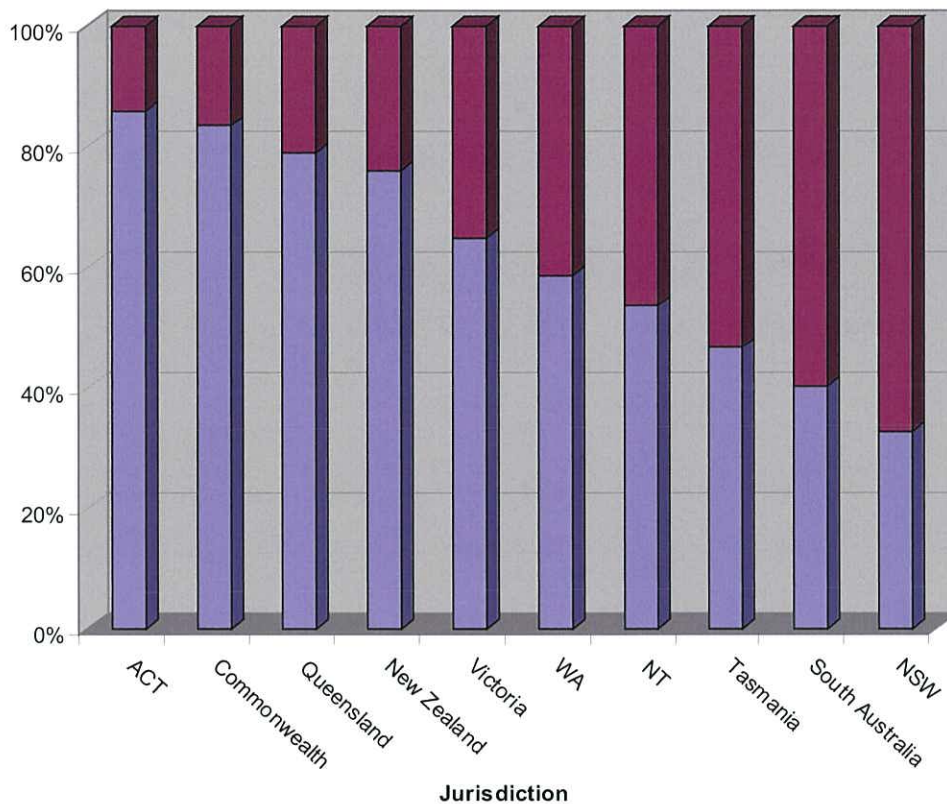
Figure 3: Composition of "the centre": all jurisdictions Australia and New Zealand (FTE at June 2008)



In seven of the ten jurisdictions surveyed, the combined Treasury and Finance is the largest central agency. In contrast, the Department of Premier and Cabinet is the largest central agency in South Australia, New South Wales and Tasmania. Nowhere is the SSA the largest central agency – although this has not always been the case and historically the Public Service Board was much larger than the Department of Premier or Prime Minister in many jurisdictions.

There is no discernable pattern in the relative balance between Treasury and DPMC/DPC across jurisdictions, although the two departments are rarely equal (Figure 4). Only the Northern Territory (197:171) and Tasmania (316:361) come close to balance, with the split favouring Treasury in the former and DPC in the latter. In contrast most other jurisdictions are biased toward one agency or the other: in the ACT, Australia and Queensland, the Treasury is around four times bigger than DPC. In New Zealand and Victoria, the Treasury is three times larger – although these figures are somewhat skewed by the exclusion of the SSC/A. Conversely, DPC is twice the size of Treasury in New South Wales and South Australia. In the latter two examples, there is an enormous difference in the absolute size of the two departments: at June 2008 Treasury has 261 FTE in NSW and 896 in South Australia; DPC has 536 FTE in NSW and 1295 in South Australia.

Figure 4: Relative balance between size of Treasury and DPMC/DPC

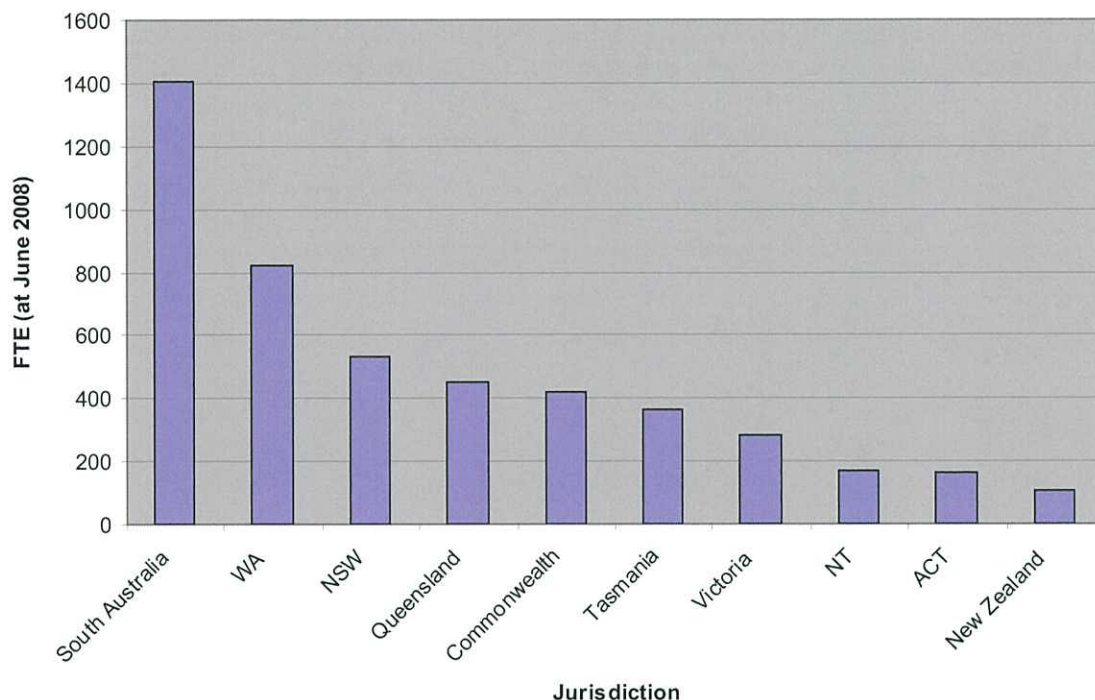


New Zealand is the only jurisdiction where the size of the State Services Commission is relatively balanced with the other central agencies, and indeed it is larger than the DPMC. Specifically the ratio of FTE in between Treasury, the SSC and DPMC is roughly 3:2:1 (338:233:106). In all Australian jurisdictions, the PSC/SSA is by far the smallest central agencies, although the size relative to other central agencies varies. In the Commonwealth of Australia the APSC is approximately half the size of the DPMC, however, the combined Treasury and Finance overshadows both agencies (21:4:2). At the state level, the former Public Sector Offices of Queensland were relatively large with a combined size of 108 FTE, however the recent restructure saw this function split between Treasury (review function) and a newly established PSC with ten part-time commissioners and yet to be determined staff. Victoria and the Northern Territory are the only other State jurisdiction in Australia with an independent SSA but with a staff of 44 and 37 respectively they are overshadowed by the other central agencies (Victoria has a ratio of 517:44:280 (50:4:28)).

The size of central agencies that perform the same function also varies between jurisdictions.

South Australia has by far and away the largest Department of Premier and Cabinet with 1,295 FTE, while New Zealand has the smallest (106). The next three largest departments are in Western Australia (824), NSW (536) and Australia (419). In contrast DPC is much smaller in Victoria (280), and the two territory governments.

Figure 5: Size of Department of Premier/Prime Minister and Cabinet

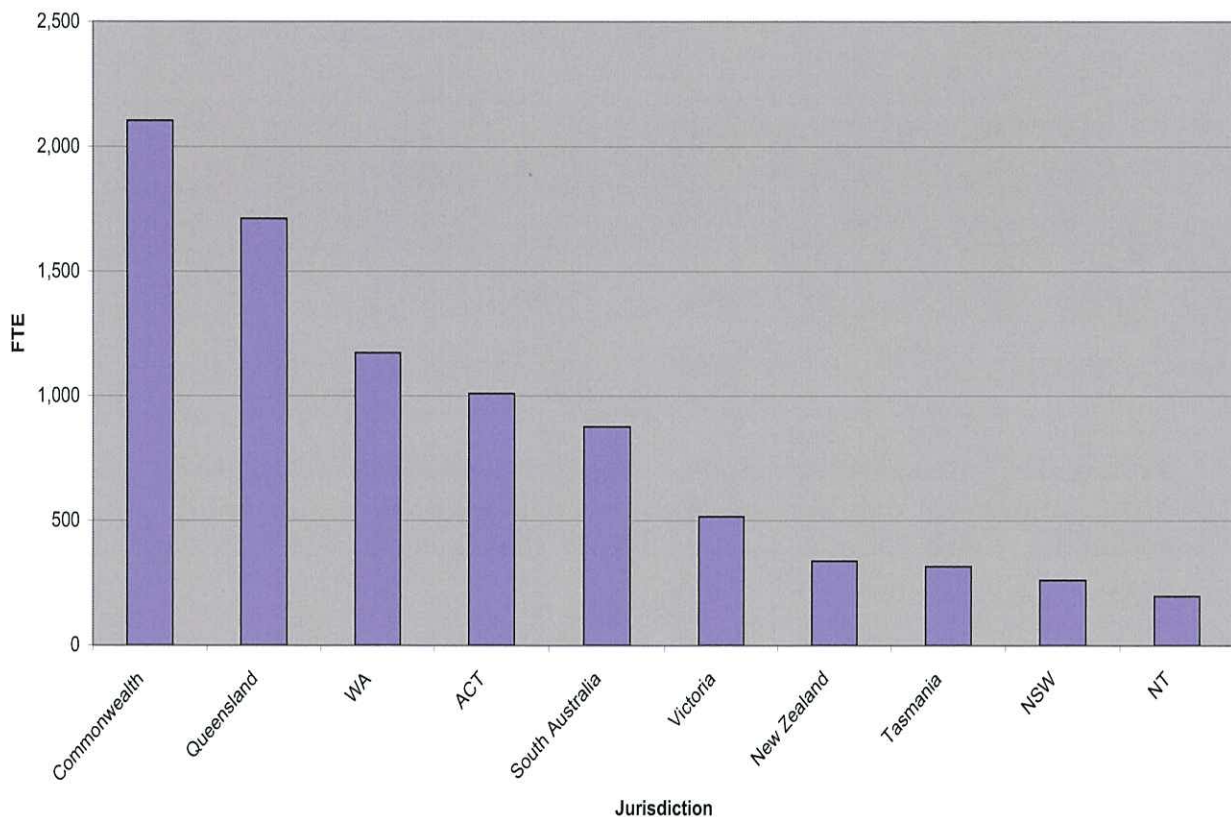


Explanations of these differences are likely to be a product of history, prime ministerial style and the allocation of functional responsibility across the centre. For example, the DPMC in New Zealand is relatively new and noticeably smaller than counterparts in Australia – a fact that can be partially explained by the existence of the much larger State Service Commission and the history of administrative decentralisation and ministerial autonomy in New Zealand. Indeed the allocation of FTE across this department show 44 provide corporate support; 25 work in the External Assessment Bureau; five in security; with the remaining 33 FTE split between the Cabinet Office (19) and the Policy Advisory Group (14). Commenting on this relatively small group of policy advisers, the senior official asked whether a larger centre would produce better policy advice, or simply crowd the agenda even further.

In contrast, the large DPC in South Australia is clearly a deliberate design feature. This department underwent an extensive review and restructure in 2007, after which it grew by fifty percent from 638 (in 2006) to 1295 FTE (in 2008)[this number is more than a 50% increase – does it also include merging the two agencies?]. This restructure explicitly sought to separate those areas responsible for policy advice and management in specific areas, such as Arts, from the areas supporting ‘the deliberations and decision-making of...Cabinet’. The latter was housed in an expanded Cabinet Office and equipped to perform “a more assertive role in public policy and development in South Australia” (DPC SA 2009). This division is also ‘drives implementation of the South Australia’s State Plan’.

Not surprisingly, the combined might of the Australian Treasury (810 FTE) and the Department of Finance and Deregulation (1,245 FTE) outweighs similar departments in all other jurisdictions. Yet the Treasury departments in Queensland, Western Australia and ACT are a similar size, with more than 1000 FTE each. When compared with Treasuries in New Zealand (338), Victoria (517) and New South Wales (261) – and even the UK Treasury (1,136 FTE) - these appear to be disproportionately large departments.

Figure 6: Size of Treasury and Finance (combined total)



The split between economic policy and budgeting functions which is institutionalised in the Commonwealth of Australia, is replicated within departments across all other jurisdictions. Various referred to as vote, budget or program analysts; agency relationship managers or financial overseers, central agency budget officials are responsible for overseeing and analysing the budget claims of line departments and ensuring expenditure does not exceed allocations, and they are typically organised to reflect their client base or within policy groupings.

4.2 Functional bases for comparing the centre in Australia and New Zealand

Key issues

Central agency structures built upon five key “building blocks” which relate to the following functional activities:

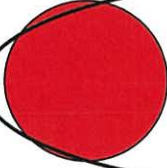

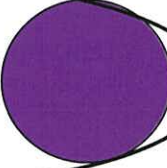
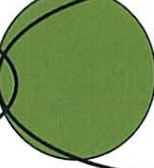
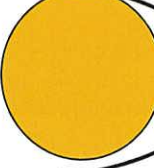

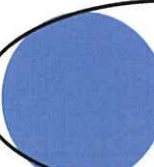
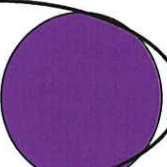
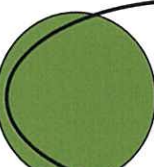
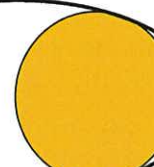
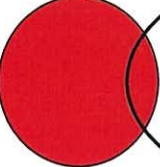

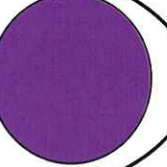
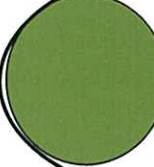
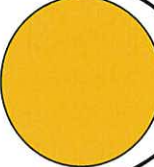
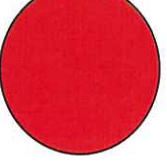
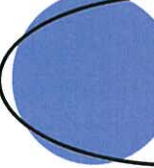
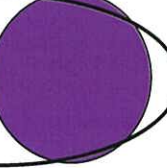
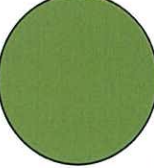
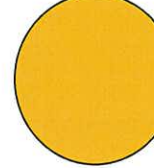
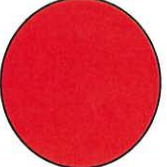



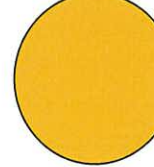
- public sector staffing and maintaining a professional public service (SSC/PSB);
- expenditure management and budgeting (budget office);
- undertaking economic analysis (treasury);
- policy advisory functions linked to the Prime Minister or Premier (First Ministers Office – FMO); and
- managing the bureaucratic-political interface (cabinet office or privy council).

Differences in size and composition suggest that the governments in this research place different priorities on each of these functions. This will impact on the relative strength to perform these different functions, and the overall balance within the centre. It is likely that *shaping a strategic centre* will require a better understanding of the alignment between these functional areas. This is addressed in following sections.

So, how can we explain these differences in absolute and relative size? One possible explanation is peculiarities in the basis of measurement: while the figures in this analysis are drawn from reliable sources that use comparable basis for accounting (ABS and Annual Reports), we see structural variations that may suggest a larger department - some jurisdictions include more satellite agencies in the FTE count for example. For example, the ACT government moved ‘shared services’ from Treasury to the Department of Commerce in 2008 and reduced the size of the centre by over 800 FTE. Alternatively, it may be that some tasks consume the same amount of resources regardless of the size of government and the context within which they operate. This may be the case in terms of intergovernmental negotiations, for example. This would explain why the smaller states have a proportionately larger centre however, it does not account for the differences in absolute size. Yet it is clear for the preceding discussion that apparent commonalities in the overall organisational structures mask significant differences between jurisdictions. Understanding the implications of these differences requires a better basis for comparison and this has been developed below.

The data preceding this discussion show that the centre is built around five key functional areas, grouped together within different central agency structures. Figure 7 illustrates how these functions are grouped together in Australia and New Zealand today, and includes the UK and Canada for comparative purposes. Our research shows a strong coherence in the culture and preconceptions of these five clusters that seem to cut across differences in organisational arrangements.

Figure 7: Comparison of functional divisions across central agencies in New Zealand, Australia and comparable jurisdictions (at 2009)

Jurisdictional Examples	Functional Grouping				
	HR and personnel (Public/State Service Board or Commission)	Policy Analysis & Advice (Office of First Minister)	Manage interface between Politics & Bureaucracy (Cabinet Office or Secretariat)	Economic Analysis (Treasury)	Budgeting & Resource Management (Finance)
<ul style="list-style-type: none"> • New South Wales; • ACT and NT 					
<p>New Zealand</p> <p>United Kingdom⁹</p>					
<p>Victoria;</p> <p>Western Australia;</p> <p>South Australia;</p> <p>Queensland;</p> <p>Tasmania¹⁰</p>					
<p>Commonwealth of Australia</p>					
<p>Government of Canada</p>					

⁹ In the UK, the Civil Service Commission reports directly to the Crown; it consists of 16 Commissioners and 8 Staff Officers.

¹⁰ Note that the HR function in these jurisdictions is primarily performed by a stand alone entity however the office of the Premier/Prime Minister shares some of these responsibilities.

- ❖ First, the budget office function which focuses on the amount and purposes of money used by government departments. Typically managed through the annual budget process, we see the primary relationship is between budget analysts and client line agencies, and work is focused on preparing and reviewing budget documentation, and ensuring 'within year' expenditure does not exceed the amount allocated. The basis for conducting these analyses has varied over time moving from detailed analysis of line-items, to analysis of programs, outputs, outcomes and sometimes back again. Similarly the purpose of budget analysis will differ with the economic and political climate – cut or spend, increment or core?
- ❖ Second, economic policy analysis and advice has gradually emerged as a separate, albeit related, function of the centre. This is divided between the specific policy questions of macro-economic management (including taxation, fiscal, monetary and inter-governmental policy advice). It grew to cover a broader ambit including micro-economic reforms, and economic analysis of the environment and existing policies in most - if not all - policy areas including education, health, industrial relations. Here, the unifying issue is the profession of economics.
- ❖ Third, support and advice provided to the prime minister/premier individually. Initially little more than a secretariat, this functional responsibility has grown to include a range of policy and advisory functions in response to the expansion of prime ministerial powers; it will vary significantly with prime ministerial interests and style. The defining characteristic is that the role is directly primarily toward supporting the prime minister (or premier) individually, rather than the cabinet collectively. In governments with a very strong collective ethos or where individual ministers are relatively independent, this is likely to be primarily administrative and relatively small function. In contrast, this function is likely to be much stronger where the prime minister is interventionist or recognised as "head of cabinet", or if power is more contested within cabinet.
- ❖ Fourth, support for the cabinet collectively and managing the interface between the political and executive arms of government. Again the strength of this role will differ according to the power and leadership style of the Prime Minister/Premier. Where a leader seeks to build a collective style of decision-making then this function will be emphasised; it is likely to be perfunctory if cabinet devolves decisional authority to individual ministers, or under a highly centralised 'presidential' style of leadership. The defining feature of this function is support and management of the cabinet process but may have been expanded to include formulating policy advice for cabinet, articulating government priorities, or formulating a whole of government policy agenda – in some states this includes the development and oversight of a State Plan. This functional area is challenged by increasingly active ministerial offices who operate through personal networks and often reject the constraints of the traditional system of cabinet management.

