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TRANSCRIPT OF PROCEEDINGS LEARNING FROM FAILURE

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**GANDEL HALL
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John Lloyd:

John Lloyd is my name. I'm the Public Service Commissioner. First, I want to give you a little bit of context for the Peter Shergold report. Its title, of course, is to improve the chances of success for large government policy initiatives. Many of the report's conclusions can inform and improve the public service more generally. I think it will be a document that will endure. The report does not make recommendations. It reaches conclusions. The intention is that it stimulates comment and discussion.

Today's event is obviously part of that process. It's great to have the report's author here. Report, obviously with Peter as the author, is based on a deep understanding of how government and the public service works. The tones and reference reflected the government's interest. They refer to the design, implementation, governance and accountability associated with major projects. Of course, management of risk is embedded in the terms of reference.

Also, to have an understanding of the broader environment, it's important to remember that the government's role is often as an enabler. Also, advice that is accurate and robust.

The report reaches 28 conclusions. Many welcome and incisive. Most will stimulate the discussion that Peter seeks. I have been particularly taken by a number of the conclusions. The conclusion 3, the FOI Act should be amended to have less constraining impact on provision of frank and fearless advice.

Conclusion 8, there should be forums and/or contact on a regular basis between senior officials and ministerial staff to engender a better mutual understanding and respect. That's support, and apparently in my view of it, is partly informed by my experience of working in both roles.

Conclusion 13 is to work with industry associations to develop deficiency standards for project and program managers.

Conclusion 17, support staff to take up career opportunities outside the Australian public service for experience to enhance the APS on their return.

Conclusion 20, to source talent from outside the APS on a temporary basis for large projects.

That perhaps the most significant conclusions are found in the last part embracing adaptive government. I'll just quote a couple of those that I find to be quite important and incisive observations. Organizations that thrive are flexible. They seize opportunities, learn rapidly and recognize that partners will need to deliver longer-term goals. When they enter uncharted territory, they'll find themselves under threat from new forms of competition. They respond fast, start small, test new approaches, watch market responses, learn from doing, scale up activity or if necessary, try again.

Most importantly, they're honest about failure. They recognize that mistakes happen, interrogate why they occurred and set in place remedial measures to ensure that they perform better next time. Adaptive government calls for greater organizational flexibility. It demands more willingness to experiment, starting small, testing what works and in the worst case, found quickly.

This is a great document. It contains many thought provoking and worthwhile conclusions which I hope will be actioned. Australian public service cannot stand still. I'd like to call Peter Shergold to the platform to talk about it. Thanks, Peter.

Peter Shergold: Thank you so much, John. I'm Peter Shergold. My success as a public servant was almost entirely due to one feature. I have a very loud voice. Feel free to clutter your cutlery and rattle your plates. It will not affect me. I do hope that you've read or will read Learning from Failure. It has a very long title for government standards, a very short report, less than 100 pages. If you can't read the whole thing, then perhaps you can read the executive summary which is just 9 pages.

If you simply don't have time to read anything, just listen up fast. I've only got 20 minutes to capture your interest. It may therefore seem odd that I want to take time to make 3 preparatory comments but I've learned from experience. I've learned from failure that there's a real danger otherwise that listeners may dismiss my propositions on the basis of misplaced assumptions.

Here are 3 statements of clarification. First, I'm not suggesting in my report that public servants have been unwilling to use failure to drive improvement. Indeed, my guess is that at some time in virtually every leadership training course offered by the APSC, one is going to hear about the importance of recognizing and learning from our mistakes. It's good rhetoric, although I'm not sure it is always honoured in the observance.

Here's the thing. Mistakes in my view are a rather soft and gentle way to talk about how things can go so disastrously wrong in the public arena. Failures, by contrast, is more brutal and unforgiving form of language. "I failed" is more confronting than "I made a mistake," yet major failures, unmitigated administrative disasters, such as the design and the implementation of the Home Insulation Program, if they are faced honestly, can provide powerful lessons.

In truth, I've learned more, far more from thinking about the whys and the wherefores of my manifold failures as a public servant than from my occasional successes. I've also learned from experience that talking about my failures makes for a much more entertaining after-dinner speech than regaling my audience with my insights on leadership.

The important thing I've discovered is not just to attribute failures to structures and systems and cultures within which one operated. Somehow, that makes failure comfortingly anonymous. I think it's also important to identify one's personal contribution to find the points at which one must declare mea culpa.

I can now innumerate the failures that give greater foresight and attention and care, I think I could have avoided or mitigated. An important insight: Many of my failures are not immediately visible to the untrained eye. The failure to not do things that should have been done. The failure to not follow ideas through with sufficient vigour and rigor. The failure not to envision how to look at a problem afresh and articulate new approaches to addressing them. The failure not to display the wisdom and courage to do things differently. That's why I feel that my inability to use my influence and authority when I was in the APS to drive greater change in the administration of indigenous affairs, to devolve more authority and more responsibility to indigenous communities in remote and regional Australia is my personal greatest failure. I came to know what had to be done. I had an inkling how to do it. I set up trials to demonstrate it but I didn't, in the end, deliver what was possible.

