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TRANSCRIPT OF PROCEEDINGS

IPAA ACT Secretary Series Event

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Hosted by Dr Steven Kennedy, Secretary, The Treasury and IPAA ACT President

National Portrait Gallery, Parkes

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ROSEMARY HUXTABLE: Thank you Steven, for that very nice acknowledgement. And I'd like to also join Steven in acknowledging the traditional custodians of the land on which we meet today, the Ngunnawal People, and pay my respects to elders past, present and emerging.

ROSEMARY HUXTABLE: I'm very pleased to be giving this opening Secretaries Address for 2020. We thought this would be a nice quiet time of year where we could begin to reflect on some of the work that we'd be doing throughout the year. As it's turned out, it's been a little bit more of an exciting start to the year than that, but I would say at the outset how proud I am to be leading the Department of Finance, and also what a pleasure it's been for me to be part of the Secretaries Board over the last three and a half years. And as Steven's noted, really working closely with secretaries, particularly on some of the APS reform issues.

ROSEMARY HUXTABLE: And on that note, really I want to focus today on putting out some challenges to you. I want to challenge you to think about how each of you, that is us, can be most effective in the work of public administration, and to look at that across three lenses. The principles and practices that are the organising norms of the public sector, how we best align priorities with outcomes and hold ourselves to account, and how we achieve maximum productivity in administering the \$500 billion in funding, for which we are collectively responsible.

ROSEMARY HUXTABLE: But first to set a bit of the context. Why would I as a Finance Secretary choose to speak, not about the fiscal and economic challenges of the day or perhaps the latest developments in accounting practices (as all-consuming and important as they are to me, as my staff will tell you), but instead on public sector organisation and practices? Firstly, because I think that we are in a time that really shows the capacity of the public sector to surge and respond to unexpected and difficult circumstances. A summer of bush fires, unexpected weather events, the response to the COVID-19 virus have impacted many of us, both personally and professionally. Extraordinary things have been achieved just in the last few months, bringing together the resources of many agencies to stand-up quarantine facilities, implement travel restrictions, be in communities as responders and recovery agents, manage appropriations across our business, and develop longer term response and preparedness plans as we've been hearing about in the last 24 hours.

ROSEMARY HUXTABLE: On a number of occasions in recent weeks, I've been at forums such as this, but also in private settings, and I've really heard the high regard in which people hold our capacity to respond to circumstances such as this. I'm sure many of you have heard that as well. And at the same time that this has been going on, we have been doing other things. Steven and I know the budget process is well and truly in train and we've been working assiduously on that. We've also been bedding down some very

significant machinery of government changes, perhaps less in the spotlight, but nevertheless a very complex undertaking, touching 80 programmes, \$6.5 billion in appropriations, 38,000 staff. Again, all this has required close collaboration, responsiveness, and of course attention to detail. So I think our capacity to surge and respond and deliver is clear. I guess the question I ask you is, how do we embed those practices in how we go about the everyday work of public administration? So that's my first contextual point.

ROSEMARY HUXTABLE: Secondly, as Finance Secretary, I've reflected a lot in the last three and a half years about what it means to be a Finance Department. And I've looked back a bit at the history of the Finance Department, which is an interesting one, and I do think that it's in the DNA of the Department of Finance to challenge and question. And I think when you go back to when the department was formed in 1976, it was formed somewhat unexpectedly. I think it was a bit of a shock to the Treasury Secretary of the day. But I think a fair reading of the then Prime Minister's intention in 1976, was the desire for greater contestability of advice, and a renewed focus on the management of public expenditure. So to me this really goes to the core of Finance's role, particularly around managing strategic risk with a focus on the budget context.

ROSEMARY HUXTABLE: Adding the Department of Administrative Services to Finance in 1997 embedded a fundamental unifying principle to our operations: the drive to achieve value in government expenditure and administration - whether through the budget costing and assurance process we already have, or through making the business of government as efficient as possible.

