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Panel discussion - What does it mean to use public money well?

Introduction

The answers to some questions are straight forward but the answer to this one is not, as there are many factors that need to come together to deliver outcomes that use public money well.

They include:

- (a) government acting in the best interests of the nation
- (b) government policies being soundly based and well-targeted
- (c) policies being soundly implemented, their performance monitored, and any required adjustments made, and
- (d) institutional arrangements working well, particularly those designed to provide transparency in relation to the performance of government policies.

So let us consider these four components.

The role of government

The following quotes provide perspectives on the role of government.

James Madison, the 4th President of the USA (1809-17) once observed:

What is government itself, but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself.¹

¹ Madison, James, The Federalist No 51. *The Structure of the Government Must Furnish the Proper Checks and Balances Between the Different Departments*, *Independent Journal*, February 6, 1788, cited in Milton Friedman, xxxx, p.143

Tony Blair, the former British Prime Minister from 1997 to 2007 was on a similar wavelength.

*...the real test of leadership – amongst all the tests of policy, judgement, politics and ability – is whether, in the final analysis, you put the country first. I don't mean that you do something people agree with or even what is objectively right, if there is such a thing in politics. I mean that you are, ultimately, prepared to put what you perceive to be the common good of the nation before your own political self. It is the supreme test. Very few leaders pass it.*²

I have also drawn from a 1978 communique of the Commonwealth Law Ministers in past audit reports on grants administration, to capture the role of Ministers in discharging their executive responsibilities:

[Ministers are expected to discharge their responsibilities] 'in accordance with wide considerations of public interest and without regard to considerations of a party political nature'.³

Now you will get the picture – governments do not always comprise angels and have been known to put political self before wide considerations of public interest.

Against this background, the first test to be satisfied is the responsibility of government to manage in the best interests of all Australians. It should be the guiding light for any national government.

The development of soundly based and well-targeted policies

In presenting the 'Centenary of the APS Oration' in 2001, the then Prime Minister, the Hon John Howard, made the point that:

*The quality of any government is dependent, in large part, upon the quality of the advice it receives...Australia must be assured that its government...will be guided by considered, honest advice based on rigorous analysis, sound knowledge of administrative practice and sensible precedent.*⁴

These ingredients clearly apply to the development of sound and well-targeted policies.

Much has been spoken and written about sound policy development but most would agree it generally requires government to be clear about:

² Blair, Tony, 2010. *A Journey – My political life*. Alfred A Knopf/Random House publishers. *Introduction*, p.xv

³ See King LJ (the Hon), November 1999. *The Attorney-General, Politics and the Judiciary*. Delivered to the Fourth Annual Colloquium of the Judicial Conference of Australia. 13 November. Article published in *The Australian Law Journal*, Volume 74, p.448

⁴ Howard, the Hon John, Prime Minister of Australia, 2001. *The Australian Public Service*. Presentation to the Centenary Conference of the Institute of Public Administration Australia.

1. the anticipated outcomes, appropriately focussed to achieve the desired result
2. that it has a role in achieving the outcomes i.e. cannot readily be achieved in the absence of public money
3. the evidence supporting the adoption of the proposed measure is persuasive if not compelling, and
4. how performance of the policy will be measured, particularly its impact.

If providing assurance in relation to these matters wasn't challenging enough, we should be alert to the words of Gary Banks, when Chairman of the Productivity Commission:

*Complexity and uncertainty would make policy choices hard enough if they could be made purely on technical grounds. But policies are not made in a vacuum. Rather they typically emerge from a maelstrom of political energy, vested interests and lobbying. Commonly, those with special interests will try to align their demands with the public interest.*⁵

In the same vein, David Borthwick, former Secretary of the then Department of the Environment, Water, Heritage and the Arts (2004-2008) also observed in his valedictory lecture:

*Specific interest groups that stand to lose have become increasingly savvy at harnessing the power and reach of the media and the susceptibility of our politicians to push their particular cause. And, more than ever, governments are reactive to the intense pressure of the 24 hours news cycle. Sadly, responding to the shrill voices of sectoral interests too often gets in the way of long term policy development in the national interest.*⁶

Sorting out the 'wheat from the chaff' is so important in the national interest as sub-optimal targeting of programs comes at a cost to the public purse, may introduce inequities, and may displace more worthy programs.

This requires the public service to be worldly-wise and give government impartial advice and clear options, outlining the costs and benefits of each, based on the best available evidence. The public service should also not be blind to the fact that governments will want to win on the politics as well as the policies that it adopts so at times, decisions by government on issues of policy design, timing and messaging may be influenced by this.

⁵ Banks, Gary AO. 2009. *Challenges of Evidence-Based Policy-Making*. Productivity Commission/Australian Public Service Commission – one of a series of publications of Contemporary Government Challenges, p.5

⁶ Borthwick, David PSM. A Valedictory Lecture *As if for a thousand years*. p.12

The effective implementation of government policy

If government policies are not implemented well, the benefits of the new policy measure are at risk and the resource costs are most likely to be higher than anticipated.

To effectively implement programs requires sound governance, including risk management, the right skills and capability, sound administrative systems and processes and, importantly, performance measures and monitoring to inform agencies whether programs are making the difference, or on track to making the difference, that government expected; and being delivered efficiently.

Various reports of my office highlight programs not implemented well with soft spots in risk management, particularly monitoring new or changing risks, and in measuring the impact of government programs.

In recent years my office has been emphasising that more needs to be done to assess the impact of government programs. This is particularly important when the demands on government exceed available resources and better targeting of programs is likely to save serious money.

In short, sound implementation of policy measures is required to turn policy into reality.

In recognition of this, my office is about to publish a Better Practice Guide, with the Department of the Prime Minister and Cabinet, on *Successful Implementation of Policy Initiatives*.

Appropriate Institutional Arrangements

Our institutional arrangements have held us in good shape as a nation since federation. They provide, amongst other things, for the accountability of the executive government to the Parliament, and this assists in government being accountable for the use of public money. Information about the performance of government policies and programs is beneficial for the community and allows for debate on the policy and/or its performance.

This is a healthy aspect of any democracy and contributes positively to assessments of whether public money has been used well.

Concluding comments

Using public money well requires the effective implementation of soundly based government policies developed having regard to wide considerations of public interest, close monitoring of performance and appropriate institutional arrangements to provide accountability for results.

At the best of times, it is not straight forward to achieve the alignment of the required components – more of a journey, but with a worthwhile destination.

While there are some challenges facing the government today as it seeks to bridge the fiscal deficit and negotiate its legislative agenda with the new Parliament, the role of the public service remains constant in providing sound advice on policy options, and in the effective implementation of policy measures.

It is important, however, that we learn from the past and draw on Australian and international experience so that using public money well is a common objective, whether official roles entail providing policy advice or implementing government decisions.