- ❖ Fifth the public service employment and human resources function. Traditionally a very powerful function, driven by the impetus for a professional public service the area included staffing, promotion, training, evaluation and setting the terms and conditions of public service. Managerial reforms challenged the legitimacy of centralising this function, and most of responsibility was devolved to line managers. In some jurisdictions, central involvement in this functional area remains at a minimum; elsewhere the role has been revived and expanded to focus on the overall performance and capability of the public sector.

This diagram also suggests that governments organise the centre using different principles. At one extreme is the diffuse specialist centre where different central agencies specialise in each of the five functional roles. For the purposes of illustration, this model is represented by Canada, and to a lesser degree the Commonwealth of Australia – where most functional areas are housed in specialist departments, the exception being the policy advice and cabinet secretariat functions which are coupled together in the same organisation (DPM&C). The potential benefit of this structure is that it ensures each function is adequately resourced, and clarifies the mandate of each central agency. The key difficulty here is around ensuring there is cooperation and coordination between central agencies. This is likely to require an extensive system of both formal and informal mechanisms, and even then issues of professional bias and organisational politics will make this difficult.

Elsewhere these functional responsibilities are concentrated in just one or two organisations. The closest example of this model in Australia is New South Wales where two organisations – the NSW Treasury, and the Department of Premier and Cabinet – share responsibility for these five functions. The US provides a similar example, as central responsibility for these five functions formally resides within the Office of the President, although the Office of Management and Budgeting (OMB) is a relatively strong quasi-independent organisation within this portfolio area. Here, the key benefit is that coordination across functional divisions can occur within organisational boundaries, thereby creating a greater potential for unified action. Certainly there will still be tensions, exacerbated if each grouping develops an independent culture or sees itself as largely autonomous. Difficulties will also arise within this structure because one function is likely to dominate within the organisation. So, for example, some have argued that politics predominates over policy in some departments of premier and cabinet, and that policy is more important than staffing in others. In Treasuries around the world, it is often lamented that economic policy analysis is deemed more glamorous than budgeting.

The data also shows that different governments place more or less emphasis on each of these functional responsibilities, and that one function is likely to dominate over others by dint of sheer size. In many governments the size of Treasury suggests they can dominate other central agencies in both the budgetary and economic functions; elsewhere a smaller Treasury is likely to be stretched across both areas and may emphasise one function or the other.

Some centres of government place very little emphasis on the public sector function, or the use of regulatory tools suggesting that this is largely devolved (see discussion below). The functions of managing the collective political-administrative interface and advising the prime minister/premier are clearly integrated in all jurisdictions, suggesting a more presidential form of government - this is especially the case in jurisdictions where the DPC is larger than the Treasury. Alternatively - and this seems to be the case in South Australia - it may be indicative of a more collective style of leadership, in which the functions of budgeting and economic policy analysis are guided by the political and policy priorities of government.

Understanding the relative balance between staff performing different functions will require further research that disaggregates the size of different divisions *within* each central agency. For example, how many staff in DPC perform the cabinet office function and how many are primarily focused on specific policy areas? If the HR function resides within DPC, how many FTE are dedicated to that task? Similarly in the combined departments of Treasury and Finance - how are staff members (and other resources) divided between the budget office and the economic policy roles? These data will clarify divisions within departments and tighten the analysis.

Nonetheless, this research opens up substantive questions around the appropriate size and composition of the centre if it is to perform a strategic role. For example, is a smaller centre more efficient or is it under-resourced? Does size dictate operating norm? For example, do relatively small centres such as New South Wales and Victoria necessarily operate with a more devolved administrative norm and rely on regulatory tools; or are these jurisdictions focused on a much smaller number of policy issues or functions? Does a larger centre indicate more activist and centralised government, with the centre seeking to impose a unified agenda across government?

The answers to these questions are not solely determined either by size or by the historical path along which the institutions in each jurisdiction have evolved. As governments face fresh strategic challenges, central agencies must work out the best way to strengthen specific functions and capabilities, given the particular combination of structures that they inherit from the past. In making these choices about the best location of different roles and functions and about the most effective way to strengthen particular capabilities, the views and experiences of central agencies personnel should provide an important source of insight.

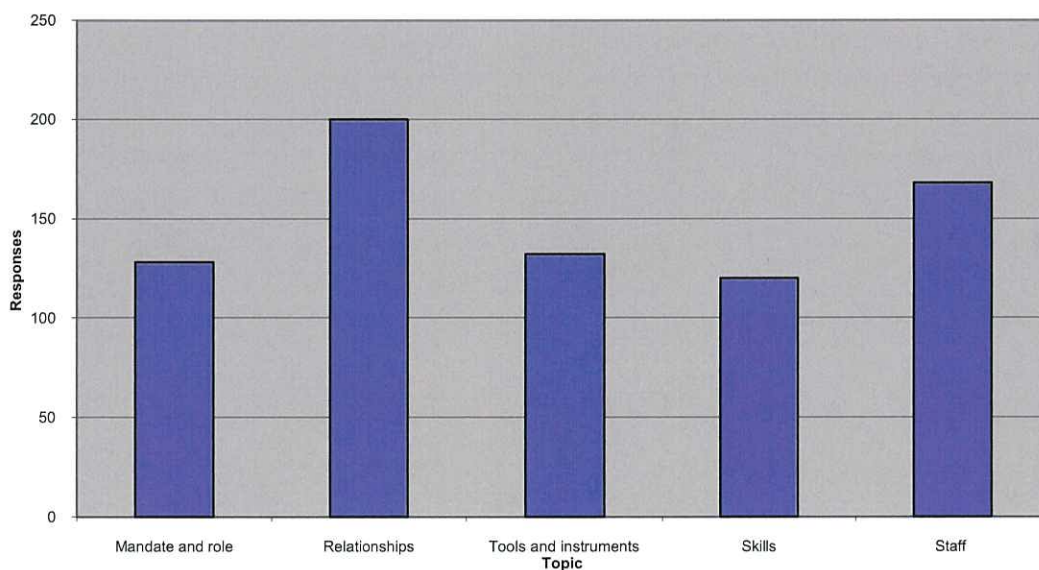
5. Views from the frontline: How officials perceive the strategic challenge

So, how can we move beyond organisational analysis to understand the contemporary dynamics and debates within the centre? The following section presents the findings of an extensive survey into challenges, strengths and future directions of central agencies as perceived by central and line agency officials. The research was conducted throughout 2007 and 2008 and produced over 700 pages of qualitative data. The key themes and emergent issues are summarised and discussed below.

The research found a centre in transition in which officials in central agencies are keenly aware of these tensions. All of the central agencies participating in this project seem to be struggling to find ways to increase their influence and to ensure they have appropriate and adequately skilled staff. Their reflections on the challenges facing their organisations are probing and questioning but ultimately there is a degree of frustration and dissatisfaction. How do we stop political interference? How can we manage the pressure to respond to every 'crisis' that graces the front pages of the local paper or talk-back radio program? How can we attract, train, and retain staff when there is more money, prestige and role clarity offered in line agencies, political offices, and the private sector? What roles are we training our staff to perform? All of these questions point to a simple question: "what role do central agencies perform in this new environment?"

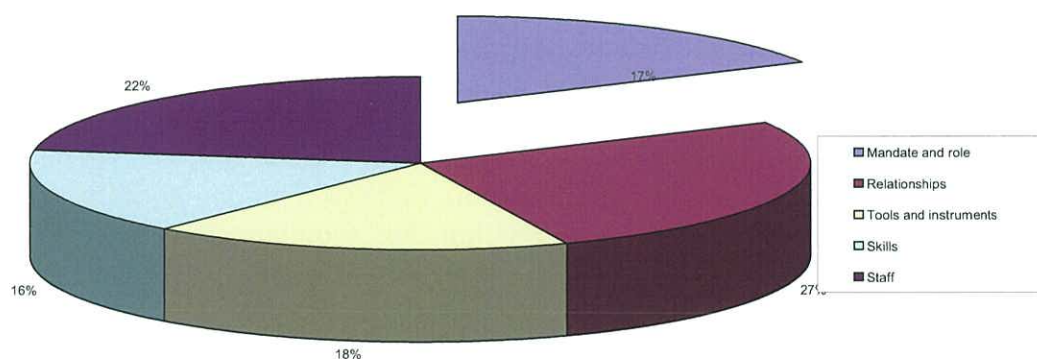
The strategic challenges identified by participants break down into three broad areas: questions over the mandate and role of central agencies (17%); tensions in their relationships with key partners (27%); and the operational capacity to deliver on their mandate (56%) including questions of the skills (16%), staff (22%), and tools or instruments (18%).

Figure 7: Strategic Challenges (as identified by all respondents)



The following explains the discussions that occurred within these categories, presenting the debates, questions and challenges as perceived by central agency officials, and in their own words. It is organised around the key themes and issues identified by the officials participating in this research. However, these issues are clearly inter-related: without a clear understanding of the mandate and roles performed by an organisation, there will be questions around the adequacy of skills and instruments; and about staff recruitment and development. Therefore, the discussion raises issues as they become relevant within the context of the discussion – there is therefore some degree of overlap between the sections.

5.1 Questions of mandate and role



- **The core mandate and role of central agencies** is unclear and being reassessed in the current environment; in this regard we see quite different perceptions of the role from within each central agency, from other central agencies, and from line agencies. Included here are questions about whether to be reactive and responsive, or reflective and analytical, and how to reconcile these tensions within a 24 hour news cycle.

Given debates around the centre of government, it is not surprising that our interviews found many officials seeking more clarity in the mandate and role of central agencies. Some participants focused on understanding the role and mandate of the centre as a whole: “one of the biggest challenges for the three central agencies in this place is the fact that we have lost the sense of what our responsibilities are”. Others were a little more decisive but somewhat general: “my view is that central agencies are there to provide leadership, both to the government and to the...public service - that’s their core role”. Some respondents voiced this as a criticism of organisational leaders within specific departments. One interviewee argued that “mandate and authority should be stated and explicit”; another argued that “Treasury needs to be clear and realistic about what its core business is and then properly resource it”.

Yet our evidence suggests that this ‘identity crisis’ in central agencies is not as far-reaching as the literature and our respondents suggest. First, despite individuals suggesting the need for clearer departmental mandates, there was a clear trend in the issues and topics raised by officials from the same departments, regardless of jurisdiction. Second, most of the debate - or possibly confusion - on central agency mandates came from other central agency officials or from line agencies who questioned the legitimacy of this mandate. Or it came from officials within the subject department who were concerned by a perceived inability to focus on or achieve this mandate. This is important because it suggests a common basis from which to re-build and articulate the future direction of central agencies. The following discussion provides supporting evidence.

Central agency officials have a clear sense of their own mandate as illustrated by the commonalities in the issues and topics raised during the interviews.

Our research shows that central agency officials share a strong sense of their own mandate or domain whether or not this is explicitly recognised. Specifically, officials from the same type of department focused on similar topics, and raised the same substantive questions in the interviews and focus groups, and these differed across agency groups. This suggests a fundamental commonality of purpose and intention within similar departments, regardless of whether or not this is explicitly recognised by officials.

Responses of Treasury officials clustered in two areas that relate to the economic policy and budgetary functions. Those from the economic policy group discussed questions of macroeconomic policy, tax policy, and inter-governmental finances, and argued for the introduction of more market-based mechanisms into policy delivery and the need for a renewed focus on economic analysis in developing policy proposals. This group of Treasury officials clearly saw themselves as key policy advisers to government - *“our job primarily is to make sure we provide advice to government which allows the drive and flexibility of the markets to sort of support the economics”* - and that performing this role included developing internal recommendations for new programs: *“Treasury has become much braver in going out and thinking strategic thoughts”*. Some recognised the competitive environment within which they operated: *“it’s a very, very long time since Treasuries were monopoly providers of advice...advice is contested and contestable, both within the bureaucracy and externally”*. There is a sense of certainty, longevity and cohesion within this group that is best summarised by the following two statements: *“this Department has a vision which has been unchanged for 10 years”*. And from another jurisdiction: *“we talk about having a view, and our view is fiscally conservative, market oriented and reform driven....not a formal motto but it’s just a language that we use about what defines who we are”*.

The second group of Treasury officials focused on issues of expenditure and financial management. They raised issues around the need to *“control spending especially if the economy cools”* and *“develop fiscal frameworks for*

'spending the surplus'"; to improve the process around new policy proposals to provide budget officers sufficient time for review and challenge. Respondents from this group repeatedly argued for the need to find tools that allowed them to move away from an incremental budgetary norm, and allow deeper analysis of 'the base': one argued that *"value for money is the single most intractable problem in the public management system"*.

Officials from the Public Service agencies referred to questions of recruitment, retention and complaints management – especially in terms of the Senior Executive Service. They repeatedly emphasised the move from HRM to public sector capacity building, including issues of cross government staff management and training, workforce planning and broader issues of capacity building and knowledge management through 'thought leadership'. Some discussed the tensions around devolving responsibility for personnel management while maintaining consistent ethical and sometimes industrial standards; the move from setting rules to surveying, measuring and managing performance (whether individuals or organisations). Most respondents from this group sensed movement in the mandate – whether this was expressed as frustration (*"how can we ensure oversight while cutting red tape?"*); or an inevitable outcome of existing reforms.

Respondents from DPC also divided into two groups – albeit with less precision than Treasury. The first group of respondents from DPC focused on questions of policy analysis, formulation, evaluation and delivery. The discussion was dominated by the debate around the appropriate role of the centre as regards line agencies in policy development, and on whether it was possible to continue providing *"frank and fearless advice"*. So, for example, should central agency officials *"clarify, develop and promote specific new policy proposals"*; should they *"challenge policy proposals...developed elsewhere"*; or should they *"develop the overall framework within which others develop the policy details"*? Should central agencies focus on critique or on facilitation? There was a sense among some that frank and fearless was no longer possible - *"what is the place of 'the loyal critic' in policy formulation?"* One argued for a direct role in policy development as follows: *"as central agencies we can...step back and we have the luxury of not having to deal with those producer interests every day and we also have a forum when we can engage ministers in more blue sky thinking"*. Yet another respondent saw the centre adding *"better value not by critiquing agencies but by supporting whole of government initiatives"*. Despite these questions, the group unified around the challenge of defining a role in policy formulation and analysis for the centre that was both substantive and direct; the problems to be solved were around developing, designing and implementing programs that addressed the key policy challenges facing government.

The second group in Premier's and Prime Ministers' Departments clustered around questions of managing the political agenda of the government (including cabinet processes). Here debates focused on the importance of process and agenda management, on delivering the government's agenda, on *"alignment and coordination of policy priorities and between agencies, ministers, premier and inter-jurisdictional fora"*. Some spoke of the *"fine art of knowing how and when"*, and another simply asked *"is there such a thing as too responsive?"*

More than any other, this group emphasised the relationship between cabinet, ministers and the bureaucracy; they raised questions about the role of the community and other external actors. They focused on questions of media management, the ability to control information flows and the broader public agenda. This group also tended to discuss the mechanisms and process of decision-making, and the importance of managing the cabinet systems, and of coordinating relationships between groups and agencies. Respondents in this group tended to be more aware of the basis for their power and how it is exercised.

"...the department has two strengths – one is closeness to power... the second is as a gateway into cabinet. If it didn't have that and had a [leader] less committed to using cabinet processes, I would not have the power I have to do this coordination. The challenge is really to exert the power necessary to get the best outcomes."

Here one of the key aims was to get the government to articulate a set of priorities and to reconcile *"the competing policy aims of government"*; the importance of being responsive and reactive was repeatedly emphasised. Problem-solving within this context was very much about *"getting things done"*, yet the issue of risk management – and *"risk-mitigation"* – was also raised repeatedly.

Tensions between these two perspectives – policy and politics - emerged continually throughout the research. One respondent, for example, argued that *"[the department] will always be such a reactionary place, perhaps we need to realise that our abilities to be agenda setters will be limited"*. We repeatedly heard of the negative impact that political management had on policy development, especially due to workload pressure on employees: *"policy officers are caught up with urgent requests, correspondence and other reporting that limits the time available for over the horizon thinking - there has to be some balance"*. And again, another respondent pointed to *"the difficulty in finding the balance between being responsive to the political expectations of briefing and issues management against the need to deliver complex and long term solutions to issues such as climate change"*. One respondent summed up the tension bluntly: *"DPC is schizophrenic – part yearns to be seen to be apolitical, and part is clearly a key component of the political machinery – the latter colours the former, so the political perception is inevitable"*.

The legitimacy of central agency mandates are contested by others within the centre and by line agencies

In contrast, respondents from *other* central agencies and from line agencies questioned the legitimacy of these mandates. So for example, whereas the Treasury mandate was clearly stated as *"ensuring that public money is wisely spent"*, respondents from other central agencies challenged the necessity and legitimacy of this role:

"we could outsource the bulk of the Treasury for example, to banks around who would provide the Government with all the economic advice that it needed and do all the economic analysis of all of the major projects and in that regard we would be no different to any of the major developers. And we

would pay for the advice, we would get it and there is actually no need to do it in Treasury”.

Others suggested they undermined capacity elsewhere: “we need to move treasury and finance out of reactive”; and “we need to ensure that good policy gets past the finance police”. Another comment reflected concerns on the impact that centralising policy work at the centre of government has on line agencies:

“...who would work in a line agency whenever any interesting thing is done, it is going to be done in the central agency ... you tend to run down your policy development ability... they don't have the clout to do it, often don't get the opportunity”.

Part of this criticism focused on duplication, overlapping or blurred mandates within the centre. So, for example, a senior official claims that duplication by central agencies constrains decision-making and hampers the smooth operation of government:

“...central agencies now have much more capability to duplicate each other. PM&C can duplicate all of us and does. Treasury sometimes thinks it duplicates us and does. We have kind of got this strange relationship in Canberra where you can't do anything without the three central agencies.”

