

## Case Study #10 – CENTRELINK

### 1. Background

In 1997, the Government of Australia established Centrelink as a statutory agency to help meet citizens' expectations for improved service and, in particular, to improve the management of social security and employment services. This new agency brought together functions and staff from existing departments to serve as a "one-stop shop" delivering services on behalf of several departments. It was located in the Family and Community Services (FaCS) portfolio, but was separate from the FaCS department and had its own legislation. Centrelink's Chief Executive Officer (CEO) was accountable to the Chair of a board of management; the Chair was in turn accountable to the FaCS Minister.

### 2. Organizational Design and Governance Arrangements

In October 2005, Centrelink became a statutory agency under the umbrella of a new Department of Human Services (DHS). Under the authority of the Human Services Legislation Amendment Act 2005, this department operates within the Finance and Administration portfolio,<sup>1</sup> which has responsibility for six delivery agencies that are under direct ministerial control. The board of management was abolished. The DHS minister is in effect a "Minister for Service Delivery." Centrelink's CEO is solely accountable to the Minister, through the Secretary of DHS, for Centrelink's strategic, operational and financial management. The Centrelink Executive, which supports the CEO, consists of seven senior managers including, for example, the Chief Information Officer and the Chief Financial Officer. The Strategic Committee Framework comprises an Executive Committee (composed primarily of members of the Executive) together with five other committees (Audit/IT/People/Performance/Strategy, Planning & Resources) each of which provides a key forum for high-level collaboration, advice and review and, with one exception, is chaired by a member of the Executive who is accountable for the committee's decisions.

Centrelink is accountable within the framework of ministerial responsibility. At the beginning of each fiscal year, the DHS minister presents to the CEO a *Statement of Expectations* for Centrelink. The CEO responds with a *Statement of Intent* explaining how Centrelink intends to conduct its operations to meet the minister's expectations. In addition, Centrelink has Business Partnership Agreements (BPAs) or Memoranda of Understanding (MOUs) with various policy departments. These agreements outline joint outcomes, joint projects and key performance indicators; they also describe the relationships and accountability arrangements between Centrelink and policy departments.

The extent to which government departments use Centrelink to delivery services on its behalf depends on the service and the customer group, but overall Centrelink has the call and face-to-face network and IT and financial systems in place, so it is a natural choice and fit for most departments. Centrelink has Business Partnership Agreements or Memoranda of Understanding with the following policy departments:

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<sup>1</sup> The Human Services Portfolio consists of the Portfolio Department—including the Core Department, the Child Support Agency and CRS Australia—and the Portfolio agencies, Centrelink, Medicare Australia, Australian Hearing and the HSA Group.

- Family and Community Services and Indigenous affairs (FaCSIA)
- Department of Education, Science and Training (DEST)
- Department of Agriculture, Fisheries and Forestry - Australia
- Department of Employment and Workplace Relations (DEWR) 2006/09
- Health & Ageing Schedule
- Australian Valuation Office MOU
- DEWR Change Management Protocol (17 Oct 2005)
- Memorandum of Understanding, Centrelink and Director of Public Prosecutions

### 3. Business Model

Centrelink's major purpose is "serving Australia by assisting people to become self-sufficient and supporting those in need." Its core values are responsiveness to the government of the day, respect for customers and each other, accountability and excellence in service delivery. Its business model is based on a commitment to effective and efficient delivery of Australian government services to eligible citizens. The main principles underpinning its service delivery strategy are convenience, integration, access, equity and value for money.<sup>2</sup>

Centrelink has adopted a business line model that defines customer groups as Working Age Participation; Families and Child Care; Seniors, Carers and Rural; and Business Integrity. Both staffing and customer service delivery are arranged along these business lines.<sup>3</sup>

#### 3(a) Activities, Channels and Migration

##### **Activities**

Centrelink administers more than 140 different products and services for 25 government agencies of which 10 are policy departments, including the departments of Employment and Workplace Relations; Families, Community Services and Indigenous Affairs; and Health and Ageing. Centrelink ranks in the top one hundred of Australian companies in terms of size and turnover. Its recurrent budget is \$2.3 billion and it distributes approximately \$63 billion in social security payments on behalf of policy departments. It has 6.5 million customers (about one-third of the Australian population). In addition, Centrelink<sup>4</sup>

- pays 10 million individual entitlements each year and records 5.2 billion electronic customer transactions each year

<sup>2</sup> Government of Australia, *Centrelink Annual Report, 2005-2006*, p. 78, <http://www.centrelink.gov.au/internet/internet.nsf/publications/ar0506.htm>.

