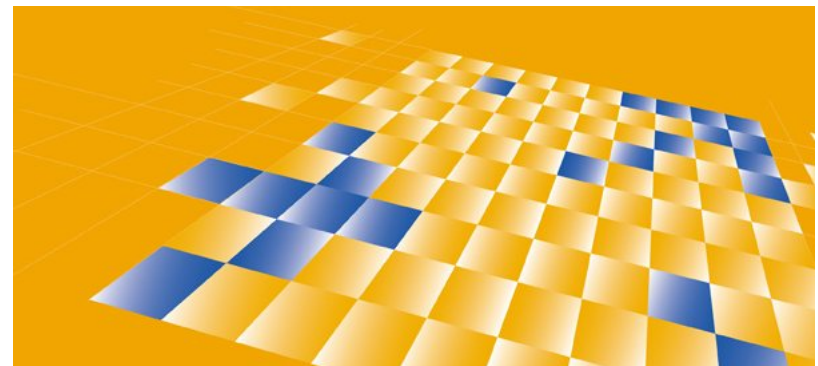


# VMIA: VPS Risk Management Conference

## Governance Lessons from the Victorian Public Sector

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Chief Executive Officer

October 2009



Distributed Public  
Governance:  
the Victorian  
model

# A variety of entities for differing purposes

## Public Sector

Employer Bodies: 1,855  
FTE: 200,134 (= 9%  
of Vic Labour Market)

Plus Thousands of  
Non-Employing Bodies:  
Mostly Cemeteries &  
Crown Land Management C'tees

## Public Service

Employer Bodies: 28  
FTE: 33 422

## Public Entities

Employer  
Bodies: 1 827

FTE: 166 712  
(>90% employed by 230 bodies)

# A variety of entities for differing purposes

**Public Service**  
28 Employer Bodies  
FTE: 33 422

11 Departments

18 Authorities and Offices

**Public Entities**  
1 827 Employer Bodies  
FTE: 166 712

1 Teaching Service  
1,587 School Councils

24 TAFEs

96 Health Services

8 Police & Emergency Services

43 Water & Land Management

68 Other entities

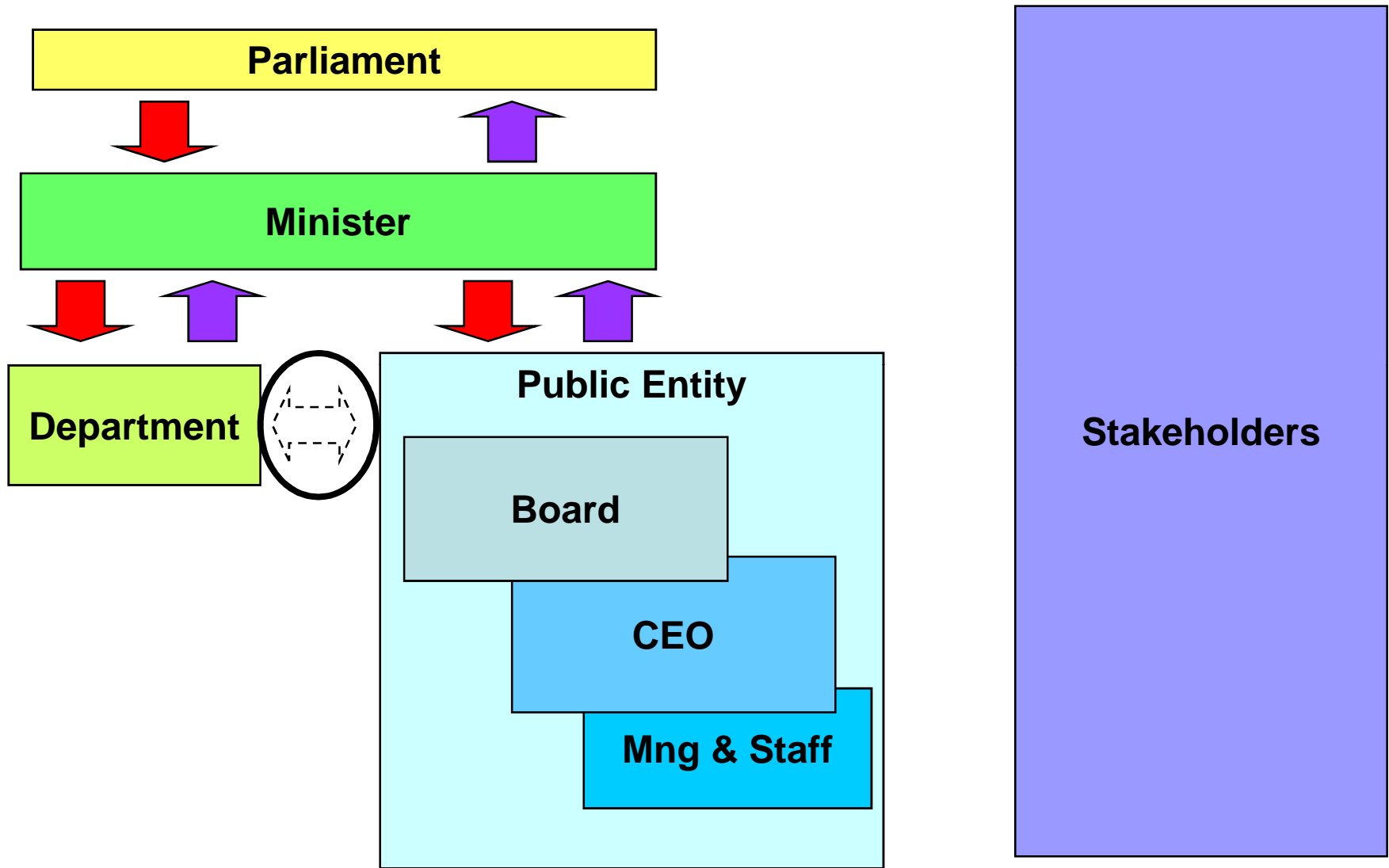
# The Vic model different - clear distinction between Public Service & Public Entities employees

