Epilogue: Back to the future

The resurrection of the traditional machinery of bureaucracy—central agencies and departments of state—impacted significantly on the governance and internal structural arrangements of Centrelink after 2004. The departure of the inaugural CEO, Sue Vardon, on 10 December 2004, heralded the demise of an eight-year period of innovative administration during which Centrelink spontaneously adapted to ever-changing market forces and government agendas.

It was replaced by a return to a traditional model of public administration based on two theoretical foundations: first, the bureaucratic model of administration, and second, the particular conventions of accountability and responsibility derived from the Westminster system (Hughes 1998). There was, however, an added complexity, in that governance and reporting arrangements had to accord with the new integrated governance model of bureaucracy established by the Human Services Legislation Amendment Bill, which passed through the Senate on 5 September 2005.

The period 2005–06 was marked by two phases within Centrelink: October 2004 to October 2005 was a period of intense strategic direction setting and internal restructuring in preparation for its transition to a clearer status as a statutory agency; and October 2005 to December 2006 saw Centrelink strive to achieve its new service delivery priorities as set out by the then Minister for Human Services, Joe Hockey, under the new administrative arrangements.

This concluding chapter looks at the governance and strategic changes and new administrative arrangements that took place in the organisation during those two phases and compares and contrasts the new order with the Vardon years. In many ways, it was an exercise in ‘back to the future’—a return to the traditional model of departmental governance and administrative arrangements to deliver on a revised model of social welfare reform, ‘Welfare to Work’.

Centrelink in transition

With the announcement of Prime Minister Howard’s new ministry on 22 October 2004 came the creation of a new Department of Human Services (DHS) within the finance portfolio, with Hockey as minister. Centrelink was to be one of six agencies under the new department, together with the Health Insurance Commission, the Child Support Agency, Health Services, Commonwealth Rehabilitation Services and Australian Hearing.

The Prime Minister (Howard 2004) outlined the key drivers for the creation of the new department as:

- greater recognition of the importance of service delivery
- a sense that good policy was being undermined by poor delivery
The Centrelink Experiment

- a need to address public perceptions about agency performance
- a need to improve client-agency relationships
- Uhrig’s focus on increased ministerial responsibility and the role of portfolio secretaries.

He then went on to express his view, and that of many Centrelink executives, that ‘[w]e tend to look at service delivery as an afterthought rather than a policy priority…I will expect…to see…efficient, timely and sympathetic service delivery as a policy goal in itself’. At the same time, he also acknowledged that ‘service delivery policy for all agencies has been buried too far down the policy formulation process’.

Centrelink executives had long bemoaned the fact that they were left out of policy formulation discussions that had a direct impact on the way they delivered services, often impeding their effectiveness, so they were positive about this aspect of the new arrangements. On the other hand, it would be reasonable to suggest that they were more cautious about the implications for Centrelink’s operations of being integrated with other agencies under the umbrella of the DHS.

To appease that uncertainty and to explore opportunities for Centrelink within the new governance arrangements, the secretary of the newly forming DHS, Patricia Scott (2004), outlined the immediate priorities for her new department. These were to:

- improve accountability
- consider service delivery issues upfront when policy was being developed
- improve the flow of clients from Centrelink to the Job Network
- increase the speed of referrals for assessment or intervention and rehabilitation support
- further develop a client-focused participation network across government agencies.

In summary, the focus of the DHS was to ‘improve the delivery of services to Australians by re-invigorating public administration and ensuring strong ministerial control with clear lines of responsibility through the Secretary [Scott]’ (Vardon 2004).

As a gesture of commitment to the integration, relevant staffers from Centrelink were seconded to the DHS to help establish the new department in its early weeks. Some of these staff members stayed on in the DHS while others returned to Centrelink when their job was completed. This engagement of staff had the benefit of a free exchange of information and advice between the agencies and it fostered a feeling of unity and a ‘joined-up’ government approach.
Having been at the head of Centrelink for almost eight years, Vardon chose this as an appropriate time to take up a position as CEO of the Department of Families and Communities in South Australia, and she left Centrelink on 10 December 2004.

