

**DEPARTMENT OF INNOVATION, INDUSTRY,
SCIENCE AND RESEARCH**

**SUBMISSION TO THE ADVISORY GROUP ON REFORM OF
GOVERNMENT ADMINISTRATION**

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Introduction

The Review of Government Administration (RAGA) and its discussion paper is broad in scope and, appropriately, is seeking input from a wide range of sources. The Department of Innovation, Industry, Science and Research (DIISR) has actively encouraged its staff to participate directly in the various consultation arrangements instigated as part of the Review and considers this critical Portfolio input.

In the formal submission DIISR will, however, focus on the three areas where it has a particular interest –

- Strategic policy development
- Program delivery
- Innovation in the public sector.

In framing its views, DIISR is mindful that public sector performance is influenced by a complex interaction of Government direction, APS wide values and operation rules and the actions of individual portfolios. The diversity and complexity of challenges faced by individual portfolios supports leaving considerable flexibility in individual portfolios in terms of many operational issues such as recruitment policy, delegations and authorisations, compliance and reporting. The FMA Act makes the Chief Executive responsible for management aspects of their portfolios. While it is likely given the nature of the issues the RAGA seeks to address, that some additional APS wide measures may be desirable, it is important to mitigate any unintended consequences on portfolio flexibility and any confusion through the overlay of any new APS wide measures onto existing management frameworks.

DIISR also starts from a perspective that reform is about building on firm foundations and the factors giving rise to those foundations continue to be supported. In this context, the submission focuses on APS wide measures to maximise the level of performance.

DIISR notes that a comprehensive study benchmarking Australian Government administration against comparable countries was released on 20 November as part of the RAGA process. DIISR has not explicitly considered this study in order to complete its submission by end-November.

Strategic Policy Development

While the discussion paper expresses a number of concerns regarding strategic policy development in the public sector, DIISR notes there are many instances of effective advisory processes and outcomes within our own portfolio and across the public sector generally.

- The *Powering Ideas* Innovation Statement - with its system wide approach to innovation covering basic research, innovation in business and government,

and collaboration - represented a comprehensive and forward looking approach to improving innovation outcomes. It involved wide consultation, within Australia, including outside Government and drew on international expertise. The final product both in terms of its vision and policy direction has been received favourably within Australia and regarded as 'best practice' in innovation policy by our counterparts in the USA and UK as well as by the OECD.

- The processes to establish Commercialisation Australia have seen DIISR work jointly with Treasury and external stakeholders under the guidance of an external chair. To date it has been a well targeted and innovative approach to a challenging task of developing a new mechanism to support commercialisation of ideas generated in Australia.

Moreover we have good examples of effective consultation. A prominent example is the establishment of the research infrastructure road map through the National Collaborative Research Infrastructure (NCRIS) process

- The first step in the NCRIS process was to build a national consensus about the priority areas for research infrastructure investment. This involved extensive collaboration and consultation with:
 - Commonwealth research and research funding organisations including CSIRO, ANSTO, AIMS, Geoscience Australia, DSTO, the ARC and the NH&MRC;
 - Commonwealth Departments with significant research interests such as DoHA, DEWHA and DAFF;
 - State and Territory government research organisations and policy agencies dealing with issues such as innovation and state development; and
 - Research organisations including universities, non-profit research institutes and private companies.
- The Strategic Roadmap for Australian Research Infrastructure was released in September 2008. The 2008 Roadmap provided an evidence base upon which the Minister was able to successfully present to Cabinet a proposal for the Super Science Initiative, which will provide an investment of \$1.1 billion in national collaborative research infrastructure projects.

Strategic Policy Hubs

Notwithstanding many positives instances of policy development, we are aware of the pressures to develop immediate responses to support the Government's policy ambitions and importantly the pressures to deliver the resulting programs, and this does place stress on both our analytical capability and our capacity to focus on long term issues. These pressures also (regrettably) can limit going outside the square on innovation and consultation in new approaches to policy and delivery. With the complexity of issues faced and demands for quality solutions, it is important that these capabilities be retained in policy departments and it is important that any measures to improve co-ordination/consultation do not weaken the incentives or capacity for Departments to retain their analytical depth and skills sets.