- Major focus on Public Entity Governance in Victoria because of clear legal & operational distinction between public service (mainly Departments – 15% public sector employees) & public entities -85%
- Other jurisdictions make little distinction between employment by the Departments and separate public sector entities

FTE '000	Service	Sector	Total
Vic	33,000	167,000	200,000
NSW	304,000		304,000
Qld	196,000		196,000

**Public Entity CEOs don't write Ministerial Briefings in Vic....**

Ministers are **accountable** for their portfolios.  
Entities and depts are **responsible** to their Minister



# SSA's charter:

leading and engaging the Victorian public sector in continually improving services, standards, workforce development & governance

# *Public Administration Act 2004 (1)*

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- Provides a set of governance principles for Victorian public entities (eg Duties of Directors, Chairperson & Entities...) and specifies
  - public entity board is accountability to responsible Minister for the exercise of its functions
  - Minister is responsible to Parliament for public entities
- Mandates 7 Public Sector values (or their equivalent) for public sector employees & public officials, eg Board Members
  - responsiveness, integrity, impartiality, accountability, respect, leadership and human rights

# *Public Administration Act 2004 (2)*

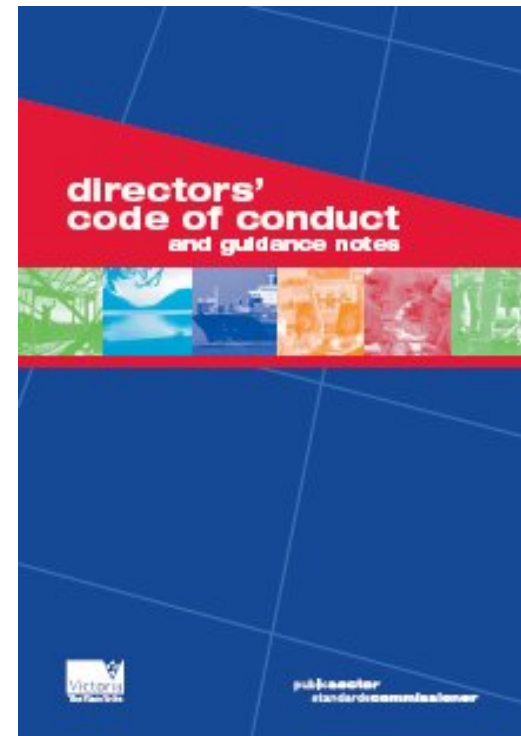
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- Mandates 5 employment principles public sector employers
  - merit, fair and reasonable treatment, human rights, avenues of redress and equal employment
- Establishes the Public Sector Standards Commissioner (PSSC) with power to issue binding codes on the public sector, based on the Public Sector Values
  - codes issued for Directors and Employees

# PSSC's Directors' Code of Conduct mandate duty to...

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- act with integrity and honesty
- act in good faith in the best interests of the public entity
- act fairly and impartially
- use information appropriately
- use their position appropriately
- act in a financially responsible manner
- exercise due care, diligence and skill
- comply with existing legislation
- demonstrate leadership and stewardship