Second preparatory remark. I'm not suggesting in my report that the matters I address are not being improved. I see, for example, how the capability reviews of the last few years have helped the APS to identify weaknesses and improve performance. I'm genuinely excited by the signs of innovation. I see at both commonwealth and state level, enhanced contestability in service delivery, better customer service, more consumer-directed care, improved commissioning of government programs, greater willingness to engage expertise from outside the public service. Stronger embrace of new forms of digital democracy.

Yes, change is already underway. I do think that a new cross-sectoral public economy is emerging but as the science fiction writer William Gibson said, "The future is already here. It's just not very evenly distributed," but please, don't fall into the comforting complacency of ignoring my report's conclusions of the basis that change is already underfoot because here, in my view, is the truth. It's the truth that underlies my report and the position which I bring to this address.

What is interesting, what is innovative, what is exciting right now in public services too often remains at the periphery of public administration. It does not challenge as it should the core and the heart of public service.

Third, I'm not implying in my report that the private sector is better than the public sector or that public service leadership runs a poor second to corporate CEOs. I do not believe it. Those of you in this room who helped me write this report, I pay tribute to you. It showed that one shouldn't believe those

stereotypes. I'm well aware that for every public stuff up, one could find a private sector business that has managed to fail bigger and better and at greater expense.

There is a profound difference between the 2 sectors. It's called market competition. Many large Australian companies are just as bureaucratic as any department of state in Canberra. They've got hierarchical forms of decision making by committee. They've got horizontal silos demarcated as business units but their mindset does tend to be different. It's because they're driven by the ever-present danger of losing market share and with it, shareholder value.

The public sector is not the private sector. It's not driven, thank goodness, by profit at risk. Public sector leadership is framed by serving governments of the day in an environment of fierce political contest. It's power, it's authority is more complex, it's more opaque and ambiguous.

For those reasons, public service agencies are different from the private sector but, says my report, they can learn from those organizations that are driven by intense competition for sustainable profit or indeed driven by the need to win the philanthropic dollar.

What should we learn from the failure of the Home Insulation Program and other major projects? Six main things emerged for me as I read the findings of the Royal Commissioner Ian Hanger. First thing, provide robust policy advice. Change needs to be embedded in tradition. All of you in this room need to re-affirm the proud vocation of public service, to serve successive governments with equal commitment, to provide strong, clear, fearless advice while being responsive to directions set by government, to implement the decisions of government effectively on time, on budget to public expectations, whether or not those decisions reflect the advice that you gave.

In my view, to provide frank and robust advice to ministers, to ensure that they can come to their decisions with eyes wide open, the advice needs to be in writing. Of course, RO advice is vital. One needs to be able to brook arguments face to face with conviction and clarity but all advice, however strongly it is conveyed, can too easily be ignored or misinterpreted. Our own advice, on its own, leaves no trace of the reasoning behind the decisions made and worse, especially when things go wrong, as they did in the Home Insulation Program. When advice has been conveyed orally, it becomes possible to argue about advice was actually given or received or properly understood.

Of course, you know, I know, there is a fundamental problem. Many of you would have experienced it. Ministers and public servants both need to be assured that if they provide written advice on policy options, that that written advice remains confidential. That confidentiality is at the heart of a mutually-respectful relationship, because as we know, when confidentiality is breached,

trust is corroded.

That's why, as the Public Service Commissioner has said, my report does argue that the advice and opinion provided by public servants to the support of the deliberative processes of government policy formulation need to remain confidential. If there's doubt, then ministers will prefer only RO advice on sensitive issues. That, we all understand, is a bad thing, a very bad thing for public policy. For those reasons, I suggest minor modifications to the FOI Act to ensure that confidentiality is ensured for deliberative documents.

Here's my perspective. Governments should be held responsible for the policies they enact and the manner in which they are implemented. They should not be held to account for the policy advice proffered by public servants that they decide to modify or to reject.

Second thing. Support good decision making. Unlike many of my former colleagues, I see the growth in the number and importance of ministerial advisers in a positive light. They provide their ministers with politically-aligned advice that can balance that provided by politically non-partisan public servants. They have an important role in supporting their ministers to make decisions. There are a few ministerial advisors that I worked with that I did not enjoy arguing with. Often, I depended on their insight in terms of how to win the ear of the minister. The department and the ministerial office each served the minister but in different ways. They need to work well together. That is why, as John Lloyd has said, I do promote more systematic opportunities for advisors and senior public servants to together explore their respective role.

Ian Hanger was absolutely correct when he concluded that advisors must not, by subtle persuasion or otherwise, dictate what advice they or their ministers receive. It's for that reason that I believe the statement of standards for ministerial staff should be [touted 00:19:13] to provide explicit and unambiguous statements that advisors must not direct public servants without their minister's authorization, that they must not stop ministers seeing advice because they don't like it. They must not seek to make the executive decisions themselves.

