



Australian Government

Australian Government Response to the Independent Review of Commonwealth funding for strategic policy work

Commissioned by the Department of the Prime Minister and Cabinet

19 December 2024

Introduction

Australia is facing some of its greatest strategic challenges of the last 70 years. Departments and agencies need to engage with the strategic policy sector where practical and necessary to do so. The government acknowledges the work undertaken across the strategic policy sector to strengthen national security through high-quality research, and encourages it to promote discourse on national security policy and address the challenges of maintaining peace and prosperity in our region, as well as globally.

The Independent Review of Commonwealth Funding for Strategic Policy Work was commissioned by the Department of the Prime Minister and Cabinet (PM&C) and commenced on 5 February 2024. The Independent Reviewer, Mr Peter Varghese AO, submitted the report to the Secretary of PM&C, Professor Glyn Davis AC, on 26 July 2024. The Australian Government welcomes the report and thanks Mr Varghese for his work in reviewing Commonwealth funding for strategic policy work.

The government has considered the 14 recommendations made in the report and responds by either agreeing in full, agreeing-in-principle, or noting. The government recognises the need to improve the longer-term viability of the strategic policy sector as set out in Chapter 3 of the report, but at this stage does not intend to expand on the \$40 million provided to the strategic policy sector each year; indeed, Mr Varghese did not recommend it at this time. The government agrees with the assessment that, by being unencumbered by government bureaucracy and direction, the strategic policy sector supports policy contestability by testing assumptions and providing new or different perspectives into policy discussions. The government supports taking steps to improve the current system, to complement the uplift to the public service and provide the best possible strategic policy advice.

The government acknowledges the report's observation that the strategic policy sector in Australia will remain reliant on Commonwealth funding for the foreseeable period. The government also encourages the strategic policy sector to identify alternative funding sources where possible. By providing funding, the government expects all departments and agencies to oversee and regularly assess all commissioned strategic policy work, and maintain oversight of operating funding provided by the Commonwealth. This is consistent with the government's commitment to accountability in government spending and ensuring value for money when engaging with the strategic policy sector.

In the process of engaging with the strategic policy sector, the government expects departments and agencies to promote opportunity and competitiveness for fee-for-service strategic policy work. That said, the government also recognises that strategic policy work can be highly classified, and the nature of that work will sometimes require expert knowledge and skills not found broadly across the strategic policy sector. In any case, it is appropriate that Commonwealth funds for strategic policy work are used for defined purposes, aligned to Australia's national interests.

Recommendation 1

Government should use the principles-based framework set out in Attachment A to frame decisions on commissioning strategic policy work.

Government response

The government agrees with this recommendation.

A strategically directed approach to Commonwealth-funded strategic policy work would provide consistency across the strategic policy sector and ensure value for money for the government. A central aim for the system is minimal burden without compromising our existing guidelines, rules and processes, which are also principles-based and enable all stakeholders to act flexibly to achieve outcomes. A rigorous system is underpinned by collaboration, transparency, evaluation and good governance. Several of the proposed principles set out in the principles-based framework are addressed in this response.

Recommendation 2

The Secretaries Committee on National Security (SCNS) should approve annual priorities for the sector, drafted by SCNS deputies in consultation with the sector.

Government response

The government agrees with this recommendation.

Ministers will agree strategic policy research priorities for the strategic policy sector on an annual basis. The priorities will be guided by the government's national security policy priorities and the concept of *National Defence* defined in the 2024 National Defence Strategy. The research priorities will be posted on the website of the Department of the Prime Minister and Cabinet to the extent classification allows.

Recommendation 3

Funding for the United States Studies Centre (USSC), Perth USAsia Centre (USAC), Australian Strategic Policy Institute (ASPI) and National Security College (NSC) should be extended until 30 June 2027 to align with the commencement in 2027-28 of the new five-year funding cycle at Recommendation 4.

Government response

The government notes this recommendation.

The government agrees-in-principle with extending funding, noting this needs to be undertaken in the context of the Commonwealth Grants Rules and Principles (CGRPs) and the Commonwealth Procurement Rules (CPRs). New contracts or contract extensions, will be considered in the context of the fiscal environment and subject to the government's consideration in the relevant Budget process and in accordance with the CPRs.

Recommendation 4

Government should adopt a five-year cycle for providing operating funding to the sector, commencing in 2027-28. The new funding cycle should involve a performance evaluation in year three and an open tender process in year four. This Review should be drawn on for evaluation decisions by SCNS for the first five-year funding cycle (2027-28 to 2031-32).

Government response

The government notes this recommendation.

The government agrees-in-principle with providing funding in five-year cycles where appropriate, and sees value in possibly starting earlier, and will consider this aligned with the CGRPs and the CPRs. The government expects all strategic policy work funded by the Commonwealth is subject to evaluation to ensure value for money.

Recommendation 5

Departments and agencies should retain the autonomy to commission strategic policy work in support of their priorities, provided these are consistent with the annual priorities approved by SCNS and the principles-based framework.

Government response

The government agrees with this recommendation.

Departments and agencies will continue commissioning strategic policy work and are expected to conduct regular evaluations of all strategic policy work funded by the Commonwealth to ensure value for money and consistency with the strategic policy research priorities.

Recommendation 6

PM&C should maintain and regularly update a central database, internal to government, of all funding arrangements with the sector including the name of the recipient organisations, details of the project teams, level and duration of funding, funding agency, purpose of funding and evaluation outcomes.

Government response

The government agrees with this recommendation.