Vardon’s departure ushered in a new era for Centrelink and a new CEO, Jeff Whalan. For Centrelink to integrate with the other agencies under the DHS, it became necessary for the organisation to undergo a transition to bring it into line with a more traditional model of public administration. Whalan immediately began the task of reshaping the organisation and he consulted widely on the proposed changes, ensuring that all staff understood the new arrangements while conducting ‘business as usual’.

In his first television broadcast to all staff in March 2005, Whalan (2005:1) gave the business reasons for the shift in governance arrangements:

- the shift in government focus signalled by bringing a range of service delivery providers from across the APS together under the new DHS
- the change in Centrelink’s major clients with DFaCS remaining a key player but with DEWR becoming a major client and DEST also taking a greater role
- advice from the secretaries of purchasing departments that some non-core Centrelink business was likely to be open to competition
- feedback from customers, client departments and staff.

He continued the wide consultation process with all staff, including the executives, in the early months of his tenure, as they set about redefining Centrelink’s purpose, its core values, core business processes and strategic priorities in keeping with government and client expectations. Some of the more significant changes that took place during that period are documented below.

**Corporate governance**

As mentioned previously in this book, on a political level, the creation of Centrelink was hailed as ‘a unique model of public administration in human services’ (CSDA 1997c), which called for non-traditional governance arrangements. In keeping with the prevailing structural reform agenda in the APS, Centrelink’s enabling legislation provided for an executive board of management that reported to the Minister for Social Security (Chapter 6). The CEO reported to the minister through the board. As Centrelink subsumed the service delivery role of the former DSS, the CEO reported to the senior minister in the Family and Community Services portfolio.

This situation, however, changed after 2004. In early 2004, Vardon had alerted members of the guiding coalition to the possible outcomes and potential consequences for Centrelink of the Uhrig report. The most obvious concern was the likely abolition of its board of management and associated repercussions,
which eventually came with an announcement by Minister Hockey (2005:18) during an address to the National Press Club:

An obvious first step in improving accountability is to address the governance structures of the organisations [in my portfolio].

The existing Boards had an important governance role when Agencies were part of a sectoral portfolio such as Health and Ageing or Family and Community Services. However, with the new Administrative Arrangements, the Government is keen to have a more direct ministerial role in the running of these Agencies.

I can announce today that I will be introducing legislation…to make the necessary changes to bring the Health Insurance Commission and Centrelink closer to Government by recreating them as statutory Agencies.

Under this structure the heads of these Agencies will now report directly to me through the Secretary of the Department of Human Services. They will no longer be accountable to Boards.

The existing boards of the Health Insurance Commission and Centrelink will be dissolved.

The Human Services Legislation Amendment Bill passed on 5 September 2005, abolishing Centrelink’s board and amending Centrelink’s enabling legislation, the *Commonwealth Services Delivery (CSDA) Act*. By 1 October, regulatory changes brought the *FMA Act* in line with the *CSDA Act* as amended.

Another important change was the shift in portfolios. As an agency within the DHS, Centrelink now came within the Finance and Administration portfolio, instead of the Family and Community Services portfolio. This was presumably for increased management and business accountability, a view supported by the description of the new CEO’s role as ‘Financial and Staff Management in accordance with the Financial Management and Accountability (FMA) Act’ (Scott 2004).

The board continued to operate from December 2004 until 1 October 2005. During that period, Centrelink’s corporate governance arrangements were split between the Centrelink board of management and the CEO. The CEO was accountable to the board and to the Minister for Human Services. To meet his accountabilities, the CEO delegated responsibilities to senior executives in Centrelink and held them accountable for the decisions and actions taken on his behalf. The CEO also convened an executive committee to assist with decision making. Accountability was further devolved through subcommittees chaired by those reporting directly to the CEO (Centrelink 2005b:24).
With the abolition of the board, its powers, functions and duties passed to the CEO of Centrelink, creating a return to the traditional model of governance. The CEO became responsible, under the minister, for deciding Centrelink’s objectives, strategies, policies and priorities, its overall management and for ensuring that it performed its functions in a proper, efficient and effective manner. At that time, the CEO called on all staff members to assist him in fulfilling those obligations to the minister, the DHS, the purchasing agencies, customers and community and business stakeholders (Whalan 2005). At the same time, new internal governance arrangements and strategic frameworks were being developed.