At the same time, it's equally important that ministers don't feel like they're having to become the mouthpiece of their public servants. Effective cabinet processes, as the Prime Minister Malcolm Turnbull has stated repeatedly, are the foundation of good public policy. They allow different views to be debated, policy consequences to be fully explored and implementation risks properly assessed. I think it's vital that ministers can feel that they have full ownership of the cabinet papers that they bring forward. In particular, I argue, they should sign off a personal assessment of the purpose of their proposal, the expected outcomes and the anticipated risks.

That segues into my third theme, namely the vital significance of creating a positive risk culture. Here I got to tell you, I worry. I worry that in some regard, my proposals run the danger of seeming superficial. That is that my conclusion that all departments and major agencies should appoint a chief risk officer and that all cabinet proposals should include a risk management plan. In some regard to my conclusions might seem to be simply catching up with the Public Governance, Performance and Accountability Act of 2013 and the outcomes-based Commonwealth Risk Management Policy. Not so but tragically inept implementation of the Home Insulation Program is simply one of the more egregious instances of poor identification and management of risk.

Whilst the APS has significantly advised its management of risk in recent years, progress, in my view, has been too slow. I'm chair of the risk committee at AMP. I operate under the regulatory scrutiny of APRA and ASIC. I, like you, know just how hard it is to move from identified positions and committees and plans and guidelines. If you like, there are some bureaucratic artefacts of engagement and instead to move towards an embedded risk culture, a culture that can be tested and measured right across the organization. That pathway to embed strong risk behaviours at all levels is not yet well-trod in the APS.

Too often, risk management is perceived as risk aversion. Its manifestations are reactive and distinct. Scrutiny is focused on compliance and process. Decisions are too rarely made on a proper assessment of the government's overall appetite for risk. The challenge, it's my challenge just as much as it's your challenge, is to have everyone in an organization, the first and the second and the third lines of defence, understanding their responsibility for risk management.

Fourth thing, enhance program management. As evaluated outcomes, rather than simply processes come to be the basis on which risk comes to be accessed, measured and managed so equally important, program management and it's little sibling, project management needed to be accorded far greater professional status in the APS.

Whey, my god, a decade ago, I was secretary of PM&C, I used to rail at forums of public servants about the fact that policy advice and policy design was generally perceived as far more important, far more sexy than policy implementation. Of course, that unstated hierarchy of importance, policy advising at the top, program delivery in the middle and rock bottom, corporate services is complete and utter claptrap.

Here's the unvarnished truth. However elegant the design of a policy, however grand it's vision, it will only be judged by the public on the basis of how well it is executed. That's the reason. I make a number of suggestions in my report on how to recognize projects and program management as a vital community of interest. Why the APS does need professionally-trained program managers

who accept end-to-end responsibility for implementation.

I conclude that when complex and time-urgent and large-scale projects are contemplated, I think there would be advantage in the APS having on standby a tiger team of service-wide experts who project and program management, a team which can be immediately harnessed.

The need to enhance risk and program management capabilities is part, of course, of a more general problem. The APS needs to be able to harness the capacity and interest of people with diverse skills honed by their experience in the private or at the community sectors. That's my fifth thing. The APS needs to be open up. It needs to be further opened up.

Let me as a university chancellor let you into a sad truth about young people today. Many will have 0 interest in joining an APS department or come to that, in joining a corporate enterprise. Most of them don't give a rat's about a 40-year career. What will attract them is the opportunity to work on a new policy, a new program, a new management initiative, an opportunity that attracts their interest because it's challenging and worthwhile and fun and best of all, if it contributes to the national interest in innovative ways and never, ever forget that that's the edge that you have in the public service.

Some people may like to join the APS for short periods. Some may prefer to be contracted on a casual basis. Some may prefer to stay right outside the APS but be partners in a process of co-design or co-creation. They'll seize an opportunity to work for a period on a project that has purpose and value. They don't have to be here in Canberra. They may equally be able to contribute in real time online from [Kens 00:27:09] or Christchurch, Chelsea or California. Think of it as you will, as the Hollywood model of public service. People brought together for a challenge, working with the very best talents from different backgrounds, designing and delivering a project, let's imagine home insulation for the nation, and doing it well. In short, just as a heterogeneous group of skilled and talented people come together to make a movie. Then, mission accomplished, move onto new opportunities so public service projects can be brought to life.

Of course, that's not true for everyone. For many of you and for many of the best and brightest graduates, the APS will remain a lifetime career, a worthy vocation but you and your colleagues should equally be given a chance to take time out to work in different environments, to work with different challenges.

Let me be clear. The APS, under its present leadership, is already showing a willingness to open itself up but I suggest it's possible to move faster, to be bolder. Let's make the boundaries of public service far more porous. Let's build a more energetic collaborative outward-looking workforce.

Let me conclude. In looking at failure in public service major projects, I focused

on the fundamentals of the Westminster System and how they might best be preserved. Paradoxically, my conclusion was that precisely in order to maintain what is best in our democratic form of government, we need to embrace best practice from the private and community sectors as well as from the public sector. We need to hone the disciplines that for businesses and philanthropic enterprises operating in a competitive market are crucial to financial survival.

The term I use to describe the bold reforms that are needed to strengthen the traditional roles of the APS, my final theme, is to embrace adaptive government. In my considered view, the public sector can learn from the organizational flexibility that businesses have to adapt in order to survive the trepidations of competitors in a global market.