<sup>3</sup> Ibid, p. 57.

<sup>4</sup> *Centrelink Facts and Figures*, [http://www.centrelink.gov.au/internet/internet.nsf/about\\_us/facts.htm](http://www.centrelink.gov.au/internet/internet.nsf/about_us/facts.htm).

- employs more than 26,900 staff
- grants more than 2.8 million new claims each year
- has more than 1000 service delivery points ranging from large Customer Service Centres to small visiting services
- receives 30.77 million telephone calls each year
- receives 47.2 million website page views each year
- sends about 87 million letters to customers each year
- provides personalized services in over 80 languages

Centrelink's strategic objectives include connecting with service partners and human service agencies so customers receive the right help and making it easy for business and the community sector to do business with Centrelink. In the business sphere, for example, Centrelink's Business Gateway, established in December 2004, brings together a number of major services for business as well as Centrelink staff that are trained to understand business needs. There is a Business Hotline in the form of a national contact centre that assists not only business firms but also individuals and non-governmental organizations.<sup>5</sup>

### *Service Delivery Channels*

The figures cited above demonstrate the huge volume of Centrelink's contacts with citizens through the in-person, telephone and Internet channels.

For *in-person* service, the Centrelink network includes 316 Customer Service Centres, 189 Access Points, 374 Agents, 15 veteran information services, 15 area support offices, and 7 remote area service centres.<sup>6</sup> *Customer Service Centres* are located in both metropolitan and country areas. Most claims for payment by customers are made at the Centres. This is where follow-up interviews occur to help determine eligibility for payment or other assistance, or to assess the impact of important changes in a customer's circumstances.

Access Points and Agents are organisations or community groups that are contracted to serve customers in rural, regional and remote areas of the country where Centrelink does not have a formal presence. *Access Points* only provide self-service facilities so that customers can access Centrelink services by using a telephone to talk to a customer service officer, using a fax machine to send information to Centrelink, or obtaining Centrelink forms, brochures and information products. *Agents* are established in locations that require a greater Centrelink presence than an Access Point. The contracted organisation provides trained personnel to assist customers with their Centrelink business. They are not Centrelink staff, but they can deal with most general inquiries and will assist customers to access Centrelink online services or Centrelink staff through the telephone service if more help is required.

For *telephone* service, Centrelink Call has a national network of 25 call centres that deliver a range of government services and payments to Centrelink customers. Centrelink Call also provides specific services for customers in remote and regional

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<sup>5</sup> Centrelink Annual Report, 2005-2006, p. 50.

<sup>6</sup> *Ibid*, p. 10.

Australia, for Indigenous customers, and for customers whose first language is not English. The call centres are organized by business line, and calls can be redistributed among the centres during peak times. This national network is a central component of the government's disaster recovery process because the network can be leveraged during emergency situations.

The Centrelink *website* ([www.centrelink.gov.au](http://www.centrelink.gov.au)) contains information about payments and services delivered by Centrelink on behalf of policy departments. It also contains publications, information on such matters as eligibility requirements, a description of Customer Service Advisors and the services they provide, and downloadable claim forms and other documents.<sup>7</sup>

### ***Channel Migration***

In 2005, Centrelink introduced its Self-Service Strategy designed to maximize benefits to customers through self service. The main initiatives taken include enhancing security measures and implementing new online options allowing customers to conduct more business through online self service and by telephone (e.g. online claims for families and increased automated telephone options); increasing self service awareness and take up through targeted marketing and promotion activities; and enhancing training and business support for Centrelink staff to increase awareness of the self-service options.