**Internal governance**

While Centrelink’s corporate governance arrangements might have appeared to be innovative during the Vardon period, its internal governance arrangements were equally unusual for the public sector. Given the scale and extent of change involved in setting up Centrelink, and in the interests of a flat structure of participative management, Vardon had followed Kotter’s (1996) framework for leading change, including the concept of a guiding coalition. As already discussed, the guiding coalition was the peak internal management group consisting of all SES officers, and numbering approximately 90 in December 2004.

In setting the organisation’s new strategic framework, Whalan used the guiding coalition as one of his sounding boards, along with other stakeholders such as the minister, the secretary of the DHS, secretaries and client departments, the chair of the Centrelink board, area managers and staff at all levels through 33 workshops. The guiding coalition took into account feedback from these key stakeholders, which indicated that although Centrelink had fundamentally improved the customer experience, its operations and service delivery costs lacked transparency, it was unresponsive to customers and clients, governance and accountability needed improvement and Centrelink’s focus needed to be on delivery, not policy. Staff also wanted clearer direction as they felt there were too many goals, strategies and plans and a lack of clarity about for whom Centrelink was working—the customer or the government. From this feedback, the March 2005 guiding coalition meeting identified seven new strategic priorities to be the primary focus and to set Centrelink’s direction for the next six to 12 months. These were to:

- Re-prioritise our work and resource allocation in terms of Strategic Direction
- Align accountability and responsibility with authority
- Provide costing for all services within 6 months
- Develop united leadership throughout Centrelink
- Develop and implement our service delivery model
• Communicate the Strategic Direction
• Deliver the ‘work first’ and ‘pathways to work’ agenda. (Centrelink 2005b:13)

Whalan’s brief, set out in a statement of expectations from the minister (Hockey 2006) aimed to bring the organisation back to a traditional model of administration and, in so doing, to increase efficiencies and effectiveness through improved accountability and customer service. Whalan’s Letter of Intent (<www.centrelink.gov.au>) in response to the minister demonstrated how he proposed to deliver on the expectations.

The guiding coalition initially advised Whalan on how to meet the expectations as the group continued to meet in early 2005. As part of the process of change, however, the term ‘guiding coalition’ was disbanded, even though SES executive roles were maintained. By mid-April, the ‘guiding coalition mailing list’ had been replaced by the ‘Centrelink SES mailing list’, under the new governance arrangements (Centrelink internal email, 15 April 2005). This was another step back to the future.

As the organisation ‘moved forward’ during the early months of 2005, Whalan communicated frequently with all staff about reviewing priorities, directions and structure using the Business Television network, through business briefings, ‘question and answer’ bulletins, emails and personal visits to teams. One of the most powerful communication channels was the ‘business briefing’, broadcast by Centrelink’s Business Television network, entitled ‘Moving Centrelink forward—the new Strategic Framework and changes to our structure’. The briefing suggested the primary reasons for change were twofold: a shift in focus on the part of the government by creating the new DHS, bringing a range of service delivery providers from across the APS under that department, and ‘for Centrelink, this meant reviewing our direction and priorities to ensure we could deliver the Government’s program’ (Centrelink 2005b:2).

This wide consultation produced a new strategic framework, which had five core elements: its purpose, core values, core business processes, strategic themes and strategic priorities. In essence, it set out Centrelink’s reason for being, what it aimed to achieve and how the organisation wanted to be seen. It was underpinned by a united leadership model that focused on the expectations of its leaders and cited the behaviours they were expected to use. The overall framework set the foundation for business transition.

The first noticeable change was in the purpose of the organisation. The new statement of purpose was given as ‘Serving Australia by assisting people to become self-sufficient and supporting those in need’ (Centrelink 2005c:2). There were no accompanying vision and mission statements and no goals, as the strategic themes set out what was to be achieved in the medium to long term and provided a high level of focus that integrated issues from the internal and
external environment. The aim of the new model was simplicity, to provide a
model that was more transparent and easily understood by staff and stakeholders
than that which existed in the past, while building on the successful approaches
used in the Vardon era.