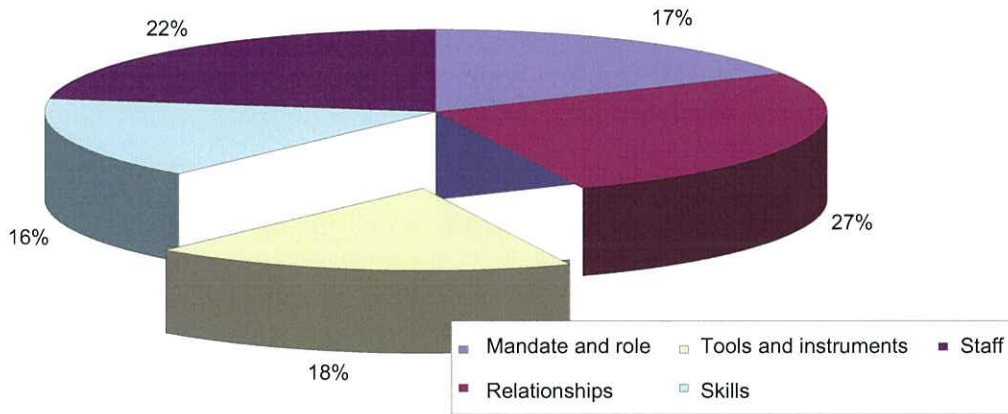
Another questions the longer term impact of central agency duplication on capacity within line agencies and the bureaucracy more broadly:

“...it has almost gotten to the extent where you can't have one of us [central agencies] at the table without the other two being there as well on even quite trivial issues. What do we finish up with in bureaucratic terms ...an environment in which the central agencies do all the thinking for the Government and the line agencies do all the implementing? Is that what we want?”

Overlaps between the policy mandate of central and line agencies are particularly contentious. Compare for example, the following two statements: from one official we hear that “DPC should have a strong policy development function that is informed by but separate from line agency business”. Yet another claimed “DPC is wasting resources duplicating the policy efforts of line agencies. It should be helping refine those ideas instead”.

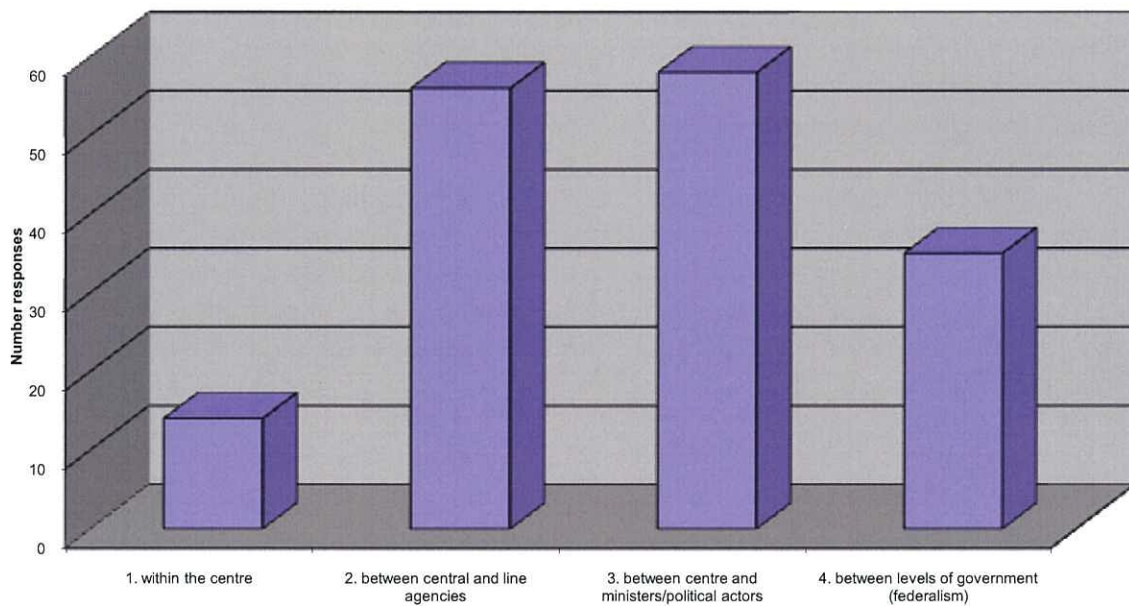
So the first challenge in shaping a strategic centre is to clarify the mandates of central agencies to reduce the level of overlap and build on existing specialisations. It is argued later in this report that this can be achieved by recognising the alignments between the key functional responsibilities within the centre, and the different strategic domains within which governments operate.

5.2 Building relationships at the centre of government



It is clear from this research that relationships matter to central agencies and are being tested across four dimensions: a) within the key central agency network; b) between central and line agencies; c) between central agencies and the political leadership; d) and between the central and state governments (federalism). Here we see discussion of how to exert influence within various partnerships, the balance in roles between central agencies and others, and questions on the mechanisms and intention of the relationship: is it built around coordination, collaboration, evaluation, or a regulatory system reminiscent of the much maligned “command and control” arrangements?

Chart 7: Importance of relationships to central agencies



Respondents most frequently discussed central agency relationships a) with ministers and their political offices (29%) and b) between central and line agencies (28%). Interestingly, the importance of relationships within the Australian federation (17%) was discussed more frequently than those between central agencies (7%). This may reflect a sense of uncertainty and unrest within the federation due to current reforms and the intense COAG negotiations that followed election of the Rudd government, or simply be an indicator of how integral this relationship is to developing, funding and delivering public policy in Australia.

This research is not going to address the 'federalism' question in detail as it being studied extensively across a range of research projects – and is of more limited interest to our New Zealand partners. However, the discussion around relationships between line and central agencies partly reflects the federal dynamic albeit without the horizontal dynamic of federalism, and key constitutional considerations to name but two. There is no doubt, however, that many of the issues and challenges applying to the relationship between central and line agencies also confront federal, state and territory governments as they seek to collaborate and compete over shared policy processes and accountabilities. This is evident in the negotiation and implementation of COAG agreements ranging from water to housing and homelessness, education and training and the coordination of economic stimulus measures enacted following the Global Financial Crisis of 2008.

Relationships within the centre are competitive, evolving and often tense. The discussion suggests a need to clarify the basis of this relationship by articulating division of responsibilities or specialisation, as well as the key mechanisms for coordination.

While relationships between agencies at the centre of government were discussed throughout this research, they were not seen as a key challenge. Perhaps this is a bias of the research: these relationships are so familiar that they don't warrant comment as a key strategic challenge. As one official said: "*it's just what we do*". Nonetheless it is clear from the previous discussion that these agencies operate in competition as well as in concert. "*We need to work together more constructively and recognise that we are all in the same boat*"; and "*we need a new working relationship with Finance and Treasury that responds to the whole of government agenda*".

But the discussion of relationships between central agencies raised two important issues. First, there is a clear need to coordinate activities of the centre, and a sense that there is too much overlap and competition between central agencies. This issue has already been raised and summarised in this simple plea: "*we just need the three central agencies talking together, working together, to get the big things done*". Second, the debate also suggests that mechanisms for specialisation and separation within the centre are just as critical as consultation and coordination. Who, for example, is responsible for central policy analysis, development and coordination: Treasury or DPC?

We have already discussed intrinsic differences in the mandate and role of central agencies – this is compounded by the fact that officials from central agencies will often come from different backgrounds and challenge the legitimacy of other central agencies: *“economists versus management specialists...there’s baggage on all sides about past performance and perceptions of past performance”*.

Importantly, relationships at the centre are multi-dimensional and differ around core areas of responsibility. So one respondent focused on the nexus operating around research allocation and the different roles of central agencies, arguing we are *“moving away from an incrementalist budget approach to a method that allows review of existing programs and their fit with the strategic plan of government”*. Another highlighted the dynamic between the parts of the centre focused on questions of performance management within departments, arguing for the *“integration of finance and HR as the basis for performance management”*.

The relationship between line and central agencies is ill-defined and often seen as obstructive or damaging. The evidence suggests these tensions are seeded in sociocultural norms as much as operational challenges.

The evidence of this research makes it very clear that we need to revisit the relationship between line agencies and central agencies. Officials from both line and central agencies recognised the importance of this relationship while identifying tensions and potentially dysfunctional behaviours across dimensions. The general critique by line agencies is encapsulated in the following quote: *“DPC should be more collaborative and be more trusting of those who work in operational areas – listen to the experts and not tread where it’s not required. Stick to strategic and whole-of-government policy development and be more inclusive when it does”*.

Many central agency officials recognised the reciprocal nature of relations between line and centre: *“We depend on the quality of information provided by line agencies”*, while others focused on the direct support that central agencies could provide line agencies: *“HR people in agencies are all bemoaning the demise of OPE because it means more work for them, duplication of things, re-creation of things... this is just madness”*.

Yet more often than not the relationship between line and central agencies was defined by competition, challenge, and mistrust. Clearly, the challenge function was alive and well: this may be done directly – *“we need to stop stupid policy ideas”* – or through education (or ‘sermons’) – *“Treasury needs to convince line agencies the question is not ‘can the government intervene’ but rather ‘should the government intervene’”*. Others were looking to develop new ways of undertaking the challenge role *“...[we] need to build links with the research community to provide analysis that can be compared with the agency view of issues”*. In the policy area, officials question the capacity of line agencies to develop new ideas without ‘stretch and challenge’ from the centre: *“Line agencies are not very good at thinking at the higher level and on a number of occasions [the central agency] has had to come in and get very actively involved in order to*

produce something that's actually going to have enough stretch and challenge and bite and vision".

For some respondents these tensions were either positive or necessary as they created a better outcome for government: *"there is a healthy tension between the aspirations of line agencies and the approach of central agencies that, in general, works for the benefit of government".* Others saw tension as inevitable, yet necessary part of leadership: *"while being collegiate and fair, DPC should not be afraid to be independent or disliked – that's the nature of leadership".*

But for most, mistrust was seen to distort this relationship and undermine capacity on both sides of the relationship: *"on the whole, DPC distrusts other parts of Government to articulate or implement Government policy as well as we do".* And again *"we won't let them lead but we like to blame them when things go wrong".* Further, a lack of trust in the capacities of line agencies also raises the spectre of central agency overstretch: *"DPC needs to try to be involved in less and focus on what is important – we are not good at pulling back and letting line agencies perform their functions".* And finally: *"we undo a lot of good work by being 'secretive' with other agencies, sometimes when it is not warranted".*

In response to these tensions, central agency officials opted for two different strategies: they either tried to rebuild their own influence or tried to rebuild line agency capacity. The former typically focused on rebuilding the relationship via mechanisms of control or regulatory tools. So, one respondent saw 'accountability' as an instrument to ensure 'consistency' across line agencies: *"The more you devolve responsibility the more you have to think carefully about their accountability and the more you need to think about what consistency of services still needs to be provided".* This speaks of a clear conflict between the intentions of devolution (managerial freedom and flexibility) and the output uniformity implied by this statement. And again the following statement highlights the challenge of collaboration for central agencies – rather than a means of achieving collective aims, collaboration became a strategic challenge that undermined the centres' deliberative power: *"[we need to find ways of] increasing influence in an environment where we will need to work collaboratively with agencies to achieve Government's objectives [less reliance on power]"*.

The alternative view was to "get out of line agencies' way and let them rebuild any lost capacity", or provide them with the knowledge to operate within the broader system. One respondent argued that we need to *"engage/educate line agencies on the Cabinet and Budget processes and how best to use them to progress policy proposals".* And here the clear message is that trust is about perceptions as much as reality and that rebuilding this relationship would require attitudinal changes by both parties. One respondent put the issue quite bluntly as: *"Trust. Trust to let departments develop expertise and lead based on that. Otherwise departments just become DPC branch offices".* Another saw the responsibility for this change lying with central agencies: *"We have to overcome the fear and hate some officials in line agencies have of central agencies".*

So, overall the relationship between line and central agencies is often tense and clearly unsatisfactory to many officials. Mirrored here is the swinging

pendulum between devolution and centralisation within government. Decades of managerialism elevated the position of line agencies and identified them as the primary site for making decisions related to service delivery, resource allocation and other questions of departmental performance management. The emphasis on service delivery and implementation over policy development during a period of cost-cutting saw many line agencies reduce their investment in policy research and analysis. In response, the centre began to invest in policy formulation and research capacities and gradually began to see this as their rightful domain. Together these trends institutionalised the separation between policy and service delivery. Yet the practicalities of policy are much messier: policy development, implementation, redesign and adaptation are interconnected through an adaptive, interactive process that pays no heed to institutional boundaries. Beautiful theory met ugly reality with a bump!

In response central agencies sought to bring together policy formulation and implementation by expanding their own scope of influence: by raising questions on policy and program implementation, service delivery, performance evaluation; by establishing units to directly address these issues; by building tighter or more stringent regulatory frameworks under the auspices of better accountability. Line agencies responded with suspicion, mistrust and a sense of encroachment. And here the notion of strategy and vision are held as a possible solution: *“Central agencies work best with line agencies when there are appropriate degrees of pragmatism and strategic ‘vision’ on both sides”* (comment from Canberra Workshop 14 Nov 2007). And similarly: *“other departments and ministers have the potential to react adversely to ‘noises’ that a central agency makes about an issues...the imperative is to encourage a culture of openness of debate, separate to the questions of what the position should or should not be”*.

Relationships between central agencies, ministers and ministerial offices shape the operating style of central agencies. Key questions include perceptions of the employment relationship between minister and SES, the policy role of ministerial offices, and the level of collegiality expected in cabinet.

Discussions about the relationship between central agencies and elected officials – particularly ministers and their staff – fell into three broad groupings. First, respondents focused on the impact of political actors in the appointment to the senior executive. Debate continues to rage over whether or not the system is politicised, and – if it is – whether this is an impediment to the service. Most respondents concluded that some degree of politicisation had occurred within their jurisdiction, but this was only a problem when it was overly pervasive or undermined the confidence of executives within the system. Interestingly, perceptions of whether or not the system is politicised varied across jurisdictions and across agencies, with very little consistency. There were also differences about what constituted politicisation: did it mean ministers had a say in who was appointed or that appointees had a political background which clearly aligned them to the party of the day? Did it relate to appointment or to termination?

Most debate was not about tenure *per se* but the role of ministers in appointment and termination, and expectations that created on both sides. Many asked how the bureaucracy could be expected to provide frank and fearless advice when jobs were at risk: *"frank and fearless advice is not rewarded: talk of ethics is hollow for executives who know that they have to lay down and take it or lose their job"*. Similarly: *"effectiveness will be enhanced if it... fosters a culture that is true to the Westminster notion of being apolitical"*. Yet others argued the issue was more complex: *"frank and fearless advice does not overcome the problem of overly-cautious and fearful ministers"*.

Similarly, the proposed solutions were divided between those calling for the return of tenure, and those focusing on the authority of the Public Service Commission. In terms of the latter, many in Australia contrasted their own system with the appointment power of the State Services Commission in New Zealand and the Office of the Public Service Commissioner in England. Some argued that *"removal of executives for other than corruption should be handled through an independent commissioner"*.

Secondly, discussion focused on relationships between political offices and the department. These were general questions that focused particularly on the role of ministerial staff – *"interaction between political offices and the department is close: this brings risk"*. Others asked whether ministers had broken the 'Westminster bargain' in expanding into questions of policy design and formulation once the domain of the bureaucracy (Savoie, 2001). Or did an increasingly directive office undermine departmental capacities? Was it possible to *"avoid becoming merely a PR arm of the Minister's office"* asked one respondent; could we learn *"how to handle increasingly directive ministerial staff"*, asked another. Overall the research suggested that central agency officials feel a high level of animosity toward ministerial offices – primarily because they usurp their influence with individual ministers (especially when 'staffers' formulate policy advice outside the existing channels), and complicate channels of communications between themselves, ministers and other central agency actors.

Third, respondents discussed how ministerial style shaped relationships between central agencies, and between central and line agencies. Clearly the compact between central agency ministers is important in this regard – *"our ability to work collaboratively across the central agencies depends on how ministers of the day play that relationship and divvy up responsibilities between them"*. And clearly the relationship changes over time – *"as a government matures, it starts worrying about the issues it has created. It becomes much more sensitive to issues management"*. For some, central agencies perform the role of 'honest broker' in tensions between different ministers and line agencies – *"ministers don't often trust line ministers or line agencies, so the central agencies have to be brought in"*. Whether or not this is because the centre is seen to be more 'politically savvy' remains an open question.

These discussions are important for the current discussion of a strategic centre, because they raise questions on the role of 'strategy' in reshaping these relationships. Many saw a politically articulated 'strategic plan' as the

basis for reconciling this relationship, yet there was debate over who held the pen. For some it was clearly the politicians: *"There must be some direction. Government is one organisation, it's not a free for all and ministers have policy direction we need to follow"*. Others argued that DPC should *"take the lead and ensure...dialogue and early communication on policy development issues"*. Many argued that managing this relationship required give and take and some *"mechanism which aligns the goals of departments with those of the minister and reduces the likelihood of any separate political agenda being pursued"*.

And finally, a word of caution and advice to those who dismissed the legitimacy of political actors in the system:

"... that's a feature of our democratic system, we work for ministers...we do not equip them, we do not support them with other than quite brief and superficial introductory explanations of what they found themselves landed into. So, if we want to make progress...we need to use our central positions and our proximity to ministers".

In summary then, central agency officials are searching for clarity of mandate and to renegotiate their engagement on policy and operational issues internally, and with line agencies and ministerial offices. Some are looking to build and maintain historical strengths by focusing on their 'core mandate' and improving recruitment and training in the traditional core skills; other dismiss the old ways and are looking for more 'creative, innovative, networked' solutions. Many respondents were frustrated by a perceived lack of recognition for their expertise; others stated that their organisations were out of touch and floundering. Frustration and concerns were expressed about the adequacy of existing tools to perform new roles: how could we employ the best and brightest with such burdensome recruitment processes? How could we develop long-term, whole of government policy solutions via an annual budget process focused on 'increments' and a short-term reactive?

The next section argues that the functional groupings within existing central agency structures provide the basis for modelling the role and mandate of central agencies within a 'strategic centre'. It argues that some of the current tensions in the centre can be explained by the emergence of overlapping mandates, differences in the organisational style and coordination mechanisms used by these groupings within central agencies. This competition creates uncertainty and 'infinitely repeated contests' in the search for whole-of-government solutions to an increasing number of apparently 'wicked' policy and operational problems. Therefore clarifying alignments between organisational structures, functional responsibilities and strategic domains provides the basis for strengthening capacity within a strategic centre.

6. Shaping a strategic centre: A model of strategic engagement and capacity building

So, the interviews highlighted organisational challenges in four areas:

- the need to clarify the core mandate and role of central agencies;
- the need to redefine/renegotiate the basis of relationships between central agencies, between central and line agencies and between the ministerial and bureaucratic spheres;
- ensuring central agencies have the tools and instruments needed to deliver on their core mandates; and the related question of
- how to ensure agencies have the right staff with the right skills to deliver on the core mandate.

By breaking down the concept of ‘strategy’ into component parts this section provides a starting point from which to develop answers to these questions. This is because the differentiation around strategy as politics, as policy and as administration is mirrored in the organisational structures already found at the centre of government. Hence we can use this framework (drawn from both research and innumerable experiences) to sketch a better understanding of how the component parts of the centre fit together and how they relate to the broader system of government within which they operate. In other words, which parts of the centre have evolved to specialise in questions of administration, questions of policy and questions of politics? These three elements are certainly interrelated, sometimes complementary, often conflicting and therefore they need to be deliberated reconciled.