In 2005-2006, Centrelink customers conducted more than 6.59 million self-service transactions via a secure logon process to view and monitor their own Centrelink records without the assistance of a customer service advisor. Special efforts have been made to promote the use of the online channel to help manage peak demand periods (e.g. processing student claims). In March 2006, Centrelink began a 15-month project to promote the use of self service channels (Internet and IVR) to all customers. Approximately 160 Self Service Advisors were placed in Centrelink offices. Early results showed an increase in the number of customers registered for self service.<sup>8</sup> During the period July 2005 to June 2006, about 9 percent of all Centrelink customer transactions were undertaken through the Internet or automated telephone self service.

### ***3(b) Funding***

Centrelink has a mixed funding model. It is funded by a combination of revenue from services it provides for government agencies and annual appropriations from the Australian Government. Centrelink's operating revenue is primarily derived from allocations by policy departments for Centrelink to deliver services on their behalf. Centrelink also receives direct appropriations for infrastructure costs. Other minor revenue sources come from the sale of services. Total estimated operating revenue for 2006-2007 was \$2563.56 million, of which \$1905.54 million was to come from business partnership arrangements with policy departments, \$626.9 million from direct appropriation, and \$21.08 million from other sources. An example of the extra funding

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<sup>7</sup> Centrelink Information, *A Guide to Payments and Services, 2006-2007*, p. 7.

<sup>8</sup> Centrelink Annual Report, 2005-2006, p. 76.

that the government can provide to Centrelink is the funding of \$115 million over two years to build capability to respond to emergency calls 24 hours a day, 7 days a week.<sup>9</sup>

The Finance Committee, a sub-committee of the Executive Committee that is chaired by the Chief Financial Officer, oversees the development and implementation of the Centrelink Financial Plan, ensuring that it conforms to relevant financial policies and procedures. Centrelink provides a comprehensive report on governance, management processes, achievements and financial outlays in its Annual Report, tabled each year in Parliament. The financial report includes information on Centrelink's outlays against its budget appropriations.<sup>10</sup>

### *3(c) Human Resource Issues*

Centrelink's Strategic Human Resources Plan highlights the connections between Centrelink's Strategic Directions and the key human resource activities that support these directions. Among six Strategic People Statements within the Plan are commitments to create a workforce that is reflective of and sensitive to the needs of a diverse customer base and to foster a customer focused service delivery culture among employees.<sup>11</sup>

Workforce planning is an integral part of Centrelink's business planning cycle. Business priorities are examined for "mission critical" skills, and managers then work with human resource consultants to implement targeted workforce strategies to provide these skills. Centrelink provides a variety of training opportunities for staff, including multicultural training, training to implement specific government programs (e.g. Welfare to Work) and leadership development programs. In addition, the Inbound Programme brings service and call centre managers, young officers and specialists (e.g. social workers) to National Support Office for an intensive program on Centrelink's current focus and future directions and on the political environment within which it operates. The Outbound Programme sends employees from National Support Office into service and call centres to experience business and customer interaction at a local level.

Employment conditions negotiated between Centrelink and its staff are contained in certified agreements (a collective bargaining agreement) or individual Australian Workplace Agreements.

### *3(d) Performance Measurement*

Performance reporting in Centrelink<sup>12</sup> tracks progress on its implementation of what it has undertaken to achieve through its planning processes. This applies in particular to reporting against the Minister's Statement of Expectations and the CEOs Statement of Intent.

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<sup>9</sup> Government of Australia, Centrelink Business Plan, 2006-07, p. 22, [www.centrelink.gov.au/internet/internet.nsf/publications/co055.htm](http://www.centrelink.gov.au/internet/internet.nsf/publications/co055.htm).

<sup>10</sup> Ibid, p, 21.

<sup>11</sup> Ibid,p. 22.

<sup>12</sup> Ibid, p. 20.

Other major accountabilities that Centrelink has to the government are detailed in its BPAs and MOUs with policy departments. These agreements detail joint outcomes, projects and Key Performance indicators that describe the relationships and accountability parameters that will exist over the life of each agreement between the relevant department or agency and Centrelink. Every year, Centrelink aims to meet the KPI targets as specified in the agreements. The *Strategic* Balanced Scorecard monitors KPIs and other measures that influence the achievement of Centrelink's outcomes. In addition, lower-level indicators are monitored by business and line managers through the *Operational* Scorecard and associated measures.

Centrelink's Customer Charter requires it to undertake regular surveys of its customers regarding the quality of its service delivery. And Centrelink's Business Assurance Framework is used to report on issues such as debt prevention, compliance and fraud detection activities. A range of indicators is used for this purpose.