The new strategic framework was simpler than the complex model called *Future
Directions* developed during Vardon’s tenure. *Future Directions* was reviewed
annually to ensure the organisation was focused on the issues of greatest
importance and to draw out the key future issues. In contrast with the strategic
framework, *Future Directions* embodied Centrelink’s mission, vision, values,
risk-management framework and five goals that expressed the organisation’s
aims and key performance indicators, targets and strategies for accountability
to the government and client agencies, business and the community, customers,
Centrelink people and the efficiency and effectiveness of operations and
processes. The strategies, however, did not stand alone. At the core of *Future
Directions* were the balanced scorecard, the business improvement plans and
personal performance plans. Underpinning these elements were four themes (see
Chapter 3) given to the organisation by Senator Vanstone, the then Minister for
Family and Community Services:

- Protecting the integrity of outlays;
- Supporting participation outcomes;
- Providing more flexible service for business, customers and Government;
and

- Demonstrating that we provide value for money. (Centrelink 2004a:18)

The intertwining of these strategies and associated themes made for complexity
in understanding, especially by those staff in ‘the network’ who were removed
from its development and often received little explanation of what it meant and
how it was to be implemented.

Through the transition to a simpler strategic framework, there were some
elements that endured, including the core values. Vardon and Whalan saw the
values as essential building blocks for the organisation and, more importantly,
they had to remain as they had been included in the *Public Service Act 1999*—not
as prescriptive rules of process or aspirational statements of intent, but as
legislated principles. There was, however, one significant difference. Before
2005, the core values in Centrelink were given expression through the ‘shared
behaviours’, discussed in Chapter 3, which were used as a foundation for how
to behave in Centrelink (Centrelink 2001d). While these were part of the
innovative administrative arrangements of pre-2005 Centrelink, great care had
been taken to align them with the APS guidelines:

Customers and the community observe the conduct of Centrelink employees. Employee’s [sic] behaviour and conduct must be of the highest
standard and uphold the APS values and comply with the APS Code of Conduct. APS employees are required, under the APS Code of Conduct, to behave at all times in a way which upholds the APS Values. (Centrelink 2001d:1)

Another element of *Future Directions* that survived was the balanced scorecard, which needed to be adjusted to accommodate measurement of the strategic themes. Some new key performance indicators also needed to be developed. Other key performance indicators remained, as they were specific to Centrelink’s continuing purchasing agencies’ requirements. The Centrelink business plan and the local business plans were also retained but needed redeveloping for the new environment to ensure they aligned with the strategic directions.

**Internal structure**

At the same time as the new strategic framework was being developed, one of the then deputy CEOs, Graham Bashford, was heading a team to look at the internal structural arrangements and issues to support the new strategic directions. A transition plan was developed through April 2005 with a view to the new structure being in place by 1 July 2005. The plan was for the full transition to occur over 12 months in a number of phases. Accordingly, the new high-level management/governance structures for Centrelink were first to be announced, reflecting the priorities outlined in the strategic framework. Once again, simplicity was the key to its development, so that, ‘as far as possible, everyone understands who is responsible for what and to maximise support to the front line’ (Whalan 2005:1). As so often accompanies restructures, there was a cut in staff numbers, with two fewer deputy CEOs, two additional general manager positions and 10 fewer national manager positions. The reduction in national manager positions was the first step in reprioritising the deployment of resources following the key principle that the right resources must be in ‘the network’ and the right resources were supporting service delivery.

One noticeable feature of the new structure was the introduction of the traditional bureaucratic lines of authority and titles: deputy CEOs led groups, general managers led divisions, national managers led branches and business managers led sections. For example, the group level consisted of the CEO, two deputy CEOs, the chief information officer, the chief finance officer, the general manager of people and planning, the general manager of audit and risk and the general manager of communications.

The return to traditional administration was exemplified clearly in the case of Centrelink’s Virtual College, which was established on Vardon’s instigation in 2001 as another team within Centrelink, led by an SES officer. With the restructure that took place in early 2005, the Virtual College reverted to a branch and was given the conservative name, Organisation Learning and Development.
Branch, still headed by an SES officer. The innovative college concept and name were apparently unfitted to the more traditional structure post 2004.