ROSEMARY HUXTABLE: So modern Finance has a very diverse and varied range of responsibilities. From traditional areas of the budget and financial management and accounting, to governance, public sector productivity, IT collaboration platforms, investment funds and practices, government business enterprises, as well now as the delivery of payroll and financial services to client agencies. And to me really, achieving value in government expenditure and administration is at the core of what we do. It guides many of our functions, actions, and powers of persuasion. And I have to say, and I do recall this from the time (which just shows how old I am), but to borrow the sentiment of a former Finance Minister, John Dawkins, who said that he wanted to be known as the minister for 'why' and 'how', rather than the minister for 'no' and 'never'. I think I really do share that sentiment.

ROSEMARY HUXTABLE: I don't think we're alone in this regard. Having worked in a number of agencies, including at least one big spending department, how to achieve value is always a driver. Often that means trying to make room to reprioritize to enable investment in new endeavours. So in my mind there's no doubt that the Commonwealth public sector is a large employer with an ambitious remit. It employs over 150,000 people, it's geographically dispersed, it operates now across 14 departments of State, and through 173 entities. And of course it has complex outputs and is subject to

continual scrutiny. I think if you go back over the many reviews of the public sector one of the headline messages that the reviewers often give, particularly those who've come from the private sector, is just how complex that business is.

ROSEMARY HUXTABLE: Government services touch every aspect of life - establishing the national infrastructure in which communities can thrive and delivering quality health, social welfare, and education services. And many of you here today will be contributing directly to the delivery of those services to Australians. But I think it's fair to say that the expectations of the way government delivers services have evolved over the recent years, reflecting advances in technology, demand for client centric approaches, and really citizens and business expectations around the high quality of services that should be delivered in real time and at low cost. And of course, there is that conundrum, generally people want government to stay out of their lives, but they want government to be there when required.

ROSEMARY HUXTABLE: So the first challenge I want to set for you today is really to consider our organising principles as a public sector and how they can be as effective as possible given the environment in which we operate and what we know will emerge in coming years, as well as the things that we are yet to imagine.

ROSEMARY HUXTABLE: Looking closely at how we operate it's not just about doing more with less, rather I think it's about disrupting traditional models and fundamentally changing the way we work, and really being open to new ideas. We need to pay attention to what is going on around us, whether that be in the business sector, community organisations, the broader community, and we need to enable our staff to be innovative in how they work. In relation to the APS operating model our focus in the first instance should be, and is, on sharing what we have in common and optimising business processes that enable agencies to deliver core outcomes. Basically, more horizontal end to end accountabilities and shared action, and fewer vertical hierarchies and silos.

ROSEMARY HUXTABLE: This means really focusing on doing the simple things well, the bread and butter administrative functions that we are all required to do, by finding the best process, optimising that process (including using tools, modern tools like process automation) and building scale and expertise in these tasks across the APS. And if we do these things well we build trust and confidence with those who rely on us. We are some way down that track. We're determined to build scale going forward, which is the enabler of efficiency, but we have further to go. I've spoken before at forums such as this about the importance of sharing what we have in common, taking the more than the \$2 billion that we spend each year on back office functions and squeezing every bit of standardisation and efficiency out of it.

ROSEMARY HUXTABLE: This is a big shift in the way the public sector operates. Across a shared corporate backbone of payroll, HR, vendor and credit card management services, Shared Services Hubs become centres of excellence, with hub staff the experts in their respective field and in delivering services. For example, Hubs both in Finance through the Service Delivery Office and in Services Australia are at the forefront of facilitating e-Invoicing, and now have the capacity to receive e-Invoices and to transact in that way.

ROSEMARY HUXTABLE: In a similar vein in the grants space, we have two hubs delivering grants previously administered across 14 separate agencies. That's 328 grant programmes with a total value of \$10 billion, which are being administered in this way. For grant recipients, consolidating systems and streamlining processes across government benefits the end user, enabling applicants to tell us once and have their key details replicated. It enables easier tracking of progress, receipt of applications, digital reporting, and accessing accurate real time data and information. And evidence to date suggests it's making a big difference. The Business Grants Hubs, for example, report savings of up to 10 hours per application where an individual or business is making multiple applications.