In addition to providing information on how well it is meeting its targets, Centrelink's performance management system supports its business planning process by providing a clear link between an employee's performance, development and contribution to the agency's Strategic Direction.

The Service Delivery Performance Committee, a sub-committee of the Executive Committee, monitors service delivery performance and oversees alignment between policy department requirements and Centrelink's service delivery.

### *3(e) Use of Information Technology/Web 2.0*

Centrelink continuously explores the use of information and communications technology to enhance the reach and effectiveness of services available to customers and businesses. For example, a flexible IT system allows customers to register for self service either directly via the Internet, at a service centre or by telephone. For internal users, Centrelink is updating its internal security services that support staff access and authentication.

The IT Refresh Programme is working to:

- provide a platform for improved online delivery of services
- reduce the risk of service compromise due to the ageing of the systems
- ensure that doing business with government is made easier and less costly for organizations in the public, private and community sectors
- provide an infrastructure that can be used by other government agencies
- deliver departmental and administrative savings.<sup>13</sup>

### *3(f) Partnerships*

Centrelink is involved in a wide range of partnerships with a variety of business and non-governmental organizations. For example, Odyssey House Victoria is a residential rehabilitation program for people with such problems as drug, alcohol and gambling addictions. Over 500 Centrelink customers receive service from Odyssey House and they can nominate this organization to act on their behalf. Odyssey House can then

<sup>13</sup> *Centrelink Annual Report 2005-2006*, p. 97.

access Centrelink services on behalf of these clients. In 2005, Odyssey House and Centrelink reached a partnership agreement to enable the electronic exchange of data, which has made access to services more convenient and reliable for both organizations and for their shared customers.

Among other partnerships in which Centrelink is involved are inter-jurisdictional arrangements. YP4, a program designed to assist young homeless job seekers, involves a partnership with the State of Victoria. and Centrepay (a direct, bill paying service offered to customers receiving payments from Centrelink) involves, for example, partnerships in Indigenous communities among parents, community organizations, state and territory governments and the federal Department of Education, Science and Training.

#### **4. Community Engagement**

With its country-wide network of service centres, Centrelink is in a strong position to engage communities in achieving high-quality service delivery for Australians. Ninety-five percent of the Australian population is within 20 kilometres of a Centrelink office. Centrelink has a “Better Practice in Local Engagement of Community and Business Sectors’ Strategy” to build and implement consistent / leading practices for managing local relationships between Centrelink and the community and business sectors.

There is a substantial variety of arrangements in place for community coordination of a broad range of human services. Centrelink has an extensive network of staff dealing with the community sector. Dealings range from national forums and reference groups to meetings at the state or regional level, and the direct working relationships of local Centrelink offices and community sector groups. These relationships provide a platform for collaborative approaches to support both individuals and communities, and are a rich source of information and feedback about Centrelink’s services.

Centrelink has shown that it is especially well positioned to assist communities in crisis. A network of new Rural Services Officers was introduced in July 2006, in part to respond to the widespread severe drought and in part to support better overall service in rural areas.

#### **5. Issues Encountered/Challenges**

With an ever-increasing list of services and customers and with well over 300 Service Centres and 25 Call Centres, Centrelink has difficulty maintaining consistency of service and process across the network. These Inconsistent practices, result in unreliable management information, duplication of effort, rework, and extra burden on staff. These strategic risks are identified as:<sup>14</sup>

1. Inconsistent customer outcomes across Centrelink.
2. Business ‘design and costing’ does not reflect the actual distribution of resources across Centrelink.

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<sup>14</sup> Malcolm Wright, (National Manager, Planning and Change Management), *Centrelink*, Power point presentation to Government of Canada, Ottawa, July 20, 2007, slide 26.

3. Centrelink is unable to anticipate and react to variance in forecasted revenue versus actual revenue.
4. Lack of effective and efficient management and long-term viability of IT infrastructure to support Centrelink's business needs as they reflect the expectations of the Government.