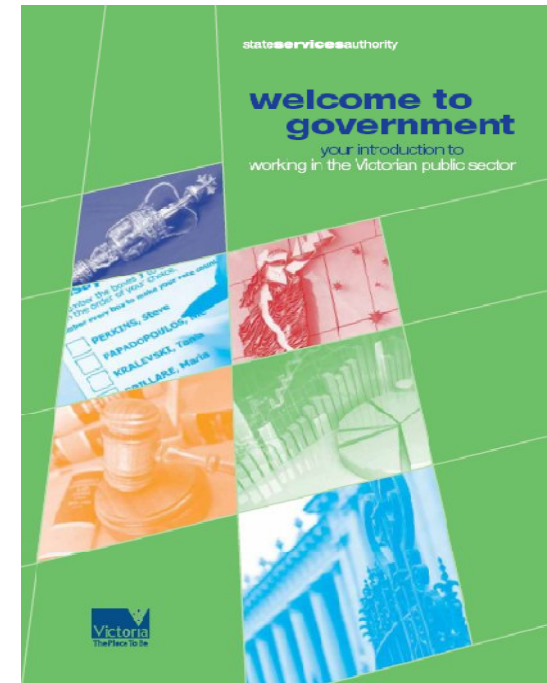
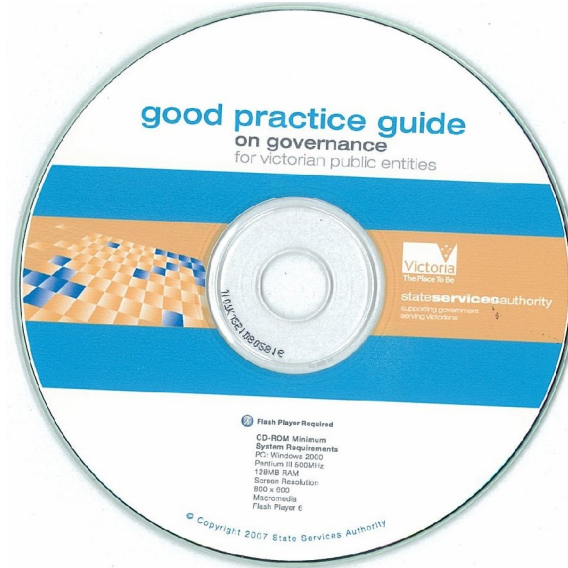
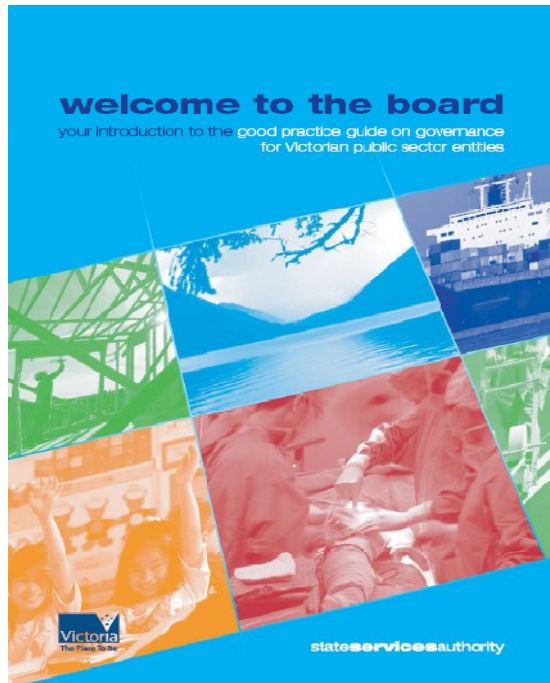
# Other important legislation

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- **Stewardship** – *Financial Management Act 1994, Audit Act 1994, State Owned Enterprises Act 1992, Victorian Managed Insurance Authority Act 1996*
- **Administration and privacy** – *Public Records Act 1973, Information Privacy Act 2000*
- **Accountability and transparency** – *Freedom of Information Act 1982, Whistleblowers Protection Act 2001, Ombudsman's Act 1973*
- **Other** – *Charter of Human Rights and Responsibilities Act 2006, Equal Opportunity Act 1995, Accident Compensation Act 1985*
- **Commonwealth Legislation:** *Corporations Act 2001, Trade Practices Act 1974, Workplace Relations Act 1996*

# The SSA is responsible for...

Providing advice to promote high standards of governance, accountability and performance of Vic public entities



Manages public website of appointees to public entities

[www.publicboards.vic.gov.au](http://www.publicboards.vic.gov.au)

# Issues in Governance:

Cemeteries  
VicRoads  
Alpine Resorts

SSA Reviews typically focus around 6 issues...