In response to the pace, the complexity, the connectedness, the sheer unpredictability of modern life, successful businesses, successful social enterprises are learning to function differently. Well-established companies suddenly find their business models undermined by emerging providers snapping at their heels. They find their customers attracted by new goods, new services delivered in different ways. New companies rise to prominence quickly, amass great value rapidly and then, many collapse with equal speed.

Just think about this. Almost half of the Fortune 500-size companies established in 1999 have now disappeared from the list. A study of 25,000 listed American companies shows that their average lifespan has fallen from 55 years in the 1960 to 35 years today. Indeed, 10% of American-listed companies fail each year. They become insolvent. They get liquidated. They become merged. They get acquired. For every Bunnings success story, there is a Masters Home Improvement failure.

In such an environment, here's the question. Would your agency cut the mustard? The organizations that survive and prosper are those that remain agile. They are the organizations that public services can learn from. Look at how they approach innovation. When they enter uncharted territory or find themselves under threat from new forms of competition, they respond quickly. They start small. They test a variety of new approaches. They monitor customer responses. They apply behavioural psychology to their marketing. They learn from doing and they experiment. They establish pilots, demonstrations. Often those demonstrations fail but they fail fast if they get it wrong or they modify and adapt them. Once successful, they scale them up and roll them out.

Surely these can be virtues just as much in the public sector as in the private or community sectors. Imagine, for example, that if such an approach had been taken to the Home Insulation Program or to the instigation of the NBN or to building the education revolution. Imagine, to take a more recent example, if public services, commonwealth and state had applied that approach to the introduction of income-contingent loans, to the vocational education sector.

Imagine setting clear and measurable outcomes and trialling new approaches to major projects on the basis of an agreed risk appetite. Imagine recognizing as do entrepreneurs that failure is an inevitable part of a changed process but on that basis, managing the scale of the risk, preparing for its consequences, learning from the challenges and setbacks that happen along the path to success. This, I think, is the biggest opportunity by which to learn from the sad litany of public service failures.

Imagine the APS as an adaptive organization, flexible, experimental, facilitative, agile. Imagine using that adaptability to progressively improve performance and lift productivity and to deliver public programs and services and regulations better. Imagine, crucially, the government providing the authorizing environment to encourage this new public service ethos, actively promoting a diversity of innovative approaches to the wicked problems of government. Imagine. It's easy if you try.

Glenys
Beauchamp:

Thanks so much, Peter. There was a lot in that and a lot to take in both organizationally and for each and every one of us, individually. I'll ask Peter, John and Gordon to now join in the panel discussion. I thought it might be useful just to wrap up my little thing about your questions to ask John about how the APS reforms that Peter touched on, how they actually reflecting some of the content of the Shergold report.

Then, I'll follow on and ask Gordon to make a couple of remarks, typically from a line agency perspective and how he's moving his organization forward but also his central role in responding to Home Insulation Program more broadly to support Minister Hunt's role.

John, do you want to talk a bit about that?

John Lloyd:

I'll start. I think the report and its recommendations and direction fit quite neatly with the public service reforms that we're looking and driving at the moment.

As Peter's mentioned, 1 of the 6 items he highlighted was to open up the public service further to more mobility and lead the change with the private and community sectors. That's something we're very keen to do but also, I've been speaking regularly about things like making recruitment more efficient and less onerous and less detracted, to improve the talent.

When I took the job, I discussed with a number of people across the country, leaders in the field, people in management what was one of the most important issues. I was struck by him when he mentioned that managing your talent and doing it well was a key thing to have a successful people outcome in the organizations that you ran.

Also allied to that, of course, is an improved performance management and empowering people to put forward their ideas to feel like sweep away some of the hierarchy that can, at times, limit how we go about managing, engaging with our staff.

With those types of initiatives that we are looking at and looking very closely and consistently advancing, the Shergold report fits quite neatly with a lot of that. I find it reinforces the concepts that we're keen to engage with. It's quite helpful.

Glenys
Beauchamp:

Oh, thanks, John.

Gordon, can I ask you to talk about what you've done in a practical sense because a lot of us read the report and listen to a lot of commentary but it's probably interesting to know and interesting for the people here to learn from the secretary of a line agency exactly what you're doing about taking that organization forward.

Gordon de
Brouwer:

Thanks very much, Glenys. Frankly, it's a great report, Peter. I really congratulate you on it. Minister Hunt was putting this material together in the government's response to the Home Insulation royal commission throughout last year. Peter's report was prepared through last year as part of that. It gave me the opportunity to work closely on some of those issues. Then, we would frankly bring it into the Environment Department.

As you'd expect, the Environment Department's been subject to a lot of scrutiny around the Home Insulation Program. In fact, we've had 10 major external reviews in the past 7 years in which the Royal Commission was the last one. The department's done an enormous amount, frankly, over that time in responding.

Still, then there's a sense that many of the issues and 6 issues, 6 areas that Peter raised are really of direct relevance to the issues of the time and they're issues of how we do our work and engage with government.