ROSEMARY HUXTABLE: The next phase in this programme is about making best use of advances in technology. We are leading the development of a prototype common corporate IT platform, or Enterprise Resource Planning system, we call it GovERP. I think that's known pretty widely now across government. It's a very significant undertaking.

ROSEMARY HUXTABLE: GovERP will support a 'one APS' way of operating, removing the need for each agency to develop their own bespoke corporate systems. But it requires us all to come together and agree common ways of doing business. It invites a bold rethink of current practices, and challenges us to innovate to create new and better ways of working. This is not just about a shared IT platform, it's a shared way of operating as a joined up public sector. And at practical level, it will contribute to improved connectivity and mobility across the APS.

ROSEMARY HUXTABLE: The Thodey Review talked about the capacity to take these ideas further and set a very significant scope where sharing could be possible, really focusing on adopting and adapting enabling tools and services to improve efficiency, mobility and collaboration. These reforms will be disruptive to us as public servants, but we must not lose sight of the end purpose, freeing up the time we spend on administrative tasks so that we can prioritise the core business of policy development, regulation, and service delivery. If we don't deliver these reforms, we'll be letting ourselves down, but more importantly also those who rely on us to deliver well, and to deliver efficiently.

ROSEMARY HUXTABLE: My next challenge to you is how to measure and scrutinise our performance, ensuring that what we do aligns with priorities and continues to do so. We have mature world-leading public sector and fiscal institutions, and legislative frameworks in which we work. Whenever we go to international meetings we receive commentary about the maturity of our system of government. We have the momentum of the *Public Governance Performance and Accountability Act 2013*, which is now in its sixth full year of implementation. It has as its objective establishing a coherent system of governance and accountability, a performance framework across Commonwealth entities and requiring the high standards of governance, performance and accountability. The Independent Review of the Act found that entities had embraced it to varying degrees - embraced those opportunities to secure cultural change and transform their operations. But my message to you is 'know the PGPA.' Get under its hood, and work to deliver what it enables, the quality of performance reporting, transparency and accountability, managing and engaging with risk and cross-government cooperation.

ROSEMARY HUXTABLE: Understanding performance is a strategic conversation that must be central to our work. It is a conversation that enables us to hold ourselves accountable and to seek improvement. And this task never ends. What changes is our understanding about performance as we build tools and systems founded on data to understand how well we are delivering, what our risks are, and our accountability. And this can be challenging, particularly as we move from a compliance-based approach to reflect more on effectiveness. Many of us are grappling with how we generate meaningful performance reporting data - how we generate the right data sets, establish intermediate outcomes in areas where progress can be slow, put in place evaluation tools and take risk-based approaches.

ROSEMARY HUXTABLE: And I know our internal audit committees have also grappled with this. I see a member of my internal audit committee here - thank you Ian [McPhee], for coming. And our internal audit committees have really needed to look closely at their skills and processes to give the assurance needed to sign off on performance statements. But as noted by the reviewers of the PGPA Act, "citizens have a right to know how their money is used, what difference that is making to their community and the nation, what outcomes are achieved, how and at what price."

ROSEMARY HUXTABLE: We're focusing on how to make that information more accessible. Last year the Finance Minister launched transparency.gov.au, a website that allows people to find, search, compare and share information about what the government is doing, and how public money is spent. There have been over 33,000 users of the site. 178 Annual Reports have been published using the digital reporting tool, which enables a view of end to end performance and accountability and it enables data to be interrogated and comparisons to be made.

ROSEMARY HUXTABLE: The next big opportunity is leveraging big data and advances in technology. The APS has always been a great collector of data. It's an enormous resource for which we are custodians, and we need to use it well. Investing in and building capability to enable organisations to efficiently generate value through data and data analytics processes is already happening. For example, through the work of the Data Integration Partnership for Australia and its partner agencies, including the ABS, Education, Health, DSS and Finance.