The traditional model was considered to be a more appropriate structure to support the new directions for Centrelink and was based on a number of principles in that it:

- promoted the effective delivery of Australian government services
- ensured clear accountability
- limited ambiguity and overlap
- recognised that executive leadership set direction and priorities
- provided capacity for whole-of-government and DHS approaches
- provided for equitable distribution of work
- enabled good governance and performance
- reflected Centrelink’s core business processes
- produced a structure that was clear and meaningful to internal and external stakeholders
- supported the integration of service delivery to the government and customers
- attracted and retained capabilities.

During the first half of 2005, a new framework of strategic committees was developed to support the CEO in carrying out Centrelink’s broader powers and functions. The six strategic committees were the first to be established under the traditional model of administration and they served a purpose by which: a joint committee was required (contributing decisions required by accountable people from different groups); the decision being taken had significant impact on cross-agency/group/division stakeholders; or it was important to have a clear record of decisions and accountability for a complex or cross-program matter. The chair of each committee was empowered to make decisions and delegate responsibility for actions that aligned with the accountability statement of their own position, but, unlike a board, the committees themselves did not have any separate power. Committee membership was determined according to each committee’s scope of business, with terms of reference varying to provide for appropriate and continuing contributions.

Their role was to provide a forum for collaboration across Centrelink’s divisions and to advise the Centrelink executive. At the time of the abolition of the Centrelink board of management, there were six new subcommittees under the framework: people and planning, investment and major projects, IT, service delivery performance, welfare to work and finance. A new audit committee was also formed to coincide with the start of the human services legislation.

The strategic committees were considered to be a key part of the ‘governance committee framework’. A range of other meetings, however, relating to particular
programs, steering committees that included non-Centrelink members and committees in support of group or division accountabilities continued to exist and were mapped to the governance committee framework in subsequent months. On the other hand, there were several meetings that occurred between senior executives that were not part of that structure. These included forums (National Support Office SES meetings held each Monday) and executive catch-ups (CEO and direct reports each Monday). These meetings had no formal agendas, minutes or actions arising and were primarily information-sharing meetings.

It is reasonable to suggest that these subcommittees with their underlying emphasis on accountability were established in response to the need for better definition and transparency of Centrelink’s costing structure, a focus emphasised by Prime Minister Howard in announcing the creation of the DHS and by Minister Hockey (2005) in his address Making life easier—the role of human services in improving Commonwealth service delivery.

This structure replaced the one built on teams, which dominated the Vardon period. Before 2005, the executive team consisted of the CEO, two deputy CEOs and the chief information officer. Customer segment teams representing life events dominated ‘the network’ and functional teams, such as people management, formed the structure of the National Support Office. Each team was led by an SES officer, all of whom were conceived to be of equal rank. The rationale behind this team approach was that a flatter structure enabled a more participative management and decision-making style of administration.

The Area Network Review was another extensive change-management project within Centrelink after 2004. One of the first decisions under this review was to keep the existing 15 area offices, with a view to possible boundary changes in 18 months, when the Welfare to Work initiative would be well on the way to being implemented. Perhaps the most significant change in this field, however, was the adoption of a business-lines model of operation in all areas, with some areas having already gone down this path. Business lines are divisions of work much like the customer segments of the early days of Centrelink. The difference after 2004 was that Centrelink defined customer groups within business lines and staff training and delivery systems for customers were similarly arranged. The reason for this change was that it was seen to create new opportunities to further develop the consistency with which Centrelink delivered service. Initially, three business lines were planned: Welfare to Work, seniors, carers and rural, and families.

One of the real drivers for a move to business lines was the further development of the government’s Welfare to Work agenda, which held ‘Work First’ as its primary platform. The conceptual basis for the Welfare to Work program was the notion of mutual obligations. Within this model, government, business, communities, non-governmental organisations and individuals were seen as
having social obligations to society at large. It provided a framework from within which people with the capacity and availability would be expected to undertake some form of economic participation with the goal of returning to work. Others, such as those with permanent incapacities, would not be required to participate economically but their social participation would be seen as discharging their mutual obligation. The ultimate goal was a return to work so individuals could be released from dependence on benefits.