Maybe I'll just talk practically about 3 elements of the risk side of it. Frankly, I can talk about all the elements because they're all relevant. The 3 elements are the practical elements or the risk was that, as Peter was putting together that suggestion that there be a chief risk officer. I thought and the board in the Environment Department thought that was a very useful tool.

It's really, frankly, I'm used to engage the staff about risk rather than someone who separately carries that risk. We brought in a person who's engaging, who's got the backing of the board and myself but also deeply respected by staff on those issues. It's a way to go through with, like many departments, lots of documentation about risk but it's insufficiently used and it's largely inaccessible

in the way it's written. A lot of risk is filling in forms. It's not thinking about what the forces are at play in the world, how that helps you achieve the outcomes or how you engage with those forces to deal with outcomes. This is the opportunity for us to have the conversation about risk and about people.

Then, the second side around risk is that, if you expect people to take risks, they have to have responsibility. We've worked very hard over the past couple of years across the department to devolve responsibility across the institution.

Practical examples of that are a couple of times, we've reduced the financial delegations more and more. We've changed our committee structures so we have, in a sense, 4 of our big internal committees like around governance, ICT, safety people run by [Ban 2s and Ban 1s. 00:39:51] They work with the line areas but it's run not by the board, it's run by senior executives across the institution that have responsibility for that.

What we've trying to do practical things of devolution, we've shrunk the system. We've gone from 18 to 12 divisions, specifically with the idea of creating a very powerful incentive for SES officers to pass on responsibility to their officers. SES officers have been reduced by 25% whereas staff across the board get less than 20%. It's been a shift in change that's pushed, given a very powerful incentive to push further down.

The other side and I'll finish with this, Glenys, is if you give people responsibility, then part of the thing they've discovered through that, if they're going to take risk and we're trying to encourage them to take risk which is a scary thing to say. If you're going to say to them, "You take risks," then they have to know that you've got their back. You can't expect people to take risk and then suddenly, if something goes wrong, be hung out to dry.

Again, with the EL2 and EL1 financial delegations, what we found is that, as we did those delegations, EL officers would say, "Well, I really don't want the responsibility of making that." We're really just returning to what was the norm 10 years ago. It's been saying to them, "We'll back you. We'll work through and we'll support you in those delegations. We're not going to hang you out to dry." Probably the biggest thing in our internal discussions in the department is the department's experience with the Carmichael decision and that decision having to be remade by the minister due to a formal system error in the department.

Subject to lots of very intense questioning from estimates from [civilian 00:41:47] estimates and others about this, they're taking a very strong line internally that that mistake wasn't an intentional mistake. It wasn't reckless. There was no real serious negative intent. It was really that people tried to improve the system but that didn't work well enough.

We explicitly said that ultimately the person who's responsible for the

department is the secretary, so I'm responsible. I'll back staff in their decision making. Frankly, we'll learn from the error. We'll learn from the mistakes. What have we done? It's spend an opportunity for staff to work to improve the systems in place, to improve communication between your ears and to talk about SES responsibilities, about having your head just above what your own line area is but seeing what the system-wide consequences are.

Frankly, if you're going to give people the authority and say that you want to take more risk, you really have to map them. I've said that to my department but I really expect SES officers and team leaders to make their staff. It's very explicit.

Glenys
Beauchamp:

Good messages there.

We've got a couple of roving mikes, too. We'll take questions from the floor. We've got until about 1:30 but once that's happening, if I can open to the panel, I think there's an interesting balance about embracing risk and giving people the power and autonomy but I'm asking Peter in a sense when you've got Senate Estimates or the ANAO looking to get those gotcha moments in terms of mistakes or failures, what would your approach be now if you were within government and being a secretary, Peter?

Peter Shergold:

My own view is getting the right political authorizing environment is challenging. People, particularly when it comes to trialling new approaches or managing risk, are nervous if they don't think they don't have the support politically. Against that and I talk to many groups of ministers, I would use the example that this can actually be done.

This isn't airy-fairy. In New South Wales, to take 2 examples in which I have been involved. One is the introduction of social benefit bonds. That's pretty radical approach for government. I was the chair of the social investment expert advisory group. What we wanted to do was introduce a new approach to public policy in which not-for-profit organizations could deliver the policy. They would earn money on the basis of outcomes they achieve for government but they would be able to raise their investment from the private sector to be able to do it and then to pay their investors a return.

That's quite bold but the way I think the government framed that, first of all, Barry O'Farrell and then Mike Baird was to be very open with the public. We're doing this in areas where public policy has traditionally failed. We don't think we know the solutions. We're willing to trial a number of new approaches. We don't know if this is going to work. If it doesn't, we won't proceed further but if it does and it has, they'll scale it up. They're now moving from that to do the next 2, the next 4, the next 6 bonds. That seems to my way, a way you can do it.

Suddenly, I'm coordinated general for refugee resettlement in New South

Wales. I keep talking about co-design and bringing people in from the outside. I think people wondered if you could do it. We just have. I set up a joint committee, the Department of Premier and Cabinet and the key community organizations that delivered services to refugees. Over a 4-month period, we worked together on what were the gaps that need to be addressed and what should be the priorities that went into the cabinet process. All I can tell you is I think it can work but you need to take it probably in bite-size chunks.