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- Legal structure, operations and performance
- Clarity of entity's purpose and Government's expectations
- Accountability and relationship to Ministers and portfolio department (and Stakeholders)
- Organisational Capability
- Financial sustainability and business planning
- Stakeholder management

# Key drivers for misaligned governance arrangements

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- Changes in Government
- Changes in Government policy
- Changes in the operating environment
  - community expectations
  - climate change
  - market development
  - communications & technology (the e-effect)
- Changes in standards of practice
- Entity failure to monitor, respond & adapt in concert with Government, Department & stakeholders

# Cemetery Trusts – Context

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- Industry largely unchanged since 19<sup>th</sup> century, reform appetite low
  - approx 522 cemetery trusts (564 cemeteries),
  - 14 designated “major” (10 Metro, 4 Rural),
- Industry Turnover \$94M,
  - top 2 \$25-35M pa, rest \$1-8M
- Trustees not remunerated, 66% appointed for life, since 1995 mostly 5 year terms.
- AG reports found systemic governance and management lapses, some “illegal”, contrary to Government policy or poor practice
- 2 Trusts dismissed and Administrator appointed

# SSA Findings

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- Industry structure unsustainable especially entity governance and organisational capability of major cemeteries
- Financial sustainability concerns
- Poor trustee understanding of governance and accountability to Government or relationship to Government policy
- Continuing role for volunteers important & needs support for ongoing effectiveness
- Need more active and strategic approach by Government and Department

# Recommendations/directions

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- Changes to institutional arrangements, 2 classes: large quasi-commercial Trusts and small voluntary Trusts
- Large trusts continue to self fund and to operationally and financially support small trusts
- Explicit Governance requirements and principles (eg Pt 5 PAA),
- Responsibilities and accountabilities clarified and expanded eg Annual Plans and Strategic Plans submitted to Department
- Explicit and expanded Department role – strategy, planning and monitoring of trusts

# Alpine Resort Areas - Context

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**Government's goals for alpine areas emphasise the importance of environmentally sustainable management and the development of all season resorts**

- Structure the result of multiple reforms over 2 decades:  
Five Alpine Resort Management Boards Alpine Resorts –  
Chairs of each Board form the Coordinating Council
- Operating environment for each resort undergoing significant change from global warming and climate change
- Government policy: to adapt and re-position as all season tourist destinations

# SSA Findings

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- Structural fragmentation and confusion over roles and responsibilities between Boards, the Council and the Departments of Sustainability and Environment and Planning and Community Development
- Resort boards operate very broad mix of policy, strategic, operational and commercial functions
- Some functions conflicting

# Recommendations/directions

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- Clarify roles & responsibilities through clear policy guidance
  - eg environmental stewardship & achieving all season resorts v commercial practices
- Reduce entity fragmentation - amalgamate into one body with resort site offices
- Improved financial management framework and longer-term focus
- Encourage a long-term, strategic approach to management in marketing, infrastructure, service delivery etc
- Improve reporting and business planning processes
- Planning policy functions only to be done by Planning Department

# VicRoads - Context

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- Policy focus on transport systems has increased significantly in last 2 decades
  - Increased commitment to Public Transport
- Government commitment to more integrated approach to transport and land-use
- VicRoads structurally separated from the Department of Transport and the broader transport policy environment
  - Uncoordinated, non integrated advice to Ministers from Department and VicRoads
  - Role clarity issues: road transport, freight, bike paths...

# Recommendations/directions

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- Clarify that lead responsibility for strategic transport policy and network planning advice rests with DoT (Department)
- Formalise collaboration mechanisms relating to policy advice to Ministers
- Legislative requirement for a long-term (20-25 year) transport plan
- Improve integration of transport and land-use planning through formal MOU
- Enhance integration through joint reporting and corporate planning between VicRoads and DoT

# Governance lessons from the Victorian Public Sector (1)

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- Governance cannot be static
  - arrangements appropriate at establishment of an entity need to respond to environmental and policy changes
- Boards need to be proactive
  - do not wait for the “crisis” due to misalignment
- Board must ensure compliance and performance
  - stakeholder engagement and management
- To optimise performance Boards need to be aware of and help shape effective public sector culture and values within organisations