The Strategic Policy Hub proposal in the discussion paper does have a capability to add to strategic policy capacity within the public sector. Moreover the capability to bring a diverse range of expertise and backgrounds can facilitate the exploration of new and innovative solutions to problems. This issue has been raised in the Innovation in the Public Sector project being undertaken by the Management Advisory Committee of the APSC which DIISR is co-ordinating. An illustration of this development overseas is covered later in our submission.

In our view some key criteria for a successful Strategic Policy Hub process – whatever its form - should be that it:

- enables the diversity or expertise and background of the participants to be brought together in a focussed manner;
- provides the participants with “space” in which to analyse and consider innovative solutions;
- supports opportunities for policy analysts in the public sector;
- retains a public interest focus; and
- is linked into program delivery processes

These criteria, as well as helping to ensure the hubs provide policy value, should also ensure that they complement and not substitute for long term policy development capability within the public sector. It is also important that the hub not detract from ownership or capability of the responsible department.

In our view meeting these criteria tend to favour building a structure around the strategic policy hub along the lines that has been done in the MindLab initiative in Denmark. MindLab, in providing a core bureaucratic structure to support the strategic policy process, reflects a commitment to the process, provides economies in delivery, and enables lessons learned to be readily adapted as new hubs are created to do new tasks. The Mind-Lab structure provides a foundation for inclusion of non-government organisations and provides the community with a degree of ownership over both the problem and solution.

Should Strategic Policy Hubs be pursued they may overlap with existing review processes, including utilising the Productivity Commission and setting up independent reviews on an “as needed” basis. The Strategic Policy Hub should not displace these options, but through combining an on-going structure with considerable flexibility potentially add another policy development option to these processes. As the RAGA discussion paper notes, it will be important that mechanisms are put in place to ensure the broader public service as a whole would be able to use the new methodologies and approaches learned and established within these centres of strategic policy excellence. That is, the transfer of knowledge and skills from the hubs to the broader public service will be critical in maximising the benefits of this approach.

Other Suggestions

Where appropriate, consider use of external chairs to manage interdepartmental process

The establishment of Commercialisation Australia has seen DIISR work jointly with Treasury under the guidance of an external chair. The use of an independent expert from a commercial setting as the chair of the InterDepartmental Committee

- has enabled agencies to be appraised of the commercial realities so important in determining what role the government should play in promoting commercialisation of research
- has positively impacted on external consultation by helping to build a better understanding and appreciation of the role of government and a recognition of the rigour of analysis and the importance of quality evidence used by the government in making decisions.

Commercialisation Australia is a very specific issue and the success of the model partly reflects that as well as the particular capabilities of the people involved. The model has been effective and consideration could be given to having an independent external chair for key IDCs where it may enable a full range of views to be brought to the table in a balanced and considered manner for Cabinet consideration of major issues.

Give greater consideration to forming skill driven teams to solve problems rather than automatically allocate tasks to the area that handles the on-going issue

There is an automatic tendency in the public sector, including in DIISR, for tasks to simply fall to the area with responsibility in the portfolio. For the vast majority of tasks this is sensible enough but where the task is beyond the routine and involves particular complexity there can be merit in drawing on expertise beyond the line area both within a department and between departments. There may also be value in external input as part of a project team.

We notice that in some instances some of the more effective consultants bring in teams of individuals with particular areas of complementary expertise to complete a task. While the public sector can and does set up project teams it tends to be the exception rather than the rule. Even quite difficult tasks are often conducted alongside other work within divisions rather than as a separate specialist activity with inter-departmental collaboration being through inter-departmental committees rather than secondments or discrete task forces. Consultants are generally engaged to do discrete pieces of work rather than be part of a project team. This tendency may be because there are many incentives, including outcome reporting, financial management and performance assessment measures, that mitigate against skilled staff being loaned or seconded to produce outcomes in other areas.

It is the case that it is appropriately a matter for individual departments to best allocate resources to tasks and even for cross cutting issues there may be scope for individual departments to initiate greater use of project teams drawing on expertise from

different departments. We would not suggest any specific APS wide mandating but a general indication that it is an option that may represent good practices.

At a public service wide level, seek to promote informal cross departmental networking.

For major cross-cutting issues awareness of appropriate consultation procedures is generally well developed, however when agencies are dealing with less significant issues, the awareness in an individual agency of the ability of other agencies to contribute, may not be present. There could also be a problem when agencies are offering new policy ideas - because there are few mechanisms to "toss around" policy ideas across agencies to bring a full range of perspectives to bear early in the policy development process.