Moreover, surveys of Centrelink customers have identified eight Key Areas that need attention to improve customer service and satisfaction:

- Connecting customers and community
- User friendly paper communications
- Staff attitudes and knowledge
- Timely and consistent service
- Open to future customer needs
- Manage mistakes and complaints
- Environment of the Citizen Service Centres
  
- Right door (access services through options in channels/locations)

## 6. Critical Success Factors

Centrelink's success flows from pursuing its several strategic themes,<sup>15</sup> that is, its high-level outcomes that jointly contribute to achieving its purpose and the government's objectives. The themes are:

*Building Confidence in Centrelink.* Revitalizing services and improving Centrelink's credibility in the eyes of customers and stakeholders by ensuring correct payments, maintaining transparency of relationships with stakeholders and attracting favourable media attention. Quality and speed of referrals to employment service providers is one measure of performance under this theme. Centrelink has a Customer Service Charter that states the standard of service that customers can expect and the remedies available if they are unhappy with the service. Both complaints and compliments can be passed along in several ways and customers can be invited to participate in customer satisfaction surveys (about 65,000 customers are surveyed each year).

*Strengthening the Customer Focus in Line with Government Direction.* Customer interaction with Centrelink is improved through new service delivery initiatives, stakeholder engagement and optimizing service delivery sites and service delivery channels.

*Developing a Networked Organization.* This involves Centrelink's ability to work with government and non-government organizations to achieve integrated outcomes for the Australian community. The aim is to efficiently deliver services that require a long-term strategic focus and to be flexible in meeting local community needs and conditions.

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<sup>15</sup> Centrelink *Business Plan 2006-2007*, p. 13.

*Building Capability for Government.* Centrelink's operations are focused on outcomes that enhance government's capability to better service the Australian community. Performance indicators include the ability to deliver existing services, to deal with unexpected and emergency situations and build future capability.

*Demonstrating Value for Money.* Prioritizing work, resource allocations and providing costings for all services demonstrates value for money. The satisfaction of policy departments and the Department of Human Services with Centrelink services and its ability to delivery within budget are clear indicators of success.

## 7. Next Steps

The nature of Centrelink's business is changing. It no longer provides just support payments; it now administers a wide range of government initiatives to much broader segments of the community. The Government's expectations of Centrelink are also changing, particularly with the introduction of the Department of Human Services and the focus on government interaction with Australians. In addition, customers' expectations are evolving through their interactions with technology and other service delivery organizations such as banks.

To respond to these changes, Centrelink established the following strategic priorities for 2007-2008:<sup>16</sup>

- Support development and implementation of the Australian Government Health and Social Services Access Card.
- Continue to build confidence in service delivery costs, resource management & business processes.
- Build better connections with the community.
- Demonstrate united leadership and teamwork at all levels.
- Attract, train and retain skilled people to deliver customer outcomes.
- Improve access to services by implementing the Integrated Service Delivery Network (ISDN). *ISDN* is the next generation in Centrelink's service delivery. In essence, it will mean
  - Integrated systems
  - Consistent processes
  - Building on past work
  - Addressing possible future service delivery needs
  - Being broader than just Centrelink (it can apply for example to other DHS agencies) and, most importantly,
  - Better customer outcomes

With consistency as the goal, and building on the work of the National Business Lines, Centrelink will work with all Business Areas across the organization to align its

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<sup>16</sup> Wright, slides 24, 25.

processes, systems, tools and communication. This consistency will also allow Centrelink to be more flexible. Flexibility is needed because every customer is different and front line staff need the best possible support tools to assist them to make the right decisions in their dealings with customers.

A fully Integrated Service Delivery Network will take two to three years to implement. The ISDN program of work for 2007-2008 includes these projects:

1. *Customer Contact Information*  
Create ability for collection and analysis of the data required to accurately forecast customer demand across the network.
2. *Scanning*  
Develop strategy for digitized document management with benefits such as improved control of customer information and increased efficiency in service delivery.
3. *Concept Office Laboratory*  
Adjoining the Concept Office in Tuggeranong, the Concept Office Laboratory provides Centrelink with a test facility embedded in the service delivery network, allowing trials and evaluation of service delivery initiatives.
4. *Support Centre Trial*  
Develop strategy to provide support on demand for all service delivery employees. Includes alignment and scope for redevelopment of current staff support mechanisms such as reference material and training programs, and better management of demand.

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