ROSEMARY HUXTABLE: Departments are working together to transform the quality and rigour of advice to government, through improved use of data analytics to target public expenditure. Data visualisation techniques and modelling to explore 'what if?' scenarios, enable us to provide better policy advice and to identify the distributional and social impacts of potential changes on all citizens. This can be an important precursor to government decision making, but equally is a window into programme effectiveness and performance. We need to harness this, connect it firmly into policy development, evaluation and assurance processes, and make it meaningful.

ROSEMARY HUXTABLE: My final challenge for you today, relates to public sector productivity. The challenge here is multi-faceted. I'll focus briefly on three elements: financing, technology and capability.

ROSEMARY HUXTABLE: Part of being effective and productive is choosing the right investment approach. This is not a one size fits all world. If you look across the span of government spending, you will see that large swathes of the budget are committed to special appropriations, providing benefits and allowances direct to individuals, or through third party providers. These appropriations are large, legislated and demand driven. They can be very hard to adapt to changing circumstances - they become part of the fabric of community expectation.

ROSEMARY HUXTABLE: Historically, in addition to these direct benefits, government have tended to purchase services or outcomes directly, often through third party organisations. For example, in the area of mental health, one I'm familiar with from my time in Health, there are the direct benefits provided to individuals and through the States, as well as the underpinning service infrastructure through organisations such as Head Space, Beyond Blue, Lifeline, and Primary Health Networks. Increasingly I think we have to adopt a structured and considered mindset to what is the best investment approach to achieve the outcomes sought, and build capability in how we advise government on these matters.

ROSEMARY HUXTABLE: An example is the use of investment funds to generate returns to meet specific purposes. Starting with the establishment of the Future Fund in 2006, now the 17th largest sovereign wealth fund in the world, there is currently over \$200 billion across six funds under management of the Future Fund Board of Guardians. In time this will be sufficient not only to manage the unfunded superannuation liability of the Commonwealth, but also to provide a regular investment stream to support medical research, and a range of other stated objectives.

ROSEMARY HUXTABLE: A further example is leveraging commercial practices and expertise through Government Business Enterprises that operate at arms-length from government. These GBEs can and are delivering transformational and nationally significant infrastructure, such as intermodal and rail infrastructure, Western Sydney Airport, a sovereign Australian naval shipbuilding capability through ANI, Snowy 2.0, as well as critical national services to the community through the National Broadband Network and Australia Post. Choosing the right investment tools and approaches is critical. We should not be afraid of working closely with the private sector, we need to continue to find ways to leverage private sector capital and expertise, and share risk to deliver complex projects.

ROSEMARY HUXTABLE: To focus on productivity inevitably leads to a discussion about the most effective use of technology. I've already talked about this a little, but we also need to embrace how technology can unlock business process efficiency. A couple of quick examples: Finance is actively supporting the uptake of process automation, where it makes sense. This is about using technology to undertake repetitive, process-driven tasks so that we, the humans, have more time for creativity and problem-solving - things we are better at and prefer. Currently we have over 15 automations that run across payroll and financial operations, freeing up more than 5,000 hours of staff capacity each year. And we are building this out to create significant efficiencies across the financial framework, as well as partnering with others through a Productivity and Automation Centre of Excellence, and community of practice.

ROSEMARY HUXTABLE: In 2013, when I first started in Finance, the engine room of putting the budget together was characterised by multiple disconnected IT systems and manual data entry points. In the 2014-15 Budget, I think we covered around 13,700 individual transactions that needed some form of manual reconciliation. Mapping the budget bottom line required six separate manual reconciliation processes, which was labour intensive and introduced a higher risk of material error. We have now automated parts of this process, introducing data validation tools and online simultaneous document collaboration between users to improve communication across agencies. These tools we used in the 2019-20 Budget to compile some of the budget statements. In some instances, doing in 30 minutes what previously took 20 hours.