This may be more an issue than in the past because

- Government is bigger. There may have been a time when a normal network of colleagues and friends might have given an average SES officer links into most major agencies. That's not likely today.
- The range of issues where cross-agency work is needed is growing. This means that a weakness in awareness of the perspectives of other agencies will more frequently lead to problems than might have been the case in the past.

To help tackle this problem, cross-agency discussion groups could be actively established. A possible approach to this could be to ask small teams of Band 3s to play a role in hosting these discussion groups, which might be pitched at Band 1s and Band 2s. The basic format would be a brief presentation on a particular topic, followed by discussion and time for networking interaction. Over time, the aim should be to review a wide range of current or future policy issues, program delivery and broader management issues with the objective of participants being better prepared to work with each other effectively when the time to do so arises.

It may also be possible to facilitate informal cross agency networking through creative use of the Government 2.0 arrangements being developed by the Management Advisory Committee of the APSC discussed later in the submission.

More formal arrangements to support stronger cross agency collaboration and understanding.

A formal mechanism that allows staff to be seconded between line departments and the central agencies, could be considered. We would not suggest this will create "one big happy family" as there will inevitably be tension between the fiscal control objectives of central agencies and the client focus of line agencies, however it could help to:

- create a better understanding of each Agency's role in Government (ie how whole of government policies are practically implemented) and as such facilitate more targeted and effective policy responses as staff gain a broader understanding of the operations of the APS and Governments objectives

- facilitate a more unified approach in the design, delivery and formulation of policy, again through a greater understanding of how the APS operates
- create a more unified APS culture as staff gain a better understanding of each others roles and the operations of different agencies.

Retaining strong core capabilities and processes to support strategic policy development

In canvassing possible options for improvement it remains at the core of effective policy advice to have a strong analytical capability in policy departments. This is so longer term issues can be explored, and also to support the conduct of evidence based policy.

An area where the significance of analytical capability can be overlooked is in relation to evaluation. Evaluations are an important way of demonstrating the value of an initiative. Proper program management correctly stipulates that major programs require specialist evaluation and that all program reviews should be robust and evidence based. Having credible and contemporary supporting evidence is critical if policy makers wish to expand or extend a program, modify its priorities or alternately to ensure decisions to wind back or terminate programs can be properly defended. The DIISR portfolio has some particular challenges with the spillover benefits that underpin our research and development programs being easier to identify and quantify in economic theory than in reality and uncertain, and potentially long, time lags between investment in research and its benefits.

Setting appropriate performance measures, determining what evidence is needed to measure them, and how to gather the evidence in addition to how it should be interpreted requires specialist analytical/research skills as well as financial support. There are issues associated with the provision of adequate funding for evaluation, including data collection, being built into the cost of administering the program. But beyond this it is important on a public service wide level that portfolios are able to command the skill sets to manage this crucial stage of the policy process. In terms of value for money to the taxpayer this is as much an investment as a cost.

Moreover in terms of general measures that underpin strategic policy development, new initiatives should not be at the expense of existing initiatives falling into disuse. There are well established processes for coordination and receiving a range of input from portfolios in considering matters for Cabinet that assist in bringing discipline to Cabinet matters. Similarly there are established processes between Portfolios and Ministers to enable Government to exert influence on portfolio issues such as the emphasis placed on longer term research within their portfolios.

Service Delivery

The DIISR portfolio has been required to confront many of the service delivery issues raised in the discussion paper over a number of years. As a result many of the issues have been addressed in our current service delivery arrangements both at the interface with the customer and with the policy development areas of the portfolio. Improving

delivery arrangements is an on-going challenge. Awareness of the range of programs that are available as well as simplifying access remains an issue raised by business groups and new and changed programs are a fact of life as business needs change and programs are modified to reflect the outcomes of evaluations and/or other considerations. Reflecting in part the priority given to improving delivery of business programs our comments quite openly reflect a belief the existing arrangements provide a solid platform to consider the types of challenges being flagged in the discussion paper.

Citizen Centric / Business Centric Philosophy

The RAGA discussion paper focuses on the delivery of programs and services to individual citizens. DIISR acknowledges the importance of the Government wanting to have a citizen-centric philosophy. However it considers citizen centric should be interpreted in a broad context; the term citizen has a reasonably narrow definition. While Centrelink may generally only deliver to an individual citizen, the majority of DIISR's programs are delivered to many businesses and firms, the economic citizen, rather than individuals. It is therefore important that in any consideration of improved service delivery, Government focus attention on improving the integration of policy development with program and service delivery and the effectiveness of program delivery for both individuals and business.