A key challenge is to ensure each element of the strategic centre is sufficiently robust to create balance between the different strategic spheres and therefore ensure the benefits of specialisation and prevent one area from dominating the whole. The remainder of the report therefore explores some of the key instruments, processes and skills required to build strategic capacity. The model developed here is by no means definitive; it is offered for discussion and further refinement. But it does provide the basis for understanding current tensions and frustrations within the centre of government, a more meaningful discussion about the future direction of central agency evolution, and the basis for building new meaning in the role of central agencies, and prerequisites for a strategic centre.

6.1 *The promise and limitations of ‘strategy’*

“...We need the three central agencies talking together, working together, to get the big things done”.

In offering ‘strategy’ as the basis for revitalising the role and mandate of central agencies, we enter into a long and complex debate over the

meaning and role of strategy in large organisations. This is not the time for an extended review of these debates. However, experience in the public and private sectors provides us with a rich history of lessons upon which the following discussion builds, and key points are summarised below.

The debate over how 'strategy' is formulated focuses on whether it is imposed as an intended plan by the centre of an organisation, or whether it emerges from the collective and disparate actions of all within an organisation. The first perspective presents a version of strategy as a comprehensive plan handed down from the centre of an organisation and duly implemented. This is typically characterised as a detailed blueprint document that aligns purpose, resources and actions, and provides the basis for evaluating the performance of individuals and the organisation. Importantly, this notion of strategy is implicit in many prescriptive management theories and in the detailed line-item system of budgeting under which parliament approved the plan of each department and then held them to account for 'perfect' implementation; it is also the basis for managerial reforms such as Management by Objectives (MBO) and Performance Planning and Budgeting System (PPBS).

Yet experience shows that strategy, as a consistent pattern of purposes, policies, programs, actions and resource allocation, is rarely possible to implement outside the most simple organisational structures (Mintzberg, 1988).

Extensive research into why strategies fail highlights three prerequisites for implementing this form of strategic plan: a neutral internal political environment; a knowable and stable external environment; and a highly centralised and uncontested power structure, typically a single person running a simple organisational unit. Without these preconditions the strategic plan will be continually adjusted due to changes in the external environment – it doesn't make sense to keep delivering a product if there is no demand for it, if a competitor offers the similar product for less, if the product proves to be faulty or too expensive to produce, or if an economic crisis changes the levels of demand in the market. Nor will the 'planner' necessarily have the authority to force action by the 'implementer' – the regions know the local market better than head office and therefore contest the legitimacy of plans; a federated organisational structure divides power and frequently rejects the aims and authority of the centre.

A question of strategy

Henry Mintzberg unmasks the process that has mesmerised so many organisations since 1965: strategic planning...Mintzberg concludes that strategy cannot be planned because planning is about analysis and strategy is about synthesis. That is why, he asserts, the process has failed so often and dramatically. Mintzberg...argues that we must reconceive the process by which strategies are created by emphasising informal learning and personal vision... Reviewing the so-called 'pitfalls' of planning, he shows how the process itself can destroy commitment, narrow a company's vision, discourage change and breed an atmosphere of politics. In a harsh critique of many sacred cows, he describes three basic fallacies of the process - that discontinuities can be predicted, that strategists can be detached from the operations of the organisation, and that the process of strategy-making itself can be formalised (Mintzberg, 1988).

Within the public sector, these issues are compounded by constitutional limitations and tensions; by the division between parliament and the legislature,

between the ministry and bureaucracy; between central and line agencies; and by the complexity of public policy problems for which there is rarely a simple solution or unanimity over the causes, consequences or priorities. From this perspective, therefore, efforts to develop 'blueprint' style strategic plans for the entire government are rare and typically seen to be unrealistic at best, and undesirable at worst.

The other end of the spectrum presents strategy as the end product of the collective actions of all entities within an organisation. This model sees strategy as 'emergent' – the outcome of independent actions by numerous actors both within and outside the organisations who are 'muddling through' to achieve their own ends and reacting to changes in the external environment. Often there is little communication or cohesion between the various actors and authority is devolved, decentralised and contested. Any cohesiveness of action is the result of commonalities resulting from shared perspectives on the role of the organisation or some desired endpoint, or in patterned behaviour which may be either learned, imposed or due to procedural, cultural or professional norms. Emergent strategy may or may not align with the aims of the organisational centre or leadership; many argue that emergent strategies are both inevitable and *desirable* results of innovative and creative organisations. Unpredictability and uncertainty within the external environment, or a highly contested political environment, is likely to lead to reactive and tactical actions which are by their nature emergent. So, it is important to recognise that emergent strategies are neither positive or negative *per se* – they may be illustrative of a learning organisation, of a flexible and reactive organisation, or of a highly contested organisation.

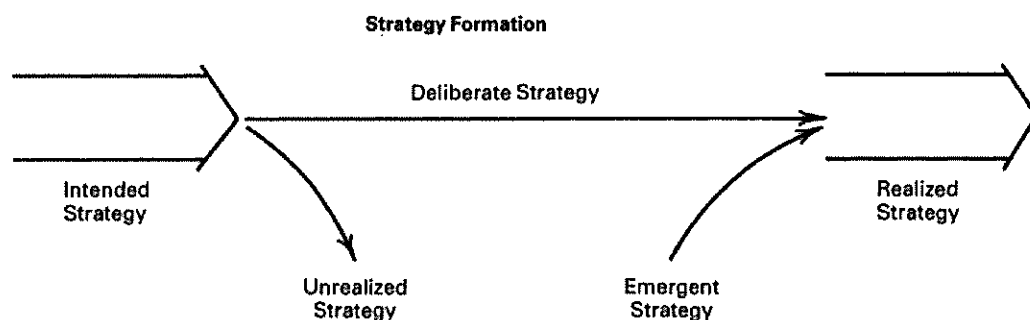


Figure 1. Basic forms of strategy.

The diagram above brings together these two perspectives on strategy formulation to show realised strategy – what the organisation actually did – as a synthesis of intended and emergent strategies. It shows that the direct relationship between intended and realised strategy will occur in some instances, but some intentions will be unrealised, and other actions may be unplanned. Under this model, strategy can be considered as an articulated plan or a common perspective; it may result from patterned behaviours or from tactical responses to changes in the broader environment. From this context, the role of strategist also changes. No longer analyst, 'planner', overseer and controller, the strategist is responsible for bringing together disparate viewpoints to build common perspective, and for balancing the demands for

flexibility, creativity and learning with those for predictability, accountability and control.

Given the discussion with which this report began, of the fragmenting effects of past NPM reforms and the desire of senior politicians and policymakers to exert more deliberate, long term influence over the direction of Government actions and the outcomes and effects they achieve, it is not surprising that both ends of the 'strategy spectrum' are well-represented in the views of those working in and around central agencies. Life at the centre of government inevitably involves contested issues and territories, constant reaction and response to emerging issues and events and repeated attempts to undertake longer term planning. Our question, therefore, is not so much 'which concept of strategy is right for central agencies', but more 'how can the roles, functions and capabilities of central agencies be best defined and aligned to maximise strategic potential?'

6.2 Three strategic domains at the centre of government

This complexity is addressed in debates over the different 'strategic domains' or spheres within which public organisations operate: the political, policy, and administrative or operational domains.¹¹ Together these three domains constitute the environment in which the government as a whole operates strategically. Individually, the meaning and purpose of strategy will differ across the domains, and this gives primacy to a different set of actors, operates at different levels across and within the organisation, and emphasises different skill and information requirements.¹² Put simply, the challenge of the strategic centre is to build capacity within each domain individually, and to ensure sufficient balance across the domains to ensure one does not dominate all others and that they are aligned to produce complementary outcomes.



¹¹ As articulated by Glyn Davis in *A Government of Routines* (1995).

¹² The 'Public Value' paradigm uses this distinction between different strategic domains to develop a 'strategic triangle'. Here, strategy is seen to simultaneously 1) declare the overall mission or purpose of an organisation in terms of important public values 2) offer an account of the resources of support and legitimacy that will be tapped to sustain society's commitment to the enterprise, and 3) explain how the enterprise will have to be organised and operated in order to achieve the declared objectives (Moore, 1995: 71). Under this model strategic statements are evaluated using three questions: 1) Is the strategy substantively valuable, does it produce value? 2) Is it legitimate and politically sustainable? 3) So, does it attract authority and money from the political environment to which it is accountable? And is it, operationally and administratively feasible? Hence can it be accomplished by the organisation and/or with help of others? This framework is useful to the extent that strategy is articulated, however it implies a degree of coherence across strategic domains and organisational units that may be difficult to sustain across the whole of government where power and knowledge are both contested and deliberated.

In the political domain, strategy is competitive, focused on shaping the external environment, and is primarily tactical and emergent; key actors are electoral, including ministers and their advisers, opposition parties, the parliament, the electorate, and the media. In relation to the strategic centre, the major relationship is between central agencies and their relative ministers, and between cabinet and bureaucracy more generally. Within the context of this project, the key questions in this domain operate around the interface between the political and bureaucratic arms of the executive, and traditionally the key organising unit in central agencies resides within the cabinet office as the conduit between politicians and the bureaucracy. However this will vary enormously depending on the centralisation of power within cabinet, and the extent to which cabinet is bound by explicit commitments whether in a plan, coalition agreement, or party manifesto for example. It will also vary according to the 'culture' of cabinet relationships and decision-making – the level of collegiality among cabinet colleagues and the style of decision-making promoted by the most senior politicians.

Tensions are likely to occur in relation to the balance between politicians' electoral interests, and their responsibilities to set the policy and managerial course for the executive. There may be a bid to 'tame' short term politics by developing a clear narrative or set of principles or priorities to shape the day to day tactical decisions of political actors. The time frame of this domain is shaped by the electoral cycle, as well as the much shorter-term demands of 24/7 media and polling, and as a result there is a tendency toward reactive, ad hoc decision making.

Within this strategic domain, the aim of the centre is to develop a shared perspective or narrative that provides a sense of cohesion or common purpose within which the reactive dynamic can operate. Traditionally this role has been performed by controlling the agenda and processes within which cabinet decisions are made, or by centralising key decision-making through a small number of ministers (of even the Prime Minister individually); centralised control of media and communications is another tool. A more devolved or decentralised approach can be adopted if the government develops a collectively agreed a statement of key priorities, a defining vision for the jurisdiction (e.g. the "Smart State" logo used by former Queensland Premier Beattie), or a more comprehensive State Plan. If this occurs the centre will play a key role in working with the political leadership to formulate this narrative, and ensure there is sufficient capacity to guide delivery. The latter will focus on building 'guiding coalitions' across the bureaucratic-political interface and managing networks of individuals across these actors. This role seems to lie naturally within a revitalised cabinet office, but only if operations can be adapted to move away from the inwardly focused tools of process management, to include a broader set of actors – including ministerial offices – and skills.

In the policy domain strategy focuses on resolving societal problems and how solutions are to be delivered; it is a combination of deliberate and emergent strategies, with emphasis given to setting objectives, undertaking policy learning and promoting adaptation through implementation. This domain operates over a long time period – some would say infinitely long – and involves a plethora of actors across each policy area. Individual line agencies hold the primary

responsibility for specific policy areas, although there are unresolved questions relating to whether policy goals should be set individually or collectively, by ministers or the bureaucracy, by experts, society or elected representatives. This is a highly contested domain, in which authority is diffused throughout a complex network of state and societal actors. The role of the centre is similarly contested – analyst, adviser, evaluator, visionary or facilitator? We see three sets of key central agency actors: sector-specific policy sections within DPC/DPMC, general policy analysts in DPC that provide ‘strategic’ whole of government policy advice, and those in Treasury undertaking economic analysis across policy areas. There is considerable competition between these areas.

In the operational or administrative domain, strategy is about defining the operational arrangements and capacity of the organisations and creating implementation arrangements that increase the likelihood of a government achieving its stated policy objectives, which are often set out as targets in a whole of government narrative or plan. This domain therefore focuses on ensuring the organisation has sufficient capacity – financial, human, technological etc. – to deliver policy aims. In practice strategy in the administrative domain has many aspects and forms and includes budgeting, decisional structures and pooling of funding to serve long-term perspectives and accountability, human resources, and work processes. The key actors within this domain are the departmental senior executives and managers, specialists in areas such as HR and budgeting and dedicated teams or units set up to focus on ‘delivery’ or ‘implementation’.






Within this domain, the role of central agencies is highly contested, and is primarily based on the key question: how do we make government work (Davis, 1995)? The blueprint model of strategic planning is most relevant to this domain, as the aim is to ensure the efficient and effective use of resources across the organisation. The further one moves into the organisation, strategy is more likely to equate to planning, and performance management is primarily a tool of oversight and control. The key tension for those operating in the strategic operational centre is to provide devolved responsibility for detailed planning to individual organisational units, yet to ensure coherence and sustainability across the whole organisation and to create and access the flow of information needed to accurately evaluate progress in delivery and to propose and execute changes in policy or operational strategy.

We see this debate in the top-down/bottom-up model of budgeting where the centre devolves most allocative powers to individual departments within broad financial and policy parameters. More difficult is to ensure is the medium to longer term operational health of the organisation or public sector more broadly.

This broad model of differing strategic domains provides the basis for clarifying roles and relationships at the centre of government. Put simply, the three strategic domains correlate with the five functional areas around which the centre has historically been built and evolved. The budget office sections of Treasury and various Public Service Commissions can be seen to constitute the operational domain of the strategic centre, the policy groups within DPMC and Treasury constitute the strategic policy centre and, more contentiously, the

cabinet office sections of DPC/DPMC together with the ministerial offices constitute the strategic political centre.

Table 4.

Organisational entity	Functional Specialisation	Primary Strategic Domain
Department of Premier and Cabinet		Political Domain
		Policy Domain
Departments of Treasury & Finance		
		Operational Domain
Public/State Services Commissions		

The quest for a 'strategic' centre may be understood in terms of building 'strategic' capacity within and across these three different domains: in terms of policy (shaping future policy direction); operational management (ensure departments have the necessary resources – especially financial and human – to fulfil government mandates); *and* politics (ensuring alignment between politically determined priorities and the day-to-day tactical responses by shaping a shared perspective between key political and bureaucratic actors). Clearly these are interrelated realms of government activity and, theoretically,

they are complementary – that is politics shapes policy shapes operational arrangements. Yet as highlighted in the previous discussion, strategy is rarely predetermined from the centre, specialisation for each domain lies throughout the system, and this relationship is unlikely to be hierarchical or linear. Hence the tools and mechanisms used to coordinate within and across these domains become a crucial element in this debate.

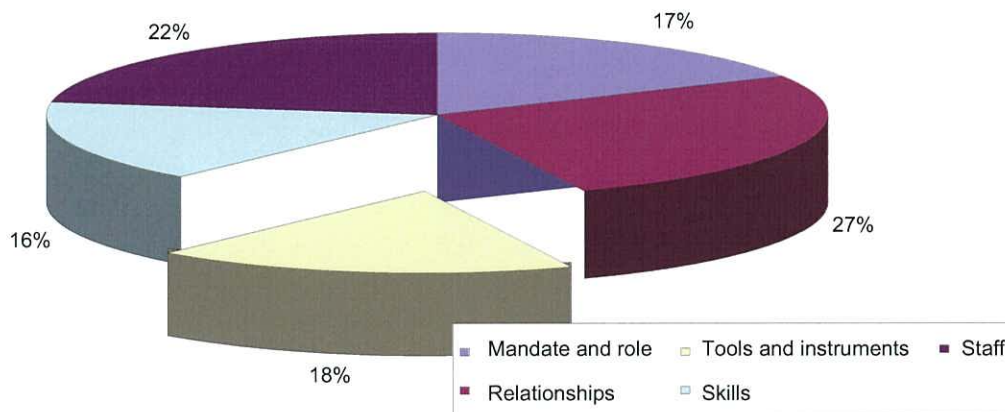
In practice, the demands of each strategic sphere are potentially contradictory, and one or the other sphere is likely to dominate due to an imbalance of power, resources or attention. If this occurs then the ‘strategic centre’ will become biased toward the perspective of one particular sphere, and therefore shape decisions across all areas. So for example, if the political sphere dominates, then issues of policy or operations will be seen as less important and resolved from the perspective of their impact on political strategy. This is likely to undermine capacity in these other areas, explaining some of the tensions between the different areas of DPC for example where it is argued that “short term concerns are undermining capacity for long term policy analysis” or that “policy is being made on the run and in relation to political concerns”. Hence the aim is to develop a centre with capacity across three strategic domains, and it is argued below that doing so will require different skills and instruments and involve different actors.

Integration between these different types of strategy formulation and strategic domains operates at multiple levels in complex organisations such as government departments and particularly across the whole of the public sector. Throughout each department there will be areas that have a relatively simple organisational structure with a clear hierarchy, where the environment is stable, the issues knowable and the environment relatively stable. Here, more deliberate strategies are possible. Often, this relates to managing the internal resources and operations of the core organisation – questions of how to allocate resources across the organisation, who does what and when. Elsewhere the issues and relationships are more complex and they operate over a longer period of time; as we move into the complex service delivery networks operating in many sectors – health and social welfare, for example – it becomes almost impossible to predict all issues that will arise, or to control decisions across diverse groups of ‘street-level’ bureaucrats. Efforts to develop a shared perspective across the diverse actors within these networks may produce a common pattern of behaviour – but even so the detail of strategy will only emerge as these decisions are made within the different contexts.

7. Performing the strategic mandate: Instruments, skills and staff

Challenges related to the adequacy of tools, skills and staffing predominate the conversations in the focus groups and interviews. Many of the issues raised here have already been discussed. This chapter summarises the key points within the three areas of tools, skills and staffing the centre. Yet at the heart of all this debate lie some core questions: if central agencies are to perform a more strategic role, are new tools, instruments or systems required, or can existing ones be adopted to perform these roles? What skills and expertise are required within central agencies to perform these tools? Can agencies draw on past strengths to build new norms and practices or is wholesale change required?

7.1 Instruments and tools of the strategic centre



The central agency toolkit includes a plethora of tools that fall into five broad categories including direct delivery, process management, and the oft quoted 'sticks, carrots and sermons'. Yet the discussion in this research focused primarily on two sets of tools: direct delivery by central agencies and regulatory tools including those related to performance management and accountability. The following discussion summarises firstly how each set of instruments is currently used at the centre, and secondly debates over their continued legitimacy and usefulness; efforts to reform and replace these instruments are directly linked to the tensions around mandate, and they provide the basis for influencing and changing behaviours within the public sector.