To deliver on these initiatives, Centrelink needed to position itself so that purchasing agencies, support staff and staff with service delivery roles had a clear focus on service to Australian citizens that was thoroughly consistent with the government’s agenda. One particular advantage of the move to business lines was the potential to link the stakeholder group with the service delivery group around process, practice and performance and the opportunity it would provide to give national stakeholder teams access to quick, unified and expert advice on product impact and potential issues with products on the ground.

Another outcome of the Area Network Review was the analysis and streamlining of support functions performed in the 15 areas to free up resources that could be moved to front-line service delivery.

**2006 and beyond**

In retrospect, 2006 and beyond could best be described as the congruence of continuity, capability and contestability for Centrelink. Continuity was a fundamental element for the organisation as staff was called on to maintain day-to-day business expectations; capability was tested as the organisation contributed to the development of major new initiatives and reacted decisively in times of community crisis; and contestability became more obvious as demand was made for an increased emphasis on accountability and better customer service. These elements were pitched against a background of fundamental change for Centrelink as it experienced its first full year of operation reporting to the Minister for Human Services.

The transition from the board of management to the new Centrelink governance arrangements was completed and consolidated during 2006, marking a significant step towards implementing the recommendations of the Uhrig report. The resultant shift towards ‘joined-up government’ made for ‘more efficient and effective linkages between the DHS agencies’ (Centrelink 2006:2) and improved service levels—one of the minister’s highest expectations. One notable example of improved service from a new partnership arrangement was Centrelink’s partnership with Medicare Australia, whereby the availability of family assistance services was extended to Medicare offices. According to the Centrelink Annual Report 2005–2006 (2006:3): ‘this has provided the Australian public with more choice about how and where they can access family assistance payments and
services. With the extra 190 Medicare outlets, and the rest implemented by December 2006, over 100,000 Australians have already exercised this choice.

Another demonstration of Centrelink’s capability was its impressive response to several crisis situations in Australia and overseas in 2006. Centrelink staff ‘value added’ to the organisation’s community responsibilities by assisting at times of natural disasters such as Cyclone Larry in Queensland, the Beaconsfield mine disaster in Tasmania and medical evacuations from Timor Leste. The importance of Centrelink’s role in responding to national emergencies has been recognised by the Federal Government providing funding for the establishment of a National Emergency Call Centre (NECC). Centrelink’s leading role in this and other initiatives suggests that it is still the dominant player in the DHS configuration, with additional capabilities from smaller agencies when required.

From a continuity perspective, many of the initiatives begun during the Vardon period and presented as priorities by Minister Hockey (2005) were advanced still further with the same long-term goal of lifting workforce participation and reducing welfare dependency. For example, self-service options for customers via the Internet and automated telephone services and SMS messaging as alternatives to letters increased during the period. Better management of major projects, especially in the area of IT, increased accountability.

All these initiatives were designed to pave the way for future fundamental shifts in ministerial expectations. Further challenges that lay ahead for Centrelink, post 2006, as indicated in the minister’s statement of expectations for the period 1 December 2006 to 30 June 2007 (Hockey 2006:1–2), were to:

1. support and contribute to the government’s development and implementation of the Health and Social Services Access Card
2. continue to make improvements in assisting customers into sustainable employment through the Pathways and Welfare to Work programs
3. make further improvements in the areas of compliance and reducing fraud, errors, debts and overpayments to customers
4. make it easier for the Australian public to access services through such initiatives as improvements to forms and letters, online capability and reduced queue waiting times
5. continue to foster collaboration with human services agencies, with particular emphasis on achieving procurement synergies and co-location benefits where appropriate
6. demonstrate that it is delivering its day-to-day services as required by the government and policy departments and as detailed in service delivery agreements
7. continue building organisational and workforce capabilities to meet current and future demands and expectations
8. deliver the government’s commitments according to agreed implementation schedules
9. continue to build confidence in the way it conducts its business
10. be in a position to complete the Letter of Compliance as required by DoFA.

It can be concluded therefore that the new administrative arrangements put in place with the establishment of the DHS enhanced Centrelink’s potential capability and contestability as seen by the way in which the organisation coped with massive organisational change while delivering on the minister’s expectations throughout 2005 and 2006.

ENDNOTES

1 Margaret Hamilton drafted this chapter.