Program and Service Delivery

The notion outlined in the discussion paper for clustering programs and services to become "one stop shops" is also applicable to business programs.

We believe an integrated program delivery model would create financial and administrative efficiencies across the public sector. This model would also enable government to better service its customers in line with the discussed citizen centric model.

That said, there is a high degree of integration in business programs already. The department currently has responsibility for delivering the majority of the federal governments business assistance programs through its portfolio (eg, through AusIndustry, Enterprise Connect, Business.gov.au and Commercialisation Australia). The department has existing state, territory and regional offices in place to service businesses located throughout Australia and proven program management experience, standardised policy and program design frameworks and has developed effective channels (hotline, website and newsletters) to communicate with customers.

In addition DIISR works closely with other departments and agencies to deliver services and initiatives in a coordinated way to Australian businesses and the wider community. Our partners include the Australian Customs and Border Protection Service, the Australian Taxation Office, the Department of the Environment, Water, Heritage and the Arts, the Department of Resources Energy and Tourism, Austrade, Centrelink, Medicare Australia, and state and local governments. We have found our collaborative arrangements work very effectively from both a policy and program

service delivery perspective as long as the roles and responsibilities of each party are clearly defined and segregated.

A good example of collaboration across portfolios is in the delivery of the Liquefied Petroleum Gas Vehicle Scheme, where AusIndustry has successfully collaborated with Medicare and Centrelink to deliver more than 85,000 grants in 2008-09 to individuals who converted their vehicles to LPG.

The integrated delivery mechanism already in place within DIISR could be expanded to encompass other business focussed programs across the Commonwealth should it be considered desirable to implement a whole of government or “one stop shop” approach. Customers would benefit by this integrated model through ease of access to programs and a single portal.

Policy Development

DIISR agrees with the point made in the discussion paper on the importance of ensuring that policy is well designed and that program and service delivery areas are engaged from the conceptualisation stage through to implementation. Integration of policy and service delivery needs to be forefront in the development of any new policies. This will remove the potential for the development of policies that cannot be implemented efficiently.

It is practice within the DIISR portfolio that robust consultation and interaction occurs between front line service delivery staff and policy officers during the development and implementation phase of all new policies. Information sharing at this stage ensures that all parties take ownership and feel they have contributed and had a valuable input in the development and implementation of the final product.

Policy development and implementation should be as consistent as possible across programs. In some circumstances a standardised approach may be appropriate. By way of example, the department has developed and implemented a number of standard program typologies upon which future programs could be based. This enables us to harvest efficiencies of scale on core processes but also allows for adaptations to meet unique or ‘boutique’ policy needs. Standardised core design sets and implementation practices eliminate confusion and complication throughout the program lifecycle, creating greater quality in delivery outcomes. This generates both design and implementation cost efficiencies. Such an approach is particularly valuable when implementation of new policy is required at very short notice.

DIISR already delivers programs for a number of agencies and their Ministers. Policy ownership of a program can reside in the relevant agency with program delivery provided by DIISR.

Governance and Accountability

It is also important in a program delivery context to put in place robust governance and compliance frameworks to ensure appropriate accountability to the taxpayer for the expenditure of significant public funds.

In this respect it may also be appropriate in certain circumstances to appoint expert boards or advisory committees to assist in the administration of programs. By way of example, DIISR utilises the Innovation Australia Board to provide advice of the merits of applications for its innovation programs.

Measuring Quality Service Delivery

In a similar vein an issue raised in the discussion paper is how to ensure and measure the effectiveness of service delivery to the public. One method that could be utilised is the development of customer service charters. Such charters should outline how the organisation does its business, its service obligations to its customers, the customer service and compliance principles, its feedback and review processes, its confidentiality and fraud policies, and how customers can access services. In addition the service timeliness targets and the associated complaint resolution mechanisms should be made clear and measured annually.

Innovation in Government

DIISR recognises that innovation is not just something government preaches to the private sector; innovation is important in the ongoing work and direction of the APS.

DIISR is leading a cross agency project on Public Sector Innovation under the auspices of the Management Advisory Committee. The project will develop recommendations and a strategy for how the public sector can foster an innovation culture that tackles barriers to innovation and shares and rewards innovative practices including drawing on external expertise and ideas from citizens and stakeholders. This submission will not pre-empt the outcome of this project but we make a couple of observations that relate to that work.