The direct program delivery instruments used by central agencies include conducting operational or policy analysis in-house; providing training programs; centralised systems of employing staff; negotiating employment conditions; and establishing IT systems for the whole of government. They also include developing policy proposals to be implemented elsewhere; conducting central reviews or reviewing submissions from elsewhere (through the budget or cabinet for example); developing whole of government plans or detailed implementation plans; or conducting future scans, undertaking research, long-term horizon scanning, or taking direct control of 'issues' or media management. Traditionally this was the modus operandi for the PSC/SSC but this role is less common today, although there are examples where this unit/department delivers training courses and undertakes detailed reviews, and in New Zealand, the SSC retains control for employing all senior executives. Both Treasury and Finance departments continue to undertake their own economic policy analysis and directly review all departmental budget submissions. The DPCs in many jurisdictions are re-creating an internal capacity to undertake in-depth policy analysis, to evaluate or review specific programs or departments, and to formulate comprehensive State Plans.

Direct program delivery is problematic for central agencies because it is labour-intensive and therefore it is likely to place enormous demands on staff and will often dissatisfy line agencies and ministers. The latter is particularly the case with public sector employment where the centralised model of service delivery is frequently blamed for bottle-necks, delays and the loss of good employees: "[we need the] *ability to turn around recruitment process in a quicker time frame to not lose applicants to other positions in private sector*". In the budget office, respondents repeatedly pointed to the problem of staff burn-out and that there is insufficient time to undertake the type of analysis they see as necessary to ensure appropriate operational efficiency. Similarly in the policy realm, the cry is for more time to reflect and analyse, to understand the key issues in more depth and from a longer-term perspective. The use of project-based work to undertake analysis or review and then propose actions targeted at a specific problem or strategic objective has become increasingly common. These project-based methods are not traditionally part of the skill set of central agency public servants and in many jurisdictions have been deliberately cultivated through training and recruitment and imported through the use of third party organisations, especially consultants.

The tensions between short term responsiveness and in-depth analysis are once again relevant here. In some jurisdictions this demand has been met by increasing staff numbers and resources, including the expanded Cabinet Office in South Australia; the creation of Policy Units in both the Australian and New Zealand Departments of Prime Minister and Cabinet. But elsewhere it is creating demand for reform.

As a result we are seeing greater efforts by the central agencies to control the flow of work by becoming more targeted or selective or, as many argue, being more strategic in their deployment of resources. The SSC in NZ managed the challenges of devolution by only retaining direct responsibility for CEO employment; the NZ Treasury recently established a *Stepping Up* to shift the

work of analysts so they focused on the key priorities of government rather than on every issue raised by departments. Similarly, most budget offices have sought to focus budget negotiations by a) establishing an initial priority-setting phase in the budget process where cabinet sets its priorities and thereby limits the number of issues raised on the budget agenda; b) requiring departments to undertake an initial prioritisation of budget bids, and presenting them in a departmental or portfolio budget submission rather than as individual policy bids; and c) only focusing on the largest government departments or priority policy areas rather than adopting a more comprehensive approach. In the UK this approach was taken further by abolishing the annual budget cycle in favour of a 3-4 year cycle of Spending Reviews. The DPC, the creation of State Plans, government priority statements, and an emphasis on whole of government policy advice are all efforts to limit the demand for policy analysis.

Yet there is continual push back from departments and ministers who resist being labelled a low priority or being blocked from bidding in the budget. This is compounded by tensions within central agencies where the aim to be 'strategic' by focusing on long-term or priority objectives is undermined by existing systems and processes that impose a shorter time frame. In some jurisdictions, departments and ministers have sought to get around these restrictions in the budget process and the cabinet system and have established a secondary, less formal system for engaging with the centre. So in terms of the cabinet office we see ministers and departments working through the Prime Minister individually – or through personal political networks – and in terms of the budget process we see 'within-year' lobbying for additional expenditures. Limiting these strategies requires a cohesive and coherent centre – which does not always exist.

Related to these tensions are debates about whether central agencies should outsource, delegate or co-produce many of the programs that they currently deliver. For example, many argued for the use of external experts – whether from interest groups, the public sector, universities or 'the community' – in undertaking policy analysis or providing specialist expertise. Yet this is also contentious, as it is seen to dilute the basis of central agency influence. In sum, direct delivery allows organisations to retain control over the process and the quality of the output, and to harness the power of expertise. This is clearly the position of the Treasury officials who contributed to this research: time and again they highlighted the importance of their people, their professional skills and retaining their "*ability to reflect on upcoming policy pressures and engage the minister in blue-sky thinking*". The reason is clear from one who argued that "*power comes not from the ability to direct but overwhelmingly it is influence through expertise*".

This is a crucial issue in redesigning the centre: how to ensure efforts to collaborate and co-produce do not undermine the capacity of central agencies to understand the future challenges and exert the influence necessary to bring about policy change. Which activities should central agencies continue to perform internally and which should be either outsourced or co-produced?

Regulatory instruments are a key mode of interaction between central and line agencies, and are typically used by central agencies to shape behaviours across the broader public sector. These tools include establishing and overseeing ethical, accounting, industrial relations and other types of standards, for example. Some governments are moving to establish step-by-step frameworks for project management and delivery (gateway programs); others are regulating the terms and procedures for consulting or collaborating with the community, engaging in public-private partnerships, or for contracting with private and third sector bodies. Where accountability or capability frameworks are used to assess and reward the performance of individuals, these fall into the regulatory group. Regulatory instruments also require an effective ‘policing’ capacity which can be implemented through regular self-reporting, some form of external audit or evaluation, a regular system of performance review and management, or oversight by way of a complaints system.

This set of instruments is underpinned by an ethos of ‘command and control’ – they are the classic tools of central agencies and often the most effective in areas where anything less than full compliance is dangerous or illegal, or where uniformity is the desired outcome. In the budgetary realm, accounting and financial reporting standards have a quasi-legal status as they are the basis for ensuring probity in the use of public funds. Again with the HR function, despite managerial devolution, many governments in our survey have strictly enforced procedural requirements for employing and dismissing staff, for managing displacement through restructuring, and for designing and remunerating new positions. For some these regulatory tools produce a system that is excessively rigid and time consuming – for others it is the basis for ensuring an equitable and meritorious public sector.

On one hand the regulatory tools were available and relatively easy to develop, but on the other side there were questions about whether they achieved the desired effect. This tension was continually raised by respondents: many argued that the *“current rule-based culture and the associated prescriptive regulatory framework across the sector is constraining positive innovation in service delivery and performance”*. Yet for others the increased emphasis on performance management and accountability through tools such as reporting implementation targets raised the question of *“how to balance oversight with cutting red tape”*. The following quote neatly captures this tension and the resultant search for alternative tools: *“we can issue guidelines and we can do tool kits but we’re only ever going to change behaviour and therefore make the public service more efficient and effective if we come up with a different form of relationship between our agencies and the central agency. And that’s pretty hard when you’re looking at somewhere in the order of 350 to 400 different organisations”*.

7.1.1 Tensions and competition over instruments and objectives

Discussions of instruments and tools were dominated by three issues: adequacy, overlap and conflict, and how to make alternative tools work. First, respondents asked whether the tools and instruments currently used by central agencies are adequate to bring about the longer-term behavioural

changes that are central to the organisation's policy and operational objectives. For example, respondents from the budget office questioned whether the incremental, annual budget process allowed them – and by extension the government – to ensure alignment between government priorities and departmental expenditures. For some the answer was to change the rules of the annual budget system to ensure better assessment of new policy proposals – “*Cabinet needs to commit to proper development of proposals before they are announced*”, and for others the quest was to “*recast budget process to facilitate cross-portfolio outcomes*”. However, most respondents who raised this issue were seeking to improve the capacity of the budget office to “*review the base*”. As one respondent argued, “[*we need*] *greater understanding of the effectiveness of government programs in order to advise government on opportunities to reprioritise and redirect funding*”. In this regard officials from both the budget office and elsewhere argued for an ongoing system of targeted evaluation and review separate from the annual bidding round and addressing a wider range of questions around organisational performance beyond the impetus of budget decision making.

“What are the effective and efficient systems to monitor outcomes rather than a progress report on actions? The speed of the agenda, the thrill of the next challenge and lack of skills/knowledge could defeat the initiative”.

Second, officials discussed the relationship and compatibility between the instruments used by different parts of the centre. One argued that it is “*still a challenge to deal with strategic issues that need to be addressed over 5-10 years when electoral cycles are so fast and when funding is considered effectively on a yearly basis*”. Another highlighted “*a need to reconcile collaboration with existing accountability mechanisms*”. Similarly, there was competition over the ends to which new instruments were to be directed. Time and again respondents from all central agencies discussed the need for better evaluation and performance management, for example. But it is clear that they were seeking to achieve different ends: for some performance evaluation was a regulatory tool, for others it was about education and learning, elsewhere the aim was diagnostic and in the budget office the evaluation was about efficiency, effectiveness, reprioritisation and cuts.

Finally, officials focused on the tools needed to coordinate activity across government and how to make these tools of coordination work. One argued that “*NZ needs a country-wide set of objectives with broad public support and with performance indicators and implementation plans attached*”. These questions of coordinative capacity are key issues for building a strategic centre, and are discussed below.

7.1.2 Instruments for coordination in the strategic centre

Historically derived, the mechanisms used at the centre of government to coordinate internally and externally are based on the exercise of direct control over the processes of government, and on referred authority as agents of the Prime Minister and Treasurer as senior members of Cabinet. Traditional and permanent mechanisms include the annual budget process,

coordination of the cabinet machinery, and responsibility for staffing and remuneration. These mechanisms remain in all of the jurisdictions across Australia and New Zealand, yet they are under challenge to reform and adapt from changes in managerial and political norms, and are often in direct conflict. The following discussion highlights tensions between the coordinating mechanisms used internally and externally by central agencies, and argues that developing a more strategic centre will require resolution of these tensions.

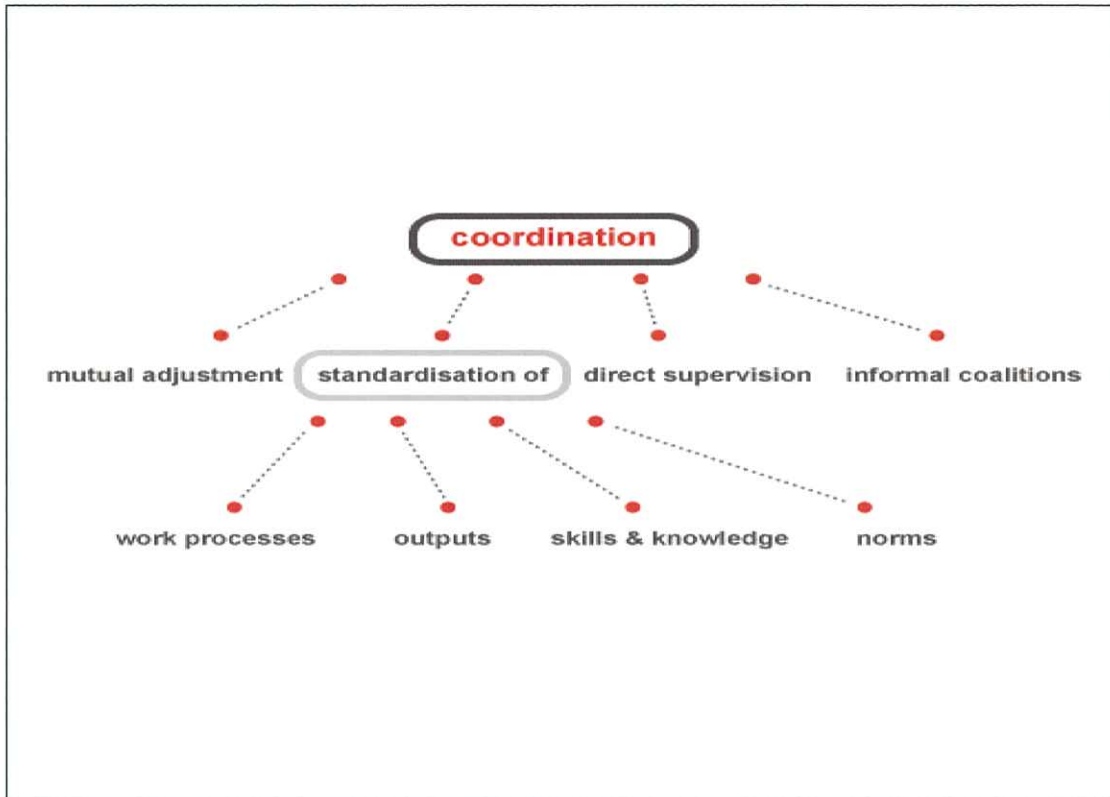


Figure 8: Types of Coordination Mechanisms (Mintzberg)

In a bid to understand tensions in the key relationships at the centre, this section draws on the work of Henry Mintzberg, examining the relationship between organisational structure and the coordination mechanisms that predominate in the organisation. In summary, Mintzberg argued there are five main types of organisational structure (structural configurations) and that each structure depended on one primary coordination mechanism. The primary mechanisms of coordination are shown in the figure above and they align with structure as follows: the *simple* structure relies primarily on direct supervision; a *machine* bureaucracy on standardisation of work practices; *professional* bureaucracy on standardisation of skills; the *divisionalised* organisational form on standardisation of outputs; and the *ad-hocracy* on mutual adjustment. The following discussion draws on this framework to examine the dominant coordination mechanisms at the centre and examine how they align with central agency structures.

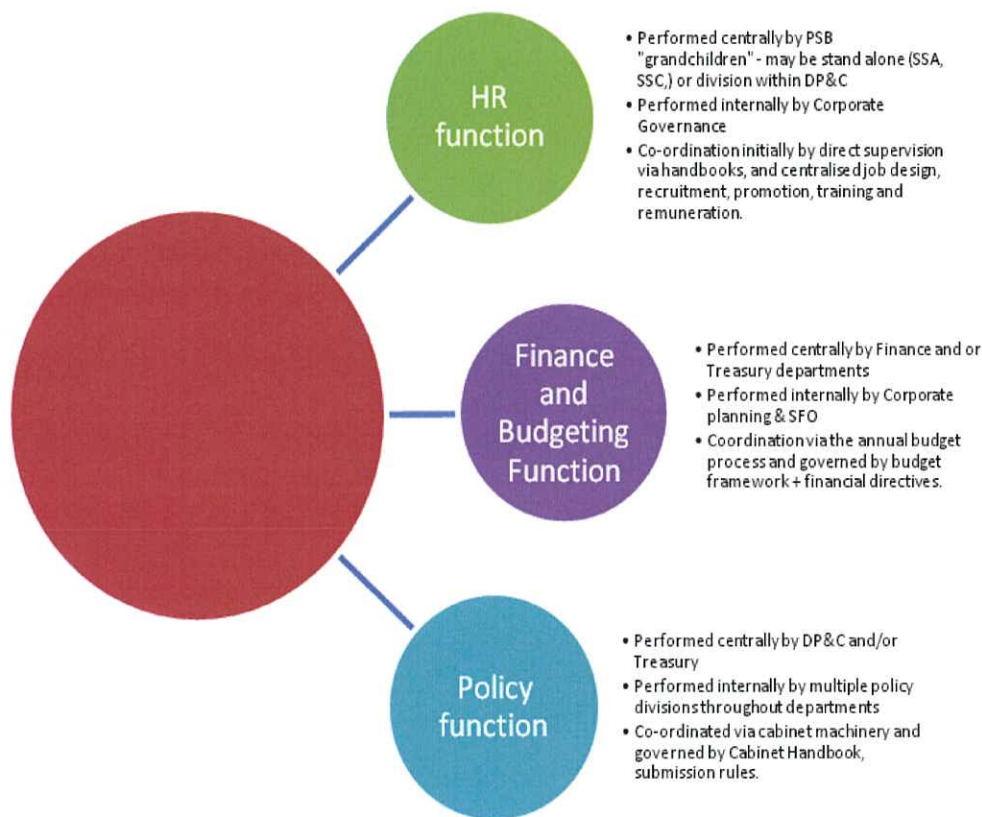


Figure 9.

Beginning with Treasury and Finance departments, internally there are two distinct organisational forms within the department and each relies on a different coordination mechanism. In the economic policy sections we see a professional bureaucracy which coordinates internally by standardising skills and knowledge in the economic and/or financial management sphere. This provides a common ethos and set of methods within the department and a unifying language and set of assumptions within that organisation. This is confirmed by evidence from this research of commonality in concerns and responses *between* Treasury departments in different jurisdictions, and by the very strong sense of cohesion that emerges from these organisations. Here the strategic 'challenge' focused on ensuring professional skill levels remained high, and finding ways to deliver an agenda of economic reforms and market style delivery mechanisms.

This notion of professional homogeneity often (although not always) begins to break down in the budget office sections of that department. Here we see questions around whether to hire 'doctors, teachers, and nurses' to ensure analysts can 'speak' the same language as their clients. More important than professional standardisation is the ongoing relationship between the line and central agencies, and hence the budget office typically operates with a 'client focus', standardising around work processes and outputs and operating as a divisionalised bureaucracy.

Externally, the treasury departments are much more consistent, relying on the budget process to coordinate external relationships. Treasuries use the procedural standardisation that is inherent in the annual budget process to coordinate and influence both the policy and operational domains across government. In doing so, they create something akin to a machine bureaucracy style organisation at the heart of government.

The Departments of Premier and Cabinet are built around and coordinate through quite different logics. Internally, the Cabinet Office or Secretariat coordinates relationships between line agencies and the cabinet by standardising the process and outputs of cabinet system. Here the standardisation covers issues such as the content, form, timing, and consultation requirements of cabinet submissions; it includes decisions on what will be considered where and by whom; and it focuses on the relationship between the political and the bureaucratic arms of the executive. As one respondent argued:

“We are the custodians of the Cabinet Committees and of advice to the Premier and that is very influential. If we tell the Premier that something is a bad idea and he agrees with us and it goes into a Cabinet Minute, well we can make things happen...”

In contrast, the broader department is organised around policy issues as defined by the Chief Executive. Here internal coordination appears to be a form of mutual adjustment that is built around supporting the personal policy or political priorities of the Prime Minister or Premier. The latter is typically framed within the context of pursuing creativity, innovation and responsiveness to the external environment (however perceived). While the former is best described as a ‘machine bureaucracy’, the latter is described as an *ad-hocracy* and this structural type is increasingly seen as a positive model for central agencies.