# Governance lessons from the Victorian Public Sector (2)

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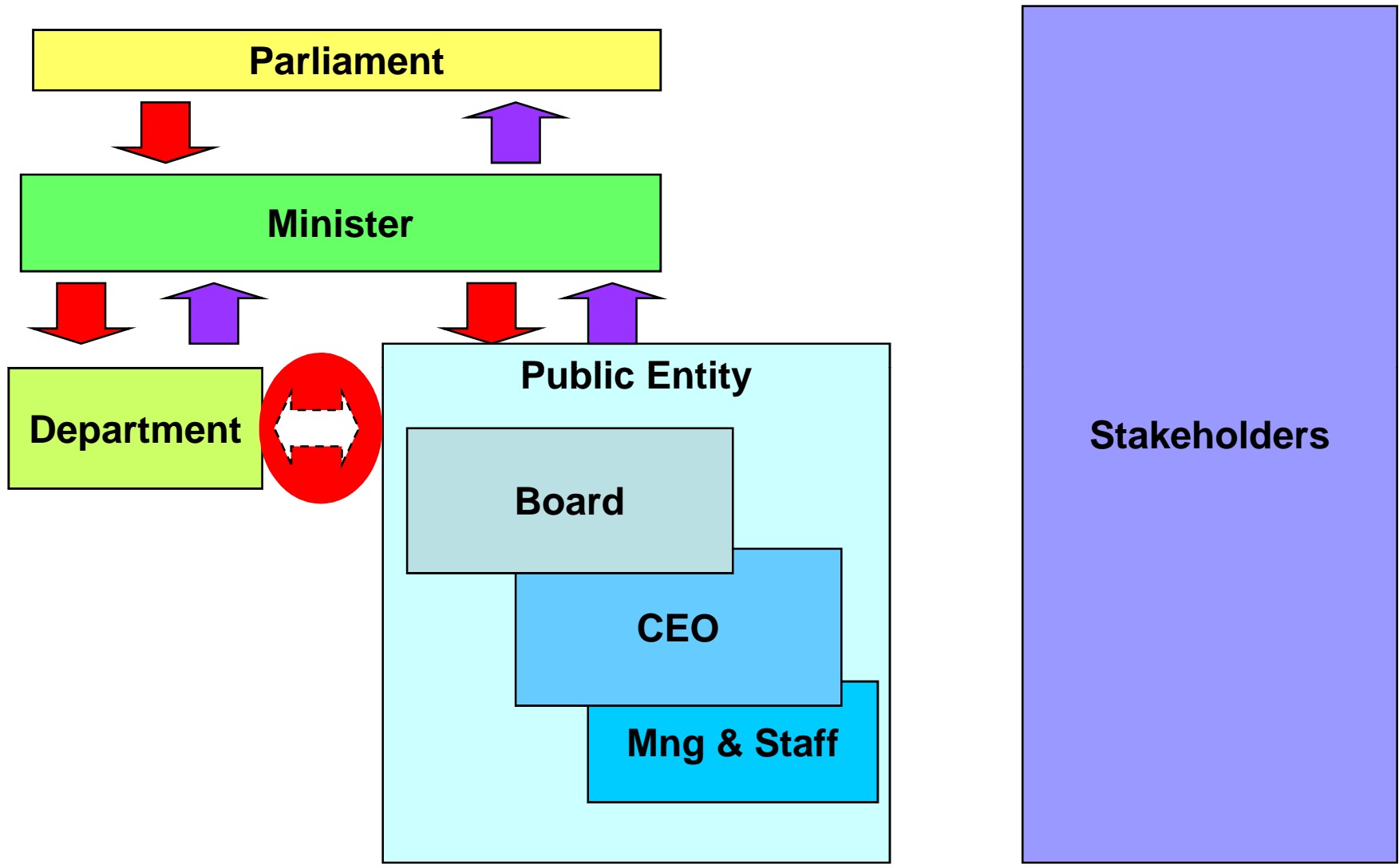
- Ministers and Department must clearly define and communicate policy goals and priorities
- Boards need to have clear objectives, roles and responsibilities to achieve these goals
- Entities must have positive relationship with Department, especially through the Chair
- Boards need to build
  - capabilities (skills and expertise) and capacity (assigning priority, time and resources) across the entity
  - clear and transparent accountability processes
  - feedback mechanisms to facilitate adjustment

# Public Entities & Boards ripe for review

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- Think that they are not part of Government
- Don't understand the role of the Minister and his/her Department
- Seek a legal opinion following a direction from a Minister
- Run their own campaign against Government policy
- Don't effectively engage stakeholders

Ministers are **accountable** for their portfolios.  
Entities & Depts are **responsible** to their Minister



[www.ssa.vic.gov.au](http://www.ssa.vic.gov.au)