Departments and agencies already have obligations to report a range of data on AusTender and GrantConnect, with the latter being the primary source of publicly available information on grant funding. Departments and agencies will identify the most efficient way to meet this need, and exchange forward work plans and evaluations of strategic policy work against the annual strategic policy research priorities.

Recommendation 7

Departments and agencies should commission, administer and coordinate their fee-for-service strategic policy activities through single departmental gateways where practical.

Government response

The government agrees with this recommendation.

The government considers 'departmental gateway' to mean a dedicated directorate or function within a department or agency responsible for administering grant programs and connecting potential funding recipients to relevant stakeholders. These gateways will not replace the role and function of GrantConnect as the central source of information for the public and organisations regarding grant opportunities and awards.

Where practical, departments and agencies will commission, administer and coordinate their strategic activities through single departmental gateways, with thresholds and processes to be determined by department and agency heads.

Recommendation 8

To facilitate deeper interaction between government and the sector, government should sponsor security clearances for key figures across a diverse range of organisations where external sponsorship is not otherwise possible.

Government response

The government agrees-in-principle with this recommendation.

The government defines key figures as individuals in the strategic policy sector for whom the sponsorship of a security clearance would provide significant benefit to government, and would not have otherwise been provided through alternative mechanisms such as non-disclosure agreements.

While departments and agencies already sponsor security clearances for some individuals in the sector, the government encourages greater use of this opportunity to support effective policy design. Departments and agencies will have the discretion to fund security clearances in full or seek a cost contribution from the individual's organisation. Sponsorship is not a guarantee of a security clearance and individuals will be subject to usual security clearance processes, including those already sponsored under existing partnership arrangements.

Recommendation 9

Government should increase secondments and two-way exchanges with organisations, prioritising high-achieving individuals. Government secondees should protect confidential information but not be otherwise constrained by their home agency on their research outputs.

Government response

The government agrees with this recommendation.

Departments and agencies are encouraged to identify additional secondment opportunities within budget allocations.

Recommendation 10

Organisations should implement best-practice governance, including a skills matrix for Board positions, policies governing the transparency and appropriateness of corporate, philanthropic and foreign funding, and providing government observer status on Boards where the Commonwealth provides operating funding. These should be a precondition of Commonwealth operating funding, but not fee-for-service funding.

Government response

The government agrees-in-principle with this recommendation.

Governance should be scalable to the size of the strategic policy sector organisation. Where practical, strategic policy sector organisations are encouraged to implement best-practice governance, including a skills matrix for Board positions, and policies governing the transparency and appropriateness of corporate, philanthropic and foreign funding. For larger strategic policy sector organisations, these practices could be considered in a tender process and during contract negotiations as a precondition to Commonwealth operating funding. The government agrees observer status, at a minimum, is appropriate on boards where the Commonwealth provides operating funding, noting some existing government board positions have greater than observer status.

Recommendation 11

Government should re-constitute ASPI's Council with up to eight members, comprising a chair and two members appointed by the Minister for Defence, two members appointed by the Leader of the Opposition, and up to three members appointed by the Council itself based on a skills matrix. The Council should have the authority to appoint the Executive Director.

Government response

The government agrees-in-principle with this recommendation.

ASPI should be a genuinely independent and non-partisan research organisation set up to provide research-based policy analysis.

The ASPI Constitution will be amended to establish a Council of up to eight members. It will comprise a chair and two members nominated by the Minister for Defence, two members nominated by the Leader of the Opposition, and up to three members nominated by the Council itself based on a skills matrix.

Consistent with the existing ASPI Constitution, the Council will have the authority to appoint the Executive Director in consultation with the Minister for Defence.

These appointments will be finalised in line with longstanding government board appointment processes outlined in the Cabinet Handbook. The ASPI Charter will also be updated to ensure consistency with the changes to the ASPI Constitution.

Recommendation 12

Subject to a formal application being received from ASPI, and meeting relevant requirements, government should support Deductible Gift Recipient (DGR) status for ASPI, either as an approved research institute or, if necessary, through a specific listing in the tax law. This should be subject to ASPI's Council developing guidelines, cleared by the Minister for Defence, that ensure potential donors understand that ASPI's Commonwealth Company status does not confer any special privileges or access to government.

Government response

The government notes this recommendation.

ASPI may apply to the Australian Tax Office for Deductible Gift Recipient status through established and standard government process under the DGR general categories. If ASPI is not eligible under the DGR general categories, it may submit a proposal for government consideration to be listed specifically by name in the tax law.

Recommendation 13

Government should cease funding for ASPI's Washington D.C. Office once existing contracts conclude at the end of the 2024-25 financial year.

Government response

The government agrees with this recommendation.

Commonwealth funding for ASPI's Washington D.C. Office will not be renewed when the current funding ceases at the end of the 2024-25 financial year. The government agrees with the review's conclusion that influencing foreign government policy in Australia's interests is best done through a single voice representing the full authority of the Australian Government, principally the Australian Embassy.

Recommendation 14

At the conclusion of the existing grant to the Australian American Leadership Dialogue (AALD) in 2027-28, the government review its funding and make any further funding contingent on a matching co-contribution from the US Government as well as a substantial contribution from the private sector.

Government response

The government agrees with this recommendation.

The AALD has made a significant contribution to the Australia-United States Alliance over more than three decades by convening leadership dialogues with respective governments and other sectors. The government will review its funding of the AALD at the conclusion of the existing grant in 2027-28. Any future funding of the AALD will be considered in the context of the fiscal environment and against the strategic policy research priorities. Funding would also be subject to consideration in accordance with the CGRPs and CPRs.