And here lies one of the central tensions within these departments, and at the centre of government more broadly: the key values and informing philosophy of these organisations often stand at odds with many of the existing and emerging tools used to coordinate government. First, while bureaucracies tend to have permanent and stable staffing and organisational arrangements, the *ad-hocracy* is more fluid. Organisational units are often structured to allow for movement and flexibility and we see more use

Characteristics of an ad-hocracy:

- highly organic structure
 - little formalisation of behavior
 - job specialisation based on formal training
 - a tendency to group the specialists in functional units for housekeeping purposes but to deploy them in small, market-based project teams to do their work
 - a reliance on liaison devices to encourage mutual adjustment, the key coordinating mechanism, within and between these teams
 - low standardisation of procedures, because they stifle innovation
 - roles not clearly defined
 - selective decentralisation
 - work organisation rests on specialised teams
 - power-shifts to specialised teams
 - horizontal job specialisation
 - high cost of communication
 - culture based on democratic and non-bureaucratic work
-
-

of temporary groupings and teams. Within this context the most permanent jobs are those intended to allow on-going scans of the external environment – whether via the local and international media or the latest in policy design – or to ensure ‘issues’ management. The ethos here is different – it is about immediacy and reactivity – and the tools are typically focused externally: they require synthesis of existing analysis rather than undertaking detailed studies themselves. Second, if we look at the underlining features of *ad-hocracy* we see an “aversion to planning, a tendency to respond only to the urgent, as opposed to the important, a focus on ‘fire fighting,’ rather than on establishing systems and procedures through goal setting and long term planning”. This tendency may also be exacerbated by the high rates of turnover among officers at all levels in these areas of central agencies, a result of changes in the graduate career market, perhaps of a faster-pace of policy development and decision-making and of increased interchange between agencies and jurisdictions.

So, we can explain tensions between the short and long-term as characteristic of tensions between the professional and machine bureaucracies and the *ad-hocracy* which has emerged to help manage the demands to be more “reactive” and responsive. Attempts to reimpose a system of priority-setting through state planning processes or to impose an agenda for policy and budget issues go against the responsive and reactive dynamic inherent in the *ad-hocracy*. If responsiveness and creativity are the key philosophy of those driving the government agenda, then cabinet and budget mechanisms are seen to be too slow and ponderous, and the notion that an agenda can be planned and shaped is defunct. Hence cabinet mechanisms are either a secondary component of decision making or treated as an exercise in paper management.

Similarly there are tensions between the activist agenda of the *ad-hocracy* and budget reforms designed to broaden participation in the budget decision making. Through the devolution of operational decision making that occurs in output – and outcome – based budgeting we see line departments assuming control of the operational domain and implicit acceptance that the centre is synthesising rather than determining the operational strategy of government. Yet this model severely limits the capacity of central agency actors to respond to emergent challenges by establishing new programs or policies. Similarly the reforms to engage ministers and other central agencies in various stages throughout the budget process may provide an opportunity for the centre to deliberately shape operational and policy strategy across government, however this is severely contested. This tension is clearly reflected in the following quote by one of our interviewees:

“Whole of government will only work when there is coordination both in terms of policy making and budget decisions – as long as the budget process is driven by individual agencies – this works against the ability to bring agencies together in terms of policy development, implementation and outcomes”.

7.1.3 New tools for the strategic centre

If the traditional tools of coordination are under challenge, what alternatives are emerging and how can these be understood from the perspective of a strategic centre? The following focuses on two instruments – State Plans and central reviews – that were repeatedly mentioned by our respondents as the basis for building a more strategic engagement between the centre and line agencies. Whole of government plans have been adopted by most state jurisdictions in Australia and have been actively promoted by others including the UK. Similarly, there is a general move toward building central review capacity across both the policy and operational domains, whether for the purposes of evaluation, diagnosis or developing future options.

7.1.4 State Plans – as a tool for coordinating the strategic centre

“The Holy Grail for a public servant working in a central agency is to get ministers to say these are our priorities.”

The really challenging thing within government is to work to forward plan, as much as one can, to predict as far in advance as possible the demands on government and then to adjust one’s priorities and activities to meet those changing expectations.”

Over the past decade, Australian states have reinvested in the development of government-wide or State Plans. They have now been adopted by New South Wales, South Australia, Tasmania, Victoria, Queensland, Western Australia, the Northern Territory and the Australian Capital Territory (see Appendix 1 for an overview of State Plans in Australia). The Australian Government has also developed a ‘Strategic Policy Plan’ as an internal priority-setting and management tool. The new state planning regimes are shaped around the economic, social and political reality of the different jurisdictions; they seek to overcome the limitations of short electoral cycles, community distrust in government and the demand for measurable improvements in societal outcomes. And this experiment is being eyed with jealousy by other jurisdictions – as one official from New Zealand commented:

“NSW is really interesting because they’ve gone much more to the State Plan type of idea. And it made my eyes water with envy. You come up with a decent set of policies, have a really rich conversation with ministers about what their priorities are going to be, and then they’re prepared to stick to them...”

The growth of State Plans across the Australian states can be understood as a bid to reconcile many of the tensions discussed in previous sections, and provide an instrument for unifying the disparate objectives of the centre. In between short-term responsiveness and long-term policy, they provide a clear indicator of government priorities that can flow through most areas of central

agency activity: the budget process can be built around them; ministerial accountabilities can be directed toward them. Depending on the mechanisms for formulating the plan, it can become an example of citizen engagement and consultation; critiques say this is really just a document for political advertising but the duration and engagement across many jurisdictions suggest otherwise.

Since March 2004 South Australia has had a comprehensive strategic plan which is unique within Australia and has been modelled on the plan developed by the US state of Oregon. Introduced with the support of the Premier, a South Australian manager described the plan as having “*the commitment of the Cabinet; it is the creature of the Cabinet at this stage, not a creature of the public service*”. As a plan for the entire spectrum of government:

“...it covers the environment, social policy as well as economic policy. The plan involves a level of integration between public and other sectors, the non-government sector and the private sector, not experienced in the country before”.

In most jurisdictions, the formulation of the State Plans has been coordinated through the DPC. In formulating State Plans, most governments have engaged the community in identifying their priorities by highlighting preferences – for example, by selecting specific areas for investment (Crowley & Coffey, 2007). The role of citizen consultation versus policy research in the development is balanced differently among states. Both Tasmania and New South Wales put the emphasis on extensive citizen consultation as a source of policy development. The ACT has a community board which incorporates expert economic analysis to inform the economic white paper that is part of the Canberra Plan. Victoria chose a similar balance.

Tasmania and New South Wales differ strongly in the role they give to the Plan towards implementation and budget allocation. In Tasmania the Plan and the process are more or less owned by the community. The implementation of some of the targets is even considered to be the responsibility of private parties. And even though the Plan guides the budget, it is not the only basis for decision-making. In New South Wales a rigorous governance regime is put in place to guard the implementation of the Plan. Targets are monitored with high precision and the Plan is a direct basis for budget allocation. Other jurisdictions are on more moderate paths. They have a clear role for policy research in the development of the Plan and favour alignment between corporate plans with the goals of the Plan. Here, targets in the State Plan are not the primary tool for performance measurement and budget allocation decisions.

Implementation of State Plan objectives is the primary responsibility of line agencies operating in a multitude of arrangements including partnerships within and outside government. This has generated new institutional arrangements at the centre of government, around the budget processes, in terms of departmental strategic planning and reporting, in the Cabinet system, and the associated accountability mechanisms. In New South Wales, parliament and the Auditor General intend to audit the performance information provided by departments and use these as the basis of

accountability. Auditing such a comprehensive plan brings a number of challenges, including the need to integrate efforts and develop alliances with the private and non-government sectors. The government is committed to reporting on progress against 98 separate targets, most of them stretch targets, every two years. Individual departments each have targets for which they are required to develop implementation plans, first establishing baseline information. There is a challenge in the process itself and in maintaining the enthusiasm and drive to deliver the targets. Many of these targets have specific measures for tracking progress (such as reducing rates of obesity by 10 percent).

The extent to which State Plans can provide the basis for strategic engagement by the centre will differ according to how it is formulated, implemented and managed. As discussed in the previous section, whole of government plans have traditionally been rejected as technically and politically impossible due to the complex policy and service delivery issues addressed by governments. However many example discussed above illustrate that most State Plans are being used as the basis for coordinating action and setting key priorities around which policy development can occur, rather than as a detailed operational blueprint for government. This locates formulation of the State Plans within the political domain of strategy: when formulated through community consultation, it is more a synthesis document designed to build a common perspective around the future directions of government, which allows a pattern to develop around the choices of decision-makers throughout government, whether in terms of policy development or operational capacity building. One difficulty in ensuring that State Plans fulfil this function is the emergent tendency to see State Plans as another command and control mechanism, and therefore the basis for a reward/sanction based performance management system. Indicators that this is occurring will include extensive across the board reporting requirements, any efforts to link State Plans with performance pay, or use them as the basis for a performance-based budget system. This approach is likely to reduce collaboration and the information sharing that is required for policy learning; it will also increase the impetus of gaming (or strategic misrepresentation) in the system (see Hood and Jones for examples).

Text box: Experiences in Cross Government Priority-setting

The Government of New Zealand has not developed a whole of government plan. It could be argued that budget documents come closest to a whole of government plan, with responsibility for formulation devolved to agencies and negotiated with central agencies through the budget process. That being said, the New Zealand Governments has developed a multiplicity of planning documents including sectoral, infrastructure and departmental operational plans.

New Zealand

Experience with a detailed strategic planning process during the 1990s, which in the words of one interviewee became “*a great big bureaucratic monstrosity*” prompted New Zealand Governments since 1999 to turn to a broad-brush approach. Labour-led governments since 2005 had used ‘*economic transformation, national identity, families young and old, and sustainability*’ as broad statements of strategic intent and as a framework for identifying budget priorities.

New Zealand’s next foray into state planning was the ‘statement of three key priorities’ issued by Prime Minister Clark in 2004. These priorities were centrally driven, leader imposed and seemed to have little impact on the broader public sector despite efforts to build a budget process around the priorities. In terms of political institutions, New Zealand, as a unified state, has the prerequisites for top-down planning. However, there is a strong culture of devolved public administration in New Zealand which means a centralised method of formulation through a top-down statement by the Prime Minister has limited political backing for the priority statement.

The earlier process, which asked each agency to define ‘Key Results Areas’ and their contribution to ‘Strategic Results Areas’ had, in the view of the interviewee, become so monstrous with detail that “*the axle was not strong enough to support the wheels to carry the load. It crumbled and everybody ended up doing a lot of compliance activities.*”¹

A different approach was initiated by the State Services Commission, and since 2008 it has been the joint responsibility of all three central agencies. A series of Development Goals were drawn up to emphasise delivery to citizens including:

- *Employer of choice*, to attract high performers, who are committed to service and the achievement of results.
- *Networked State Services*, which use technology to transform the provision of services.
- *Value for Money State Services*, which use resources and power in an efficient, appropriate and effective way.
- *Coordinated State Agencies*, which ensure the total contribution of government agencies is greater than the sum of its parts.
- *Accessible State Services*, which enhance access, responsiveness and effectiveness.
- *Trusted State Services*.

The goals were, in the words of an interviewee, to focus on “*where democracy links up with management*” rather than the centre’s normal interactions between 20 ministers and 200 senior public servants. The aim was to lift “*confidence and competence in measuring where 200,000 state servants interact with 4 million New Zealanders*”.

A first measurement of progress was carried out in early 2008, with a ‘Kiwis Count’ survey, using questions modified from a Canadian questionnaire. The results showed New Zealand public service scoring “*comparatively well overall*” with levels of engagement of employees having a [positive] impact on the citizen experience.

7.1.5 Central review function: Creating the impetus for policy and operational change

Governments in Australia and New Zealand are adopting quite different strategies, methodologies and rationales for establishing a central review capacity. This responsibility spans issues such as futures planning for the whole-of-government plans, developing reform options in specific areas of policy or operational style, and undertaking central reviews for diagnostic and performance management purposes. Operationally this role is currently divided between the budget office and the variously constituted public service offices, commissions or boards; in the policy domain it primarily includes the Treasury and numerous parts of DPC. In seeking to build closer links between the central machinery responsible for overseeing the operational elements of government we aim to reduce duplication that is emerging around the 'performance and evaluation' and the public sector reform mandates of the budget office and PSC, and to build a stronger capacity for centrally coordinated reviews. In most jurisdictions this will require substantial changes in the operation of the budget office and a significant investment in the public sector HR function.

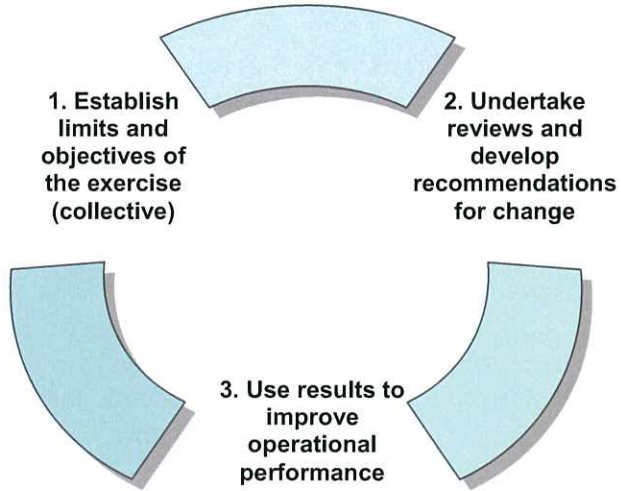
Units responsible for this role are located across the central agency network – including the Office of the Premier/Prime Minister, the Treasury, as stand-alone entities, and in the Public Service Commission (however named). The key questions around the central review function include who should undertake the review and why. From a policy perspective, the central reviews focus on building the impetus and the direction for reform. Given the complexity of policy networks in Australia and New Zealand, the importance of building a political coalition to ensure change and reform cannot be overstated. In the operational domain central reviews will focus on ensuring government's operational capacity to deliver its policy objectives by examining, for example, questions of finances, people, service delivery models and skills. The following discussion highlights the factors necessary to develop the technical and political capabilities essential for ensuring the central review mechanism is used to direct change and adaptation rather than simply undertaking analysis.¹³

International experience shows that successful systems of central review balance procedural stability and methodological flexibility. The systems are built around a stable machinery of government developed to engage the political and bureaucratic leadership as part of the review cycle, but also have the flexibility to incorporate different methods and techniques of review, including reviews that vary in scope, focus, and depth; that employ a range of analytic techniques, and that examine questions of policy, performance and operational efficiency (see text box below for summary). This technical diversity ensures that the review process can be adapted to remain relevant in the face of changes in the political and budgetary environments, and the relation to changes in the importance of different operational issues.

¹³ This discussion draws on previously published work by Kelly 2007.

Successful central review exercises are typically organised into three stages which are designed to engage ministerial and managerial leaders in setting the goals, strategy, processes and outcomes for the review. Stage one engages the key leaders in setting the overall strategy of the review program and identifying the agencies, programs, and/or issues to be examined. Stage two is the process of planning and conducting reviews. Stage three ensures the information from the review exercise is used to enable changes in operations or service delivery – this will occur at a number of levels throughout the bureaucracy, the cabinet, and perhaps the legislature. Central review systems typically fail to gain traction or to influence the operations across departments because they are treated as technical exercises and give insufficient attention to building a ‘guiding coalition’ to accept and then support the changes recommended in the review.

Figure 10: Three Stage Central Review Process



The central review process needs to be managed and coordinated by a relatively small secretariat at the centre of government. This group’s primary role is to manage the review process to ensure that deadlines are met and all participants are aware of their roles and responsibilities. This coordination role brings coherence to the process: designing and/or maintaining the review process; setting overall guidelines and parameters; conducting education and advisory sessions; establishing and managing networks between line and central agencies; participating in detailed negotiations with relevant officials and ministers throughout the relevant network; and keeping decision-makers focused on the goals of the exercise. Jurisdictions currently differ in where this review function is located: in both Australia and New Zealand different processes are run through the budget office (Strategic Reviews and VFM respectively) and the SSC/APSC. Many state governments in Australia run operational reviews out of DPC (see for example the former Council for Cost and Quality of Government in NSW ccqg.nsw.gov.au). In this regard, one senior

official in Australia argued that keeping the review process outside the budget process was essential to remove it from the 'hurly burly' of budget decision-making and therefore allowed a less 'heated' review process. Being positioned in the Premier's Office provided the review secretariat with direct access to the Premier and the cabinet, and was key to ensuring the continued success of their process.

Text Box: Mechanisms for Central Review – Some Examples

1. Horizontal policy reviews focus on policy issues that cross departmental boundaries - also known as cross-cutting or 'theme' reviews. These are often used to examine policies delivered through statutory spending or intergovernmental transfers, and can be either retrospective, to enable expenditure restraint, or prospective, to influence future decisions on resource allocation and policy development. The cross-jurisdictional nature of these reviews means that central agencies play a key role in managing horizontal policy reviews, either as a coordinating body or secretariat to the review. In some countries a lead minister will act as 'champion' in these reviews (New Zealand appoints senior ministers to lead and coordinate each expenditure review).
 - NZ "theme" reviews are a recent example of this; UK cross-cutting policy reviews and Dutch IDPR.
 - Between 1984 and 1988, the Australian government undertook this type of review in a bid to target the provision of welfare programs. Reviews were initiated by 'call-back' letters issued at the end of the previous budget session and led by policy committees of cabinet.
 - In Canada this type of policy review ran parallel to the Program Review exercise to allow examination of statutory programs in the areas of health and social security, and to look at intergovernmental transfers.
2. Departmental zero-based reviews: undertaken with specific departments and ask whether the programs continue to be relevant, whether priorities are right, and whether the departments are delivering the right programs in the right way. Examples include Program Review (1995); CSR in the UK (1998 and 2006/7); NZ in 1991 and Sweden around the same time; and Australia (1986 and 1996). Typically, they are not a vehicle for reviewing statutory spending. Usually (but not always) they are designed to facilitate expenditure restraint. They tend to be the most comprehensive reviews and are used in response to a fiscal or policy crisis: they go into greater depth and are at least partially 'zero-based'. They typically focus on the whole suite of government expenditure programs with the intention of delivering expenditure cuts through program retrenchment or redesign, or reprioritisation expenditure within a department. Responsibility for undertaking this type of review is typically devolved to line agencies although the central agencies and cabinet ministers play a role in setting the parameters and objectives of the review and ensuring these are achieved.
3. Departmental Program Reviews (or evaluations): department-specific with less coverage but more depth than the first two types. Designed to ensure ongoing assessment of the effectiveness, efficiency, and/or equity of specific programs or area of activity. Continuity is the key. In Australia, the Portfolio Evaluation Program was designed to ensure all programs were subject to this type of review over the course of five years. More recently a system of benchmarking and pricing reviews was intended to test the cost efficiency of programs and activities.
4. Horizontal management reviews: these have addressed issues such as capital management and allocation (UK) and IT (Australia). Within the budget process, these types of reviews are typically used by the centre to deliver 'efficiency' savings – either by taking the resources out of the base directing departments to implement the recommendations or by providing options that could be picked up by departments.

The coordinating body should also ensure that line ministers and officials have input into both the form and direction of each round of review. One option is to establish a 'commissioning body' of senior officials from central and line agencies to oversee the process. Such a group should meet at key points throughout the process to discuss the direction and management of the exercise, and any potential problems. The group may be formally constituted as a shadow committee or steering group or it may act informally at a more operational level. Either way, this interaction is crucial to ensure collective buy-in and shared understanding from the central agencies *and* ministers.

