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AUSTRALIAN GOVERNANCE SUMMIT 2017

DIRECTING IN A COMPLEX ENVIRONMENT

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Governing within the constraints of the public sector

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Overview

- Understanding public entity authorising environment
- Identifying constraints of public sector governance
- Hallmarks of successful GBE governance

Understanding the GBE authorising environment (1)

Machinery of Government arrangements (Commonwealth & State)

- **Parliament**
- **Minister**
- **Portfolio Department**
- **Portfolio Entities**
 - Statutory authority
 - State owned enterprise
 - Corporations Act company
 - Advisory body

Understanding the GBE authorising environment (2)

Case Study – The Victorian Public Sector (2015-16)

The public sector is divided into two groups:

1. Public service bodies (39) — departments (7) & offices (32)

- Provides support to ministers
- Employees: 36,799 FTE

2. Public entities (3349) — statutory authorities (180), state owned enterprises (47), school councils (1532), trusts & advisory committees (1590)

- Includes commercial bodies, service providers, industry regulators, professional registration boards & advisory bodies
- Employees: 192,940 FTE

Understanding the GBE authorising environment (3)

Exploring the public sector landscape

1. **Evolution of GBE governance model — changes since the 1980's**
2. **Accountability framework**
 - A. Legislation — enabling, administrative, stewardship & accountability
 - B. Administrative — Public Sector Commission, Audit, AICD
 - C. Integrity bodies — IBAC/ICAC/CCC, Ombudsman, Audit
 - D. Government — government policy (federal & state), cabinet, parliament, minister/office, department

Constraints of public sector (1)

1. Board structure, composition & membership

- **Requirements of enabling legislation** — size, composition, skills
- **Government policy** — board categories, representation
- **Premier / Treasurer / minister / minister's office** — oversight & political imperatives
- **Director selection and appointment process** — advertising, selection panels, decision making tree, timeliness, integrity checks

Constraints of the public sector (2)

2. Managing key relationships

- **'Owner' / minister** — building an effective relationship with each minister & ministerial office
- **Department** — understand role & work closely
- **Constituency** — stakeholder engagement strategy vital in decision making and communicating key decisions/changes
- **Media** — honest, open & timely via minister's office

Constraints of the public sector (3)

3. Boardroom conduct, operations and performance

- **Good practice guides** — Public Sector Commission / AICD frameworks yet largely left to boards to develop own modus operandi
- **Overarching government policy** — compliance with corporate planning, financial, HR & IR directions
- **Ministerial / department** — directions, involvement & advice
- **Political imperatives** — strategic & tactical outcomes, timing of actions, communications, favoured stakeholders
- **NED viewpoints** — ‘arms length from government’, constituency loyalty

Hallmarks of successful GBE governance

1. **Making a difference** — many roles are significant, important and highly rewarding
2. **Understanding the public sector** — the drivers and roles of key players
3. **Building professional relationships** — with key stakeholders & like entities
4. **Building a high performing entity** — attracts strong constituency support
5. **The media** — avoid advancing board strategy/policy positions via the media
6. **Departments** — implementing streamlined appointment processes & open, honest and timely advice
7. **Public versus private** — each sector has much in common but also can learn from each other