Glenys
Beauchamp: Gordon or John, I'll look for hands up while they're responding.

John Lloyd: I'm encouraged what Gordon was talking about embedding risk in the culture and the approach of his department. When risk first became onto the right, I'll suppose, a number of years ago, they'd often get someone in to talk about it. After 5 minutes, your eyes would glaze over because it was a pretty uninteresting way it was approached.

I'm encouraged. I move around in finding that now it is much more effectively embedded, not just addressing risks involved with process but more importantly risk-involving practice. I think, as we do that, the results will be better. Also I think one of the things that Gordon touched on, too, and it related to risk is that the Home Insulation Program report highlighted that people at the EL level and sometimes below had very responsible jobs with high risk attached to them. That's why it's important that, if we encourage people at the EL level taking on more responsibility, as Gordon mentions very important they have strong support from their agencies, support them in that role and to be tolerant if errors occur, if things don't work out as planned but they've been assiduous and careful in doing their job. Where there's carelessness, well, then it's a different thing but if it's done the best intentions and with a degree of thoroughness and innovation, inventiveness, then I think they certainly need and warrant and demand a lot of support from management.

Glenys
Beauchamp: Thank you.

We have a question over here. Can you please introduce yourself, from what agency you're from, please? Hi.

Question: Thanks, Peter for your report. Marianne Cullen from Department of Human Services. If openness and transparency are necessary for insuring accountability and stimulating innovation as current discourse suggests and indeed, I think many of the work that people in this room do is aimed at, I'm interested in exploring the conclusion that John referred to in his opening remarks and Peter, that you spent some time on, that the advice and opinion of the public service, provided to support government policy formulation should remain confidential.

Accepting that there would likely be a disruptive transition period, surely moving to a basis where our advice is open by default, would make public servants more accountable for providing fulsome, robust, innovative and evidence-based policy advice. It would also ensure that ministers remain accountable to the public for the decisions they make and for clearly explaining those decisions. The question of trust shouldn't come into it as the rules of engagement would be clearly known up front.

I'm interested in all of your views on that.

Peter Shergold: As a big and complex question so let me take, though, the first part. It is very controversial to sit here and say that I think we need to rethink the FOI Act in order to ensure that deliberative documents are protected. I do so only because I am absolutely convinced that it is their foundation of good public administration and good public outcomes.

In many ways, I think publicly-collected information should be more widely disseminated. I am delighted that since I've left the public service, many more agencies are producing much more data under creative commons license for people to be able to get and use as they want to. I think that's great. I think it is vital that individuals should be able to, through the ombudsman and other mechanisms, seek to find out the decisions that affect them. I think parliamentary committees scrutinizing the administration of public service is a good thing.

What I'm talking about is that one element. I suppose the epiphany for me where I thought, "This is going wrong," was once I had left the public service and I saw the fact that the incoming government briefs that had been prepared for governments in opposition were now being made public. In my view, that is not helpful. My guess is, if that continued, the form in which those incoming government briefs would be written in the future would change.

One of the dangers is not just that ministers would prefer oral advice on sensitive issues. It's that public servants worry that the documents may become public will tend to write anodyne advice.

Gordon de Brouwer: It's extremely important that the secretaries and departments make the law fully and properly. The Freedom of Information Act has a sense in it of public disclosure for the purposes that you outline but it also provides for use of exemptions from release of public of information from Freedom of Information under specific guidelines.

My own sense is that we haven't made proper use of those exemptions from Freedom of Information. They really do relate to the sensitivity of deliberative material and the deliberative processes of government. I think when you working closely with governments, you realize that unless your most intimate

advice is confidential, unless it's confidential and it's written, it won't be persuasive.

My personal view is I agree very strongly with Peter but also some standard advice should be in writing but it needs to be then provided in that private, trusted way that with a minister and with a government.

One of the things I've discovered, being secretary, is how do you talk with people about what is proper use of the exemptions and how does that work in practice? We do a lot of work internally around that. That is proper use of the exemptions. That is properly available under the law. Whether we need to go to the next step, I think that's a really useful public discussion but the first step is frankly making use of those exemptions.

John Lloyd: In the interest of time, I'll just reiterate, I'm on the record as saying I think that there is opportunity to change this, change on the lines of Peter recommends in his report would be my preference.

I've been dismayed over many years as senior advisor to government and as a CEO to have that comment, "Don't put it in writing." I don't think that leads to good government and that fearful stage of determining policy options and direction. A question I think can refer to accountability and transparency when I think that they are highly accountable in the federal public service with those 3 senate hearings a year and auditor general on [Winston 00:53:40] and Privacy Commissioner, Information Commissioner, Public Service Commission to name some. There's high degree of accountability and also, then, transparency with better use of data these days, that's going to expand and get more wide, wider use of data. I think there's little risk to the issues you've raised and making some changes along those lines.

Glenys
Beauchamp: If I could also add to that, I think there is little risk around the accountability and transparency as well but I think we, as public servants, in this contest of ideas, if we can't raise ideas early on the process and make sure that information's protected, then we're not going to be as frank and fearless as we possibly could.