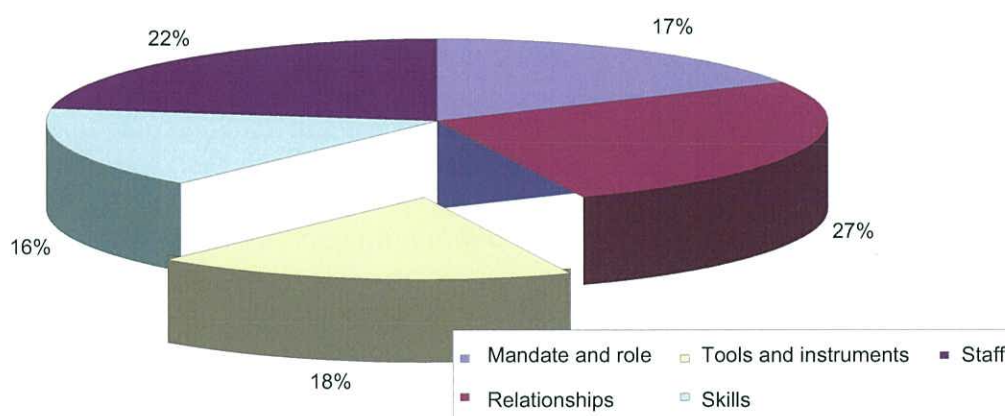
A successful system of review will tailor the analytic techniques and review methods used to the specific case. For example, a comprehensive review of departmental spending programs may not capture policies delivered through statutory or mandatory programs, or allow re-examination of the entire suite of government programs which address a common issue but are delivered by different agencies. Similarly the type of analysis, the expertise, and the key actors required to review management of IT projects across government are very different from those needed in an analysis for organisational redesign or social policy development. Reviews also differ in terms of scope or organisational breadth – some focus on a single institution and some on a number of departments – and in term of the issues being addressed. 'Vertical' reviews focus on single departments or agencies; 'horizontal' reviews focus on issues that cross departmental boundaries. Both departmental and cross-cutting reviews can be designed to address policy, program or operational issues, and may focus on questions of performance, efficiency, effectiveness or appropriateness. Five different types of expenditure review are listed below and highlight the variety of reviews available rather than provide an exhaustive list.

The roles of central and line agencies will vary according to the type of review being conducted. Typically the central agencies will set the guidelines and the objectives of a comprehensive departmental review, and departments assume responsibility for conducting the detailed analysis and developing recommendation based on their analysis. The responsible program analyst(s) within the central agency will perform an 'assist and assess' role in which they provide support for the line agency and contribute to formulating recommendations. By contrast, central agencies typically become more involved in the detail of cross-cutting analyses and will often act as the secretariat for the review and provide expert advice.

Finally, any central review process must be underpinned by a small but strong 'guiding coalition' that brings together key actors across the political and bureaucratic divide in the specific area under review. As discussed above, this group will be responsible for building legitimacy of the review itself, and consensus and impetus around the need for reform. This could be part of the formal cabinet committee structure, but is more likely to be a less permanent coalition including senior members of the relevant departments and political staff. In the UK for example, this included the policy head in No. 10 as spokesperson for the Prime Minister, heads of the Strategy Unit and Delivery Units, and the Secretary of State in the relevant policy area. Together this group worked to sequence the debate and the review process in a way that initially highlighted the need for change, then developed criteria for 'successful change'

and suggested possible options, and finally worked to build and deliver recommendations. The importance of working with relevant stakeholders through discussions, focus groups and feedback sessions was continually emphasised by this coalition – and members of the review team itself. Without application of these political and coalition building skills, the findings of central reviews are unlikely to move from advice to action.

7.2 Skills and staff in a strategic centre



“What am I looking for in a central agency officer? A can do attitude; high analytical skills; negotiation skills; detailed knowledge about subject area... consultation and effective coordination skills; innovative thinking...”

“Basically what I need are people who have good writing skills, who are in a sense worldly and rounded I guess, but that don’t take extreme views, that are low maintenance, and who get on well with people”.

“The opportunities are for people who are very clever with analytical abilities. Those are the skills you tend to get in central agencies. These skills are essentially destructive”.

Our interviewees showed almost unanimous support to the idea that central agency “staff require the twin skill set of subject expertise in different policy fields, as well strong interpersonal, project management and political nous”. Yet there was substantial debate over the balance between these skills, and whether or not the ‘expertise’ should be based on experience or books, and whether the analytic skills should relate to a specialisation in one policy area or generic. More broadly, respondents questioned whether to enhance the existing skill base within the department or develop new skills; what should be undertaken in-house and what should be bought-in and, if the latter, then should this occur through collaboration with other central agencies, line agencies, other

levels of government; or if experts from outside the public sector should be employed by way of consultants, universities, program recipients, or the community.

Any discussion of specialist skills and expertise typically aligned with official perceptions of agency mandates. So Treasury primarily emphasised the importance of “*good strong economic analysis capability*”; budget office looked for skills in financial management, information management, risk mitigation and management, as well as program review and other evaluative capacities. In the human resource agencies, specialist skills included various elements of personnel management, including job design, performance management, recruitment and retention strategies, and whole of government succession planning; evaluation and diagnostic skills were regularly mentioned. From the cabinet office political nous was expressed as the procedural expertise related to advising departments or ministers on how to get ‘movement’ on a policy issue:

“...the skill of being the central agency bureaucrat, of knowing how to get a result: process skill in a sense. The negative side of that is the Sir Humphrey sort of style process skill of being able to stop things from happening, but there is a process skill around making things happen too. Is this the right time to take this into a Cabinet Committee process? Or is it the right time for a quiet chat with someone from another department? Is it the right time to...should we brief a Minister beforehand? Should we brief the Premier now? Or do we take longer or do we try and engage external stakeholders and get them interested and get them pushing an agenda. So all that is... the tricks of the trade”.

Respondents differed enormously in whether they placed more emphasis on generalist or specialist analytic skills, and the importance they placed on ‘influence and interpersonal skills’.

For our purposes, the question about emphasis on generic analytical skills, or on the broadly defined ‘influence’ skills, is particularly important. These debates clearly relate to how analytical skills should be used: should central agencies undertake the policy analysis required to develop new policies or to challenge existing ones, or should they act as policy entrepreneur by facilitating collaboration, learning and change within the broader policy network? If the former is the case, then specialist policy expertise is probably the most important. If it is the latter then the emphasis will be on building partnerships, collaboration across departments, active engagement, and on priority setting within and across the policy areas.

Influence skills are important as they allow for movement and action; they are used to judge tactics and develop a shared perspective from which behaviours are shaped to build a pattern that eventually embeds the desired policy ends. One respondent summarised the general position by arguing that officials need to know “*how to take an idea, and build consensus and buy in from those at opposite ends of the spectrum*”.

Given the level of pressure on central agencies to perform a broader range of 'strategic' roles and the consistent concern about skills and relationships articulated by the participants in our research, it seems clear, though, that developing this range of skills more effectively and being clearer and more explicit about the different skill sets required in different domains within central agencies, should be an urgent priority for Governments.

7.2.1 From expert to network facilitator

"How do you make things happen when you don't have direct control and with lots of ambiguity of who's really in charge of what... I want people who...have the ability to do multiple things at once that don't necessarily all fit easily together. So they've got to be able to be responsive whilst they keep an eye on what the big issues and big pictures might be. They've got to be able to have really rich relationships with other departments so that they can be influential in terms of lining other departments up".

"Just as we have a tendency to more presidential Prime Ministers so I think we have a tendency to have more decision making being concentrated. With more policy advice, more policy grunt, more policy effort, being concentrated in the central agencies..."

A sense of policy rust-out under managerial reforms has typically been addressed by developing policy capacity at the centre of government. The extent to which this happens differs between jurisdictions, and there are also differences around whether this policy capacity is being built around the economic policy functions, in support of the Prime Minister (individually) or in support of the cabinet more collectively (the Cabinet Office). Sometimes it is a combination of the three, with responsibility either divided along interests of the political leader, or often there is overlap and competition across policy areas. The latter often results from differences in the perceived or legal mandate of the department, and in the basis of interactions with other ministries. Not surprising – this is such a crowded space.

We have already discussed different perceptions of how the policy role should be performed by the centre: whether through analysis and challenge of policies developed elsewhere, or development and instigation of new policy ideas. Yet the strategic literature and international experience suggests that strong problem-solving and communication skills coupled with facilitation, network management, collaboration and partnership will be more important to the strategic policy centre than disciplinary specialisations. This is primarily because the complexity of problems and of policy delivery networks across most areas of government will defy the sort of 'taming' or top-down management that is implied by a more direct or in-house delivery of policy analysis.

From the public policy literature we know that the capacity of central agencies to shape future policy direction will be at least partly determined by the existing network within each policy domain. State and societal networks differ across policy domains and this will limit the capacity for a 'cohesive, forward looking' approach to policy-making. Locating 'the policy

centre' within a single department, unit or even government is therefore difficult or even impossible. The interviews discussed above highlight the tensions that exist in locating the heart of a strategic policy centre in the existing central agency structure.

So we argue that “the strategic centre will only achieve policy or operational change if it is able to ensure that analysis (wherever produced) creates the demand and impetus for reform throughout the relevant operational or policy networks”. This position is summarised by one of our interviewees who argued for “networking skills, they tended to be mental agility skills – the ability to understand the big picture and translate. An awful lot of what our really demanding skills are is the combination of having a fascination in government, and with whichever technical skill you bring to bear on that”.

Much has been written about the importance of networks in delivering public policies and in facilitating substantive change within policy and operational domains.¹⁴ In recognising the limitations of unilateral action by the centre, we move away from the more inward looking analytical ability to one that accepts that some problems can only be resolved by multiple actors. In highlighting the need for collaboration, partnering, collaborative problem solving, negotiation and relationship-management, our respondents are effectively calling for better network management.

Network management involves two primary dimensions: managing interactions within the existing network, and restructuring networks when change is required – these are summarised below:

¹⁴ See Atkinson and Coleman for relationship between policy networks and policy capacity and instrument choice

Table 5. Two primary dimensions of network management

Dimensions of network management	Elements of each dimension
Game Management: managing interactions within the existing network	Network activation
	Network arranging
	Brokerage: someone in the network has to bring together participants, problems and solutions. Requires political entrepreneurship
	Mediation, arbitration and facilitation
Network Restructuring: building and changing the institutional arrangements of a network	❖ Network analysis: <ul style="list-style-type: none"> ○ Understanding existing network structures within the policy area/domain and how they shape the capacity to deliver programs and/or the paradigms within which policy solutions are developed/understood
	❖ Network re-organisation: the changing resources, relations and rules that govern the network
	❖ Network reshaping: changing culture, perceptions and behaviour of participants (influencing, narrative)

Yet we know that by definition, most networks are complex and defy management and are often resistant to change. Nonetheless extensive research into this area highlights two important issues. First, policy and operational change will only be translated from blueprint to action if accepted by key players within the policy network. Just as street-level bureaucrats will create policy by their actions, so the collective actions within the policy or operational networks will shape the actual strategy and direction within the related areas. So for example, if changes are desired in the way civil servants are recruited and rewarded, it is the combined action of every manager that matters, not the policy statement. Therefore real and substantive change will only occur from changes in the perceptions of these actors, and therefore in the pattern of behaviour. This will only result once the relevant people see a need to change, and accept that the recommendations are likely to achieve desired results – it is the combined results of education and experience. This means that actors within the centre need to work through and with the existing networks, and *“if problems cannot be solved within the existing network structure then the network must be changed”*. The latter could mean rebalancing the distribution of political and financial resources – rewarding those who achieve the desired results for example or creating new and powerful institutions within the policy domain.

7.2.2 Options from elsewhere

In Finland the emphasis is placed on strategic knowledge management. The Finns believe that the state has lost its previous role as the exclusive, or almost exclusive, possessor of strategic knowledge and has no right to control

information or communication. Openness of information and knowledge has become the central value of a modern information society and whether practical or theoretical, the significance of knowledge and expertise for success – whether in terms of business profits, the citizens' well-being, or administrative productivity – is identified more distinctly than ever. They approach knowledge-management in a broad way as enabling discovery learning and as an issue which involves the wise care and development of knowledge, skills and communication based on a desired and shared vision of the future (Jussilainen, 2007).

In the UK, it is arguable that strategy units at the centre of government have been set up with this function in mind. Unpressured by the daily operations of the department, these units have the chance to develop knowledge and to build a knowledge network around the organisation. Yet, general renewed attention for openness, communication and knowledge management is for example also expressed by the House of Commons in the UK:

“We believe that communication is vital when considering the long-term. Openness about the ways in which government is thinking about the future will not always be easy. The nature of long-term thinking means that policy has to take account of real uncertainties. Speculative work may carry political risks. Government should be as open as possible about the way in which it considers long-term issues, to build public understanding of possible future scenarios. Change in policy in the light of changing knowledge and circumstances is a sign of strength not weakness; and a public which recognizes that strategies are made in the light of the best evidence available at the time, with all the uncertainty that this implies, may be better able to understand the need for change”. (Governing the future, House of Commons, 2007).

Whether the development and assembly of knowledge to make substantial and legitimate policy takes place in high placed expert centres or through a shared perspective on knowledge management, its success depends, in both situations, on good stakeholder-relations. Jenny Stewart points out that one of the major problems that line agencies have in a Westminster system with strategic decision-making is the limited freedom to engage with stakeholders, and to involve them in a shared pursuit of vision and discovery of best options. She suggests that one way out of the difficulty is to create a strategic space within which agencies can openly pursue their relationship with stakeholders including ministers as part of an emerging pattern of governance (Stewart, 2004). Similarly, Kelman warns in his assessment of the roles of central agencies in the UK in recent years against too much decision-making at the centre of government because of the limits of information transferral and centralising wisdom. He advises to instead shift attention towards the task of building knowledge forums and spaces for shared learning within the government and a locus for investments in knowledge creation and transfer about good practice (Kelman).

A method that combines central coordination with an emphasis on learning and decentralised decision-making is the open coordination method (OCM)

that has emerged as a successful practice in the European Union. OCM has been first tried as part of the implementation of the Lisbon Innovation Agenda, in which the EU set itself the strategic goal of creating full employment in a competitive and inclusive knowledge-based economy. The aim of the method is to inspire, coordinate and monitor action for outcomes, without trespassing in the autonomies of the multitude of involved governments and agencies. Control-structures are shaped not by means of rules and output indicators, but by sharing knowledge and insight and an emphasis on learning.

The method consists out of four main elements. First, identifying and defining common goals for the Union with specific timetables for achieving them. Second, establishing indicators and benchmarks for assessing progress toward the goals. Third, translating common objectives to national and regional policies taking into account national and regional differences. Fourth, engaging in periodic monitoring, evaluation and peer review organised as a mutual learning process (EU Commission, 2007). Gornitzka notes in a review of OCM in education policy that with the introduction of OCM a new political space has been created in the EU policy domain. The structure offers space for shared development of visions, a shared vision on relevant indicators, and prescribes an infrastructure that allows implementation strategies to emerge through a process of shared learning (Gornitzka, 2006).

Another example from non-Westminster systems that aim at meeting this need for strategic spaces and a locus for shared knowledge creation and transfer are the 'Future centres' in Denmark and the Netherlands. Hank Kune defines Future Centres in the public sector as innovation-enabling workspaces for civil servants and their stakeholders in society. He says:

"They are facilitated knowledge-networking environments for tapping into collective intelligence: high touch, technology-enhanced learning spaces, where people are encouraged to let go of assumptions, not to accept easy answers and to maintain their drive to design innovative solutions to issues that matter. Future Centres have the potential to make policymaking – and implementation - both faster and more effective: more user-oriented, more focussed on systemic perspectives on societal issues, more apt to remain relevant in the complex and fast-changing social contexts of the future".
(Kune, 2003; see also www.future-centre.net)

Together these techniques and skills are likely to produce a centre that is focused on external partnerships and networks required to facilitate and negotiate change rather than on developing policy options. This will require a substantial shift in the focus and culture of many organisations and a movement away from the traditional reliance on instruments of direct delivery and regulation.

7.3 Staffing the strategic centre: Permanence or turnover, generalist or specialist?

Central agencies report that they are running up against the contrast between the kinds of people they need to perform these roles and the working conditions and forms of management and accountability that most

of them still practice. This results in high turnover of junior staff who get frustrated and move on to line agencies and other organisations, and a problem of over-stretch among senior staff.

"We tend to recruit people who are highly talented policy advisors who have done an undergraduate and often a graduate degree, sometimes PhDs in a particular policy area. Then I get them in here and make them work on six different things in a week and turn each of them around in 24 hours. Eventually they get sick of it, because they didn't come here to treat what they rightly see as important issues, superficially. There are issues around keeping people in that regard. There are issues of burnout and there are issues of public policy aficionados who don't want to lose touch with their craft. We have a craft here, but it is not everyone's cup of tea. The set of skills that we are looking for is very specific and very hard to find".

And again...

"The difficult thing is getting people with ideas who can also face up to the negotiations, the compromises, the abject failures that go with the advice. We have many bright and able people in universities but they would find the job very frustrating. It takes people who are able to fail on occasion, but needs people who can also seize the unexpected opportunities".

The Prime Minister's Strategy Unit in the UK has addressed this issue of turnover and staff suitability through organisational design and recruitment strategies. Firstly, only half of the fifty staff members in this unit are employed on a full-time basis. Full-time staff members in the strategy unit are recruited with an emphasis on general analytic skills and their political nous rather than policy or operational expertise. Great importance is given to a potential member's problem-solving skills, their ability to synthesise evidence from disparate sources, and build an argument for change. Of equal importance is the ability to bring about change through interpersonal, networking and communication skills, and the ability to work with different stakeholders, whether from line agencies, the third sector, ministerial offices, or other parts of the centre. To this end, the recruitment process involves a case study exercise in which potential employees are provided with an "enormous pile of documents and data on some obscure area of public policy" and given one hour to develop a briefing for the recruitment panel on current and future policy challenges in the area and a strategy for 'landing the reform'. This is designed to ensure staff can work on projects and lead teams across any area of government policy or operations, and will emphasise change rather than the production of in-depth analysis.

The other twenty-five or so staff members are brought in for shorter periods of time to provide specialist expertise around the forward work agenda. These staff may be seconded from other parts of the civil service, from academia, for the consulting houses, interest groups, the private sector, or even from international bodies and governments. This allows the unit to buy the in-depth knowledge of the expert over an extended period of time, to be used throughout the various stages of any study or reform program. This stands in contrast to the more usual option of either commissioning a paper from the academic or a report by the consultant, which are often insufficiently tailored to the needs of the project because the experts suffer from their 'outsider' status, and because the reports are typically produced in a linear rather

than iterative process. Hence the use of outside experts will often raise more questions than they answer or provide a set of tentative recommendations or solutions.