APS values

The Department sees value in the explicit inclusion of innovation within any revision of the APS values. Inclusion of innovation in the values provides clear recognition of its importance to the day to day operation of the public service and is a valuable signal of the importance the Government places on innovation. This would be an important step in embedding a culture of innovation within the APS.

Government 2.0

The Government 2.0 Taskforce, chaired by Dr Nic Gruen is looking at innovation in the digital realm. Its work is focussed in two areas. The first relates to increasing the openness of government through making public sector information more widely available to promote transparency, innovation, and value adding to government information. The second stream is concerned with encouraging online engagement

with the aim of drawing in the information, knowledge, perspectives, resources and even, where possible, the active collaboration of anyone wishing to contribute to public life.

The work of the taskforce on increasing government's online engagement has significant potential for increasing engagement with the citizen in both policy development and service delivery. These tools will provide agencies with an additional means to interact with those impacted by our policies and services. We note that the taskforce is due to report by the end of the year and as such its final recommendations are not yet available.

Strategic Policy Development - Mindlab

As noted earlier, DIISR is supportive of examining the concept of Strategic Policy Hubs, identified in the RAGA discussion paper. There are many ways of advancing this concept and DIISR is not advocating any specific model. However advancing the concept through a formal structure has some appeal and is an option that could be looked at. This approach has been adopted in Denmark – MindLab. We have not looked at it critically but it appears to have been effective and, while issues such as its skill base and relationship to Ministries would need to reflect the Australian context, some of the broad features outlined below are worth putting into the mix should the idea be advanced.

Denmark's MindLab, is a cross-agency innovation unit with a mission to involve citizens and businesses in developing strategies to address pressing public sector problems. MindLab was established in 2001 as the internal incubator for innovation for the Ministry of Economic and Business Affairs, and has now been joined by the Ministry of Taxation and the Ministry of Employment.

MindLab now focuses on user-centred innovation – in other words, the involvement of citizens and businesses in the development of innovative public solutions. It carries out government-wide projects in areas such as climate change, immigration and better regulation, and more specific tasks for individual ministries on business services, employment services and policy and digital tax services.

Part of the success of the MindLab has been driven by its formalised structure. MindLab's staff consists of 12-14 people, including sociologists, IT specialists, anthropologists, designers, and political scientists. Three staff are stationed on rotation from government, and three PhD students are employed in close collaboration with leading academic institutions. MindLab is governed by a Board consisting of the permanent secretaries of the three participating ministries and four external representatives from business and academia. This formal structure allows it to take a consistent and systematic approach to projects and learn from the activity that has already been undertaken.

Other Issues

Feedback from Ministers

The RAGA Discussion paper notes that very few agencies collect any sort of feedback whether that be formal or informal advice from the Ministers' Offices. We do seek to pursue feedback within DIISR and, while valuable, it is a challenging process. Two particular challenges are that performance is not always easy to assess with the quality of bureaucratic input being subjective and only one of many factors effecting a government decision and also that Ministers and their Offices for a range of reasons are not always enthusiastic about providing specific feedback, particularly given the volume of the interaction they have with the department. While this issue is best left to Portfolios to pursue, reflecting the characteristics of Portfolios and Ministers, there may be merit in considering an APS “good practise manual” partly to help resolve some of the tensions and to indicate to all participants the significance of the issue.

Salary Flexibility

The RAGA discussion paper talks about reducing the disparity in remuneration for similar jobs. The path to resolution on this issue is far from clear and will warrant detailed examination beyond the scope or timeframe of this current process.

Efficiency Dividends

Clearly the impact on-going efficiency dividends may be having on employees and resourcing across the public service is relevant for many aspects of the RAGA. There are many forms of efficiency dividend imposed on agencies beyond those so described. Undertaking new activities without new resources, and meeting cost increases without supplementation, are but two examples.

We need to ensure that we do not require staff to work excessive hours to get the job done as a permanent feature of their work. This in itself can create morale issues and place undue pressure on employees trying to create a work-life-balance. While clearly we seek to minimise these impacts in an environment where retaining quality employees has become more difficult, the on-going and arbitrary nature of efficiency dividends and other imposts can counteract the desirability for the public sector demonstrate it is an employer of choice and show flexibility, concern for employee welfare, and that we encourage a positive work-life-balance.