I think with the media cycle as it is, 24/7, with the hint of something happening within government, it becomes automatically public policy whereas early in the public policy process, of course there should be a contest of ideas. Those ideas should be tossed around within government, across government, with politicians and the like. I think that we would be in a much better position and I know as secretary of my department, I've been in a much better position to manage that process whereas when I look at some of the FOI requests at the moment, most of them are from journalists looking for a story, which I think is not misusing the FOI Act but is that it's original intent? I think it would be good

to get that balance back there.

Any other questions? Yeah. One down here might be the last one.

Question:

Hello. Andrew Stewart from Health. It's always brave asking a question about risk. Thank you, Peter for your very thoughtful report. I think you could read 2 messages about risk into it. I wonder if there's a simple way to reconcile them.

On the one hand, it's, "Be careful, don't stuff up, tell the minister all the risks. If someone says the words, 'Shovel ready,' anywhere near you, it's time to run a mile and you don't want to turn up in the next report." That's one set of messages. Another is, "Engage with risk, manage risk proportionately. Devolve, have a go. Be empowered and innovate."

I think there's probably staff all over the public service taking both of those messages away from recent events. Just like you to think perhaps a little bit out loud about how we reconcile those things.

Peter Shergold:

From experience both in the public and in the private sector, if there is one key difference that I see in terms of addressing risk, it is that you have aboard a cabinet which doesn't have the same sort of discussion that happens around boardroom tables. That is to say, it is standard practice to sit around and assess very carefully what is the appetite for risk in various areas. Where is it decided it is worthwhile? Often because of competition in taking greater risk. Where is it decided not to? What risk do we want to put at stake?

Then, having done that, think of how that has to be implemented across the strategy and across the organization. I don't believe that discussion is impossible within a public sector arena. I think it is a fair question for public servants to ask of ministers and to ask of the prime minister again, "What is the range of issues that you want to address?"

I remember when I was working to Prime Minister Howard and I was frustrated because I had had what I thought was a pretty fleshed-out idea. I couldn't get anywhere with this policy. He said to me, "You've got to understand, Peter, that politicians only have so much political capital and you've got to decide where to use that." What is that? That's actually thinking about risk appetite.

What often happens in the public service, all these elements of things are getting on are not seen as a coherent whole. Even at the level of department, that's not the case. I think if you start to have that discussion, then you can decide how you are going to approach this. Where you are going to be willing to experiment. What are the limits that you're going to set? How far are you going to be willing to go before you will be able to evaluate and identify what failure has occurred? It is simply having the strategic and systematic approach.

Gordon, I have to say, I wish I'd heard him before because he had something that I would have liked in my report if I'd heard it before which is that the role of that chief risk officer is in fact not to shoulder the risk for the department but to actually work to make sure that everybody in the department, whether they're first or second or third lines for defence actually understands what their role is.

Gordon de Brouwer: Just on risk and innovation, by saying to people take risk is not saying to them that they've got a license to think, "I can do whatever I like." It'd not that license. It is a license to think and create but it's a license to have ideas, to test those ideas with your colleagues where as much as possible, bring them with outside people so that you can really test their resilience, the purpose of the idea and to talk to people about it internally and beyond.

It's not a license to isolated individual action. It's a license, frankly, to enliven the system and to run action through it.

Glenys Beauchamp: Thanks. Okay. We've had the start of a great conversation. I think this is indicative of the conversations we should be having within each of our agencies and with each other. Thank you very much, panellists. I've got something for Peter here, not for the public servants because they I didn't want to compromise it so thank you.

Peter Shergold: Really appreciate this.

Glenys Beauchamp: Perhaps the 6 key areas that Peter spoke about, we probably need to do more in focusing on those in more detail, perhaps at future event. Looking at Drew here and thinking what do we need to do to air some more of these conversations. Thank you very much, panellists. I'll let you leave the stage.

Now, I'd like to welcome Dr Martin Parkinson, Secretary of the Department of the Prime Minister and Cabinet and, in a sense, leader of the Australian Public Service to the stage. Martin's going to provide us with some closing remarks and some commentary on the implications for the APS going forward. Thank you, Martin.

Martin Parkinson: Thanks, Glenys. Let me again congratulate you on finding such a good set of issues to bring everybody together to have a chat about. We've been given a lot to think about today. I want to thank all of our speakers but Peter in particular for the quality of their thoughts.

One line in the report really stands out for me. That is, "Failure and how we respond to it is where the leadership is born." Leadership is not someone else's problem. I don't want anybody in this room walking out thinking, "That was a really interesting discussion," and leaving it at that. Leaders, every one of you

in this room is a leader. You're a leader in your departments, your organizations. You're a leader in your thought communities. You're a leader of teams. Every person at every level can and should be expected to display leadership.

As Peter said and I just quoted, failure and how we respond to it is where leadership is born yet often we characterize leadership in terms of success or at least the perception of success. It's a very rare leader who's never failed. I'd argue, in fact, that it's a bad leader who never admits to having failed. Our ability to reflect actively and progressively on our decisions and our performance is critical to our role as public servants. As Peter said also, we have to acknowledge our own personal contribution to failure.