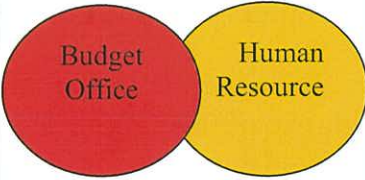
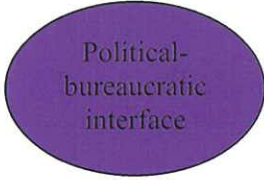
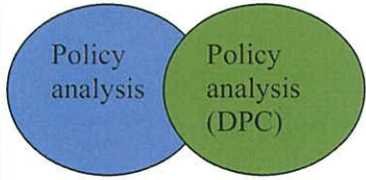
In this way the unit is able to combine the often disparate skills of problem-solving networker and subject expert, and is able to retain a sense of continuity without losing a sense of renewal and dynamism. Importantly, the strategy unit is able to opt for a more direct mode of service delivery while also being forced into collaborative relationships throughout the relevant sectors. This approach may overcome many of the tensions identified throughout this research and achieve the vision expressed by this interviewee:

“The vision I guess...for this organisation is that it partners others in the development of policy responses to these strategic challenges where it offers strategic thinking and influence on the ability to influence senior Ministers who will have to take decisions. That is really what we offer or at least what we aspire to offer in partnering with other people in the development of policy responses. One of the other reasons why we don't have the capability internally to do all this work is that even if I had a budget many times larger than it is, I wouldn't be able to recruit the sorts of numbers of people that I would need internally to do this work”.

8. Implementing change: Adaptation or transformation?

Based on extensive research, this report proposes a model for conceiving a strategic centre which resolves some of the existing tensions around mandate and provides a basis for building new relationships at the centre. The model is built on three distinct 'domains' within which the strategic centre operates. These build on the existing functional division within central agencies and recognise the important differences between the spheres of politics, policy and administration. Recognising this division will allow governments to a) clarify the relative mandates of central agencies and therefore reduce overlap and unnecessary conflict, allow for institutional specialisation, and build new partnerships within the centre and therefore make policy competition better focused and more productive; b) define the basis and characteristics of relationships between central and line agencies, and with ministerial offices; and c) undertake deeper review of the way central agencies operate, including the key sources of influence, and the tools, staff and skills necessary to undertake the core functional mandates. Ensuring that one perspective does not dominate the overall system requires balance and coordination between the different spheres and it is therefore important to build capacity within each sphere.

Table 6.

	Strategic Administrative Centre	Strategic Political Centre	Strategic Policy Centre
Functional alignments			
Key central agencies	Budget Office (DoF) Public Service Commission	Cabinet Office	Department of Prime Minister Treasury economic policy
Key tools and relationships	Essentially focused on building future and current operational capacity within the public sector. Combines the role of MoF & PSC in operational management including budget reviews, resource allocation, organisational capacity reviews and the education and regulatory roles. Detailed strategic planning and allocation of resources is largely devolved to agencies; the role of the centre is to review existing capacity for the purposes of performance management, diagnosing the need for reinvestment or reform; collaborative learning and educational purposes. May focus on questions of internal capacity as well as review and analysis of corporate governance arrangements, service delivery approaches. This grouping will work through professional communities; it will perform an important role in synthesising the research and experience from elsewhere as a store of best practice.	Assume responsibility for building the government's policy agenda (whether through coalition building; cabinet negotiations or state planning style consultative projects). Not an old style planning office; what is government's agenda? Brings the ministerial offices into the system. Formulation and evaluation can be supported by a more extensive engagement with non-government actors (including community consultation). Example of Ireland's Social Compact is worth studying; Cabinet and parliamentary agendas linked in here; so is the legislative oversight role. Annual budget process could be coordinated through this office with input from the operational and policy centres.	Focuses on areas of broad cross-cutting policy. Grouped around policy sectors and incorporating intergovernmental affairs and tax expenditure. The focus, aims and configuration of these units will differ according to the policy network within which the policy operates, and the degree of agreement around the broader aims of the sector. For example, the 'security' grouping is likely to be relatively simple; education and health more complex. Don't need to undertake all of the analysis in-house; set up working parties; use 'experts' across sectors; the job here is to synthesise; 'force' collaboration; getting the system in the room; negotiate; foreshadowing.

Given that this model builds on history, it continues the tradition of adaptation and institutional stability. Yet there are likely to be considerable tensions around the fact that it shifts power within the central agency network and it is unclear whether some organisations have the capacity to perform the roles identified. There are also some important activities currently performed by central agencies that are not captured by this model. To some extent this is not

important – even now central agencies distinguish between their roles as central agencies, and as direct service deliverers. Adopting this model does not necessarily require institutional redesign but differences in the size and composition of central agencies across Australia and New Zealand suggest that some areas will require additional investment and others, reduction.

The extent of reform required within each government will depend on existing arrangements, structures, and the balance at the centre. The following questions and table may be useful for diagnosing the extent to which the existing central agency network should be changed, and understand the type of reform that is likely to be required. Are central agencies seeking to fulfil a traditional mandate using different instruments, skills and staff, or are they looking to adapt the existing tools and skills of the centre to fulfil a new role and mandate? Alternatively is the centre looking to consolidate a new role as well as build new skills or is it merely working to build existing capacities to improve delivery of current mandates? The answers will clearly depend on the level of reform already implemented, and will differ across strategic domains.

Table 7: A proposed typology of organisational change

Mandate	New	Adaptation	Transformation
	Existing	Consolidation	Succession
		Existing	New
		Tools and skills	

Consolidation is the most likely approach, where the organisational mandates and tools are retained, and reform will focus on building the existing organisational strengths. This may either be recognition of the organisation’s comparative advantage or a refusal to adapt. This is a conservative option and will focus on “*training people about the usefulness of our processes*” or rebuilding lost traditions. It may include maintaining the economic policy advisory role or strengthening the rules around cabinet or budget processes. It is likely to focus on ‘Westminster’ traditions in the mandate of central agencies, and to rely on the more traditional instruments such as budget and cabinet processes, and to reinforce direct program delivery and the use of regulatory instruments for both performance management and behavioural change.

Succession will be required when an organisation wants to achieve the same ends and perform the same mandate but recognises that this can be achieved through different instruments or skills. Examples will include the budget office seeking to ensure allocative efficiency within departments by partnering with the PSC to undertake diagnostic organisational reviews rather than imposing aggregate limits and devolving responsibility for priority-setting

and reallocation to the agencies. It may include partnering with the DPC to build a budget system around new instruments of coordination such as the State Plan. Alternatively, the PSC may look to ensure non-politicisation of the public service by setting standards rather than directly employing people.

Adaptation will occur when the organisation wants to deliver a different mandate but rely on the existing tools and skills. So for the cabinet office this would include taking a more active role in setting the government's policy agenda but continuing to rely on the existing tools and procedural powers of cabinet management; for the policy arms of DPC it may include a more activist role in setting the direction of strategic policy change by undertaking extensive policy analysis developed by in-house specialists rather than working as network managers, or by working in a more partnered or collaborative style that recognises the relevance of new actors – including political offices.

Finally, organisational transformation is going to be the most challenging type of reform but will be the basis for building both a new mandate and developing new partnerships, instruments and skills. For example, the cabinet office moving to focus on articulating the overall priorities of government and then working to build 'guiding coalitions' for change which may not sit within the existing cabinet system and will include a wider coalition of political and bureaucratic actors than Westminster tradition suggests. Similarly, it involves the policy units within the centre focusing on building partnerships and managing networks to bring about sustainable policy change, rather than using performance reporting and management tools that delegate responsibility to the departments currently delivering said policies.

In recent years we have seen a number of DPC and DPMC undertake major structural reform in order to achieve better combinations of these goals – some consolidation, some succession.

One possibility that suggests itself is that many central agencies have been too reliant on adaptation – seeking to deliver a different mandate but relying primarily on the skills and methods in which they have traditionally excelled.

This is clearly not the entire pattern described in our report, since there are many specific innovations like implementation units, strategic policy teams, publication of whole of government plans and narratives and so on.

But it remains plausible that, despite a range of specific innovations, central agencies have not been able to successfully integrate these various changes into an effective, holistic framework which achieves both clarity and legitimacy for a revised mandate and a newly collaborative set of working relationships, either between themselves, with line agencies or more widely with other stakeholders (including other governments).

Our analysis suggests that this overall alignment could be better achieved through a combination of further changes which individual agencies, working alone or seeking their own specific comparative advantage over their peers and competitors, would be unable to achieve:

In conclusion, to shape a strategic centre, governments need to clarify and strengthen the three strategic domains within which they operate. This includes ensuring the domains are relatively balanced, and adequately equipped. The role of the centre within each domain is to coordinate decision-making, facilitate cross-departmental networks, and to build capacity and relationships within each domain.

Shaping a strategic centre will require clarification of these core mandates and differentiation between functional grouping, especially if they are in the same organisation. Diagnosis of the composition and emphasis of the existing central agency structure/network within and across the three domains; diagnosis of any capacity gaps in terms of staffing, coordinating mechanisms, skills and the core instruments/tools currently dominating within each domain – including any tensions within these domains.

We do not recommend an ideal or preferred structure or the pursuit of structural reforms for their own sake.

Instead, we conclude that the analysis and evidence presented in this report suggests a series of urgent and important priorities for further strengthening and better alignment of central agencies and that there are a number of specific methods and opportunities for addressing **these needs in innovative or distinctive ways:**

1. **Political-bureaucratic interface**

How to create better, **more productive relationships** with ministers and offices – get over the endless competition

2. **Skills and human capital**

Developing negotiating, **collaborative, project skills** – stronger focus on newer and more specific skillsets – partly served by anzsoq but not in the volume required by all these bureaucracies

Also a structural need for a stronger force for workforce development in the roles played by SSCs etc. – make a case for a stronger, more proactive

3. **project-based work and refining standing review structures**

4. **evaluating, refining and sharing innovation** through ‘open standards’ across jurisdictions and agencies – could new protocols for learning help strengthen adaptation processes?

5. **Revitalisation of the cabinet office role** – updating of methods for **process/coordination** – including probity and **protection of confidentiality** etc – **but also expanding into community engagement, openness of public decision-making to deliberation and scrutiny and management of stakeholders across and beyond government?**

6. Stronger focus on designing and building policy networks as key component of effective strategy systems – what methods, tools, approaches need to be brought to bear?

The proposed model of a strategic centre allows for different organisational arrangements, and therefore this report does not recommend any large-scale organisational restructure. However, there is likely a need to rebalance the relationship between different functional groupings within specific agencies. Questions of organisational politics will be important here, and therefore efforts to rebalance and restock each domain should be coordinated by whole of government management committees – such as Management Advisory Committee – and the support of ministers and their offices will be crucial to the success of these reforms.

Appendix 1: Overview of State Planning Regimes in Australia

(to December 2008)

Jurisdiction	Overview	Organisational responsibility (formulation & delivery)	Organisational responsibility (monitoring & oversight)
NSW	<p><i>NSW State Plan: a New Direction for NSW</i> launched November 2006;</p> <p>Contents: Five domains; 14 goals; 34 priorities; 60 targets</p>	<p>Formulation: 3 months of community consultation;</p> <p>Delivery: Line Agencies articulated as lead and support agencies across each of the key priority areas.</p>	<p>The New South Wales Government in November 2006 launched its first State Plan. The plan was the product of an extensive consultation process with more than 50,000 people participating in the process. The plan consisted of fourteen goals, 34 State Plan priorities and 60 targets with indicators in five domains. The coordination of the development of the State Plan was undertaken by the Premier's Delivery Unit which was established in April 2006. This Unit is responsible for driving the Premier's public sector delivery agenda and it works with government agencies to meet improved service delivery targets and helps to overcome obstacles and solve problems.</p> <p>The NSW State Plan is supported with a monitoring and implementation strategy. On the Government's website the community can keep track of the performance against sets of indicators. Internally, the Performance Review Unit develops yearly reports. The idea is that this new Division, established in August 2007 under the Director General, builds an augmented central agency capacity to review service delivery performance as part of State Plan accountability structures. The PRU has a reporting relationship to the Secretary, Treasury and the Cabinet.</p> <p>Delivery of State Plan targets is monitored by a new Cabinet Committee on State Plan Performance. This committee comprises the Premier, Deputy Premier and Treasurer and one or two other senior ministers and also invites outsiders to advise on plans. This structure is set up to avoid siloed bureaucratic processes and to facilitate fast well informed decision-making. The State Plan is implemented through the State budget and department's budget is related to their contribution to the implementation of the Plan.</p> <p>The Office of Financial Management at the Treasury guards the alignment of the budget with the Plan. In order to make this happen, this office has developed a Financial Management Framework for the government sector. This framework focuses on strategic resource</p>

			allocation and management. The new system is meant to strengthen the linkages between strategic and business planning, and the funding, monitoring and reporting elements of the performance management cycle.
VIC	<i>Growing Victoria Together</i> launched in 2001		<p>Victoria has taken a more incremental approach to the implementation of their State Plan <i>Growing Victoria Together</i>. The first version of <i>Growing Victoria Together</i> appeared in November 2001 following of a summit of opinion leaders in 2000. <i>Growing Victoria Together</i> consists out of 10 goals and a set of measures and targets for each one of them. <i>Growing Victoria</i> is taken into account in the budgets as a set of goals that the government departments align their work to.</p> <p>In 2005 the plan was updated on basis of a consultation process undertaken by the newly established Implementation Unit. This Unit was set up in September 2005 in the Policy and Cabinet group to enhance the delivery of key policy initiatives across the Victorian Government. The current focus of the unit is on progress monitoring and reporting. The Unit is developing a framework for a life cycle evaluation of major strategic policy projects throughout the government. This framework will be used in a targeted manner to increase evaluation of key priorities. The Unit also prepares the yearly reviews of the State Plan that is published as part of the budget paper and the unit works at improving the voluntarily alignment between corporate plans the State Plan.</p> <p>The Victorian Treasury has developed an Integrated Management Cycle (IMC), a strategic tool that identifies the major planning, resource allocation, and accountability milestones through the year and outlines the process requirements and the relationships between various activities. The IMC is designed to be used as a tool to improve planning processes and capability in departments.</p>

SA	<p><i>South Australia Strategic Plan</i> launched in March 2004; covers 10-years; updated in 2006.</p> <p>Contains: Six objectives; 84 targets.</p>	<p>Formulation: Overseen by Executive Committee of Cabinet; chaired by Premier + 3 minister + 2 "independent advisors"; a Strategic Plan Audit Committee advises ExComm on performance measurement and reporting; Community Engagement Board</p> <p>Delivery: Each target allocated to a lead agency which then develops implementation plan & strategies to achieve goals; "supporting agencies" collaborate on the developing implementation strategies and contribute to delivery.</p>	<p>In 2007, following a report from the Government Reform Commission, the South Australian Cabinet Office was enlarged and restructured with new functions. One of the new functions was the addition of whole-of-government strategy development and implementation of the South Australian Strategic Plan. This role involves driving efforts across government to develop and deploy cost-effective strategies to achieve Strategic Plan targets and to hold agencies accountable for the quality of their contributions.</p> <p>These new developments at the Cabinet Office aim to improve the position of the State Plan as the leading strategic heart of government. The South Australian Strategic Plan was first launched in March 2004 and consisted out of six goals and 84 targets. The Plan was revised in 2007 with 96 targets now grouped under the same six objectives. Each target in South Australia's Strategic Plan is allocated to a lead agency that has responsibility for developing implementation plans and strategies to achieve the target within the given timeframe. The Plan is its strong regional bias and a large proportion of consultation is organised in the regions.</p> <p>The Executive Committee of Cabinet (ExComm) oversees the implementation of the plan and ensures that the targets are pursued in a collaborative, focused and innovative way. The progress of the delivery of the Plan is overseen by an Audit Committee and they publish a full report on progress every two years. The plan is well integrated in the budget and it is a requirement the objectives and targets of the plan are considered in the planning processes and business plans of Government agencies. The business plans need to demonstrate how the goals in these plans will contribute towards achieving the objectives and targets of South Australia's Strategic Plan.</p>
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QLD	<i>Toward Q2</i>		<p>Until 2008, Queensland oriented its work around the seven Government Priorities which indicated the area the Government was seeking special attention and were used to formulate the State's budget. The priorities had been updated at the beginning of each term since 1998.</p> <p>In 2008, the Government launched the <i>Toward Q2</i> framework for 2020 based on five ambitions supported by 10 targets. The targets, such as cutting the State's carbon footprint and reducing lifestyle related disease, are reliant on a contribution from the general population. The government is establishing a "Collaborative Agreement" mechanism which will be used to drive and monitor coordinated cross-agency action and performance to deliver on these whole-of-government priorities. Each target will have a lead agency, which will be responsible for coordinating the government's efforts in that area. State Cabinet will approve each agreement and agencies will need to show what actions they are taking to meet each target. The introduction of the <i>Q2</i> targets was supported by large public consultation process through the <i>Q2</i> website and community forums held across the State. The ideas generated through community consultation were forwarded to the lead agencies for <i>Q2</i> Collaborative Agreements for consideration to be included in the Collaborative Agreements where appropriate. The creation of the <i>Q2</i> framework was managed by the Policy Development Office in the Department of the Premier and Cabinet. The development and implementation of the new Performance Management Framework under which the Collaborative Agreements sit is being managed by the newly created Performance Management Office in the Department of the Premier and Cabinet.</p>
WA	<i>Better planning: Better futures - a framework for the strategic management of the Western Australian public sector</i>		<p>Western Australia has developed a framework for strategic management, named <i>Better planning: Better futures</i>. The framework focuses the public sector on the achievement of five key goals and associated strategic outcomes with the goals to be reflected in budgets and corporate plans. <i>Better planning: Better futures</i> aims to shape the way government services are delivered and to encourage more coordination of government services by providing a common vision for the future.</p> <p>The implementation of <i>Better planning: Better futures</i> is the responsibility of Chief Executive Officers through their Performance Agreements. These agreements stress that the implementation of <i>Better Planning: Better futures</i> is the responsibility of all agencies and this implementation is overseen by the Department of the Premier and Cabinet in</p>

			consultation with the Department of Treasury and Finance. Performance reporting is through agency annual reports.
TAS	<p><i>Tasmania Together</i> launched in 2000, revised in 2005.</p> <p>Legislated <i>Tasmania Together Progress Board Act 2001</i>.</p>		<p>The Tasmania State strategic plan <i>Tasmania Together</i> was first released on 2001. It was developed through the most direct community involvement of all the strategic State Plans and consists of 12 goals and 143 benchmarks. The plan was developed with a range of targets that require effort by both the government and the general community. Unlike other jurisdictions, the management, monitoring and reporting of <i>Tasmania Together</i> is established under legislation, the <i>Tasmania Together Progress Board Act 2001</i>. The Tasmania Together Progress Board is an independent statutory authority and reports directly to Parliament. It is made up of a diverse group of people, including community members.</p> <p>In this large 'whole of society' project the Premier has his own priorities. The Policy Division of the Department of Premier and Cabinet supports certain strategic targets form <i>Tasmania Together</i>. In 2006 there was a major review of the existing <i>Tasmania Together</i> benchmarks, and the Government recently identified a new suite of Priority Benchmarks. Priorities include taking action on climate change, lifting literacy and numeracy standards and social inclusion – areas identified during the <i>Tasmania Together</i> consultation process as critical to the future for Tasmania.</p>