Peter's report also says the public servants are also seen as an impediment. They can be perceived as cautious, guarded and even unimaginative. They can seem risk averse yet their circumspection is based on the knowledge that the rollout of major national programs is fraught with danger.

I want to come back to that point in a moment about danger but I want to start with thinking about what is a public servant? What is an effective public servant? To me, an effective public servant is always asking the question, "How can I do things better? What can be changed in ways that improve effectiveness, reduce risk and deliver better outcomes for the people of Australia?"

If you see the APS through that prism, you recognize that we're not an organization that can allow ourselves to be driven by fashion or by personal hobby horses. A good public service provides impartial evidence-based advice. It advocates for better outcomes, focusing on improving the well-being of Australians.

What do we as leaders do to create environments where this can happen? First, we've got to be able to balance rigor and pragmatism. We've got to be imaginative but realistic. We've got to find ways where we're seen not as impediments but as partners.

How shall we do that? First, we should not see failure as a directive to curtail our thinking. Blue sky thinking is critical to good policy and effective delivery. We are capable of finding innovative solutions by drawing on the resources that are available to us but those resources are much broader than just those in our own department or, indeed, even in the wider community. We can pick up ideas from everywhere including from abroad.

From where I sit, too many departments and too many individual public servants stay within their own sector. They do not open themselves up to ideas outside of their existing knowledge base. This is a failure of leadership. This is a

failure of their own personal leadership.

When we neglect to reach far and wide for ideas, we open ourselves up to a lethal combination of arrogance and ignorance. That's not acceptable in any context but particularly not in a modern public service. Once we come up with ideas, though, wherever that we've garnered them from, they should be rigorously questioned. This isn't about putting people through a ringer and saying, "I'm smarter than you." It's actually about testing and refining ideas because by testing and refining, you will find the best way to ensure success. Open, candid discussion winnows down ideas to find those that had the greatest probably of being [outwardly 01:06:16] implemented successfully. Involving a wide group of people in blue sky thinking gives not only a broader set of perspectives but it gives every person a stake in making the resulting decisions work.

Second, our thinking should always be built on a foundation of dispassionate, objective and evidence-based analysis. For this to be successful, we have to create safe places, one where everyone feels free to advance ideas, knowing that we prize collegiality, cooperation and creativity because we believe that those things help us achieve our collective objectives.

For ideas to be compelling, one must strive to identify the underlying problem and propose solutions. Advocate for one's ideas until a decision is made, at which point whatever is decided gets implemented. When governments make decisions, whether they've adopted our ideas or not, we should work faithfully to implement that decision to the best of our ability but importantly, we should always be continuing to collect data and evidence because even if we think the right decision is being implemented, we won't actually know unless we go looking for information.

Peter made the point as well that, "Too often, delivery matters are given tokenistic treatment or settled without proper consultation with those who best understand the environment in which a policy will be delivered." He's right. As the person who was given a Home Insulation Program and some other programs to try and clean up, it was very clear that execution was not built into policy design. It was treated as an afterthought. Implementation should never be seen as the poor cousin of policy development in the APS.

We have to engage with risk but when we do, we have to be honest about it. To quote my colleague, Elizabeth Kelly in another context, "Hope is not a strategy."

One last thing I want to touch on is Peter's suggestion that our Freedom of Information settings need to change. He highlighted the failures at many levels to put advice in writing. He highlighted the relationships we have with our ministers and the information they base their decision on require that we give

them the best possible advice in writing. I couldn't agree more. I think Peter is absolutely spot on when he said the FOI Act does not afford sufficient protection for public servants to do that.

As leaders, we need, as Gordon said, to use exemptions appropriately but I would support going further and advocating for changes to FOI laws to protect the deliberative process not to reduce our accountability, not to protect us from stuff ups we may have made but to enhance the capacity to give truly frank and fearless advice that good policy design needs.

I mentioned earlier Peter's remarks about public servants perceiving the rollouts out of major national programs as being fraught with danger. What danger do we typically perceive? I think we worry about reputational risk quite sensibly. I think we worry about damaging the relationships with ministers at times. What we really do is to stop and think about the consequences that our actions have beyond the APS. I think of this in the context of the NDIS roll-out. I think of it in the context of VET FEE-HELP and I think of it in the context of the Home Insulation Program.

Danger is not hypothetical. Four young Australians lost their lives due to the failings of the Home Insulation scheme. Matthew Fuller was 25, Mitchell Sweeney was 22, Marcus Wilson was 19, and Reuben Barnes was 16. Not one of those 4 young Australians are now ever going to have the opportunity to sit in a room like this, to dream the dreams that you and your children and my children and hopefully our grandchildren will be able to do. It's our responsibility as leaders to ensure the conditions that led to their deaths cannot happen again. We cannot erase our mistakes but we can learn from them and we have to.

I want to thank Peter again for the effort that he's put into the report and to thank Glenys and IPAA for hosting what I think is an incredibly important session today. Thank you very much.

END OF TRANSCRIPT