ROSEMARY HUXTABLE: In a similar vein, the Near Real-times Funds Project is modernising cashflow management across government by automating whole-of-government payment runs and manual reconciliation of accounts. Complex and laborious tasks that need to be performed daily and checked several times to ensure accuracy. From next month a new payments platform, will provide entities with immediate access to appropriations funding, replacing the current system where agency cash requests are manually processed and sent to the RBA for payment each day. This will reduce business continuity risks by giving agencies increased flexibility to access funds, and make emergency payments.

ROSEMARY HUXTABLE: Finally, to capability. Having the right workforce deployed in the right way and operating to maximum effect is the final piece in the productivity puzzle. Getting this right has many parts. The Public Service Commission is working on the planning side of things, developing deeper HR expertise across the service. Continuous learning environments, skills mapping and partnerships with academic institutions are all part of getting the capability settings right.

ROSEMARY HUXTABLE: In Finance we have partnerships with two academic institutions providing learning modules on public policy and finance, and commercial analysis. And we've shared this resource. Agencies across the Commonwealth participate, building networks and expertise. 148 people across 21 agencies have undertaken the Graduate Certificate in Public Policy and Finance (University of Canberra) and 130 have completed financial analysis training through UNSW.

ROSEMARY HUXTABLE: And finally, we've been looking behind large data sets generated through, for example, the annual APS Census and other performance data to look at some key questions: what makes teams more productive? how can we improve staff engagement? what drives productivity? We've analysed data on around 3,000 teams across the APS that perform a range of functions.

ROSEMARY HUXTABLE: There is considerable nuance in this data, and there can be large variations between teams that are performing the same or different functions. While targeted actions need to take into account job roles and local context, the most highly engaged teams report that they are innovative, have the skills and resources to do their work, understand what they do and where it fits in the organization's purpose, and their leaders empower them to respond to future challenges.

ROSEMARY HUXTABLE: As we are now able to analyse several years of data, we are working with high performing teams to understand key drivers and to map those where there are clear improvements. There are important lessons for all of us in this data and how we use it to improve engagement and outcomes.

ROSEMARY HUXTABLE: So to cycle back to the start, we should all be engaged in the modern challenges of public administration: the principles and practices that are our organising norms and enable us to be fit for purpose in the future; how we align priorities with outcomes, hold ourselves to account and engage with risk; and how we get the most out of the funding for which we are collectively responsible, including importantly the administrative arrangements and technological advances that can unlock value.

ROSEMARY HUXTABLE: I don't consider that these are just matters for the leaders and SES of the public sector. Rather I think these obligations touch every one of us: to understand the teams that we work in or manage, consciously building our skills and expertise; to be open to new ideas and ways of working; and to keep a focus on performance and productivity as central to our culture and how we work.

ROSEMARY HUXTABLE: Thank you.

STEVEN KENNEDY: Thank you Rosemary. That was excellent, and not only about what a modern Finance Department looks like, and the challenges of a modern Finance Department, but the breadth of the public service and the role of Finance Secretary and Finance Department plays in the public service. Now we've got some time for questions, what we ask you to do is to raise your hand, there are some IPAA staff with roving microphones. If you are selected, please stand and state your name, organisation, don't worry it's not a selection process.

ROSEMARY HUXTABLE: And what football team you support.

STEVEN KENNEDY: Yeah, and what football team you support, it's Australia, and of course, Rosemary will respond. So any questions, who would like to get a start? There's one, just down the back there.

JARED HENRY: Thank you, Jared Henry, Treasury. Rosemary, I can't think of few people better placed to answer this question with your background in public policy with health, and now wealth. The current opportunity presents us with a crisis, but also an opportunity. The level of trust in government is quite low at 30%, political parties even lower at 15%. Australians look to government to deliver their health outcomes and their wealth outcomes, how can we be best placed to provide advice to government, and what steps can we take to ensure that community confidence in government increases? Thank you.

ROSEMARY HUXTABLE: Thank you for that question. I'm really pleased to have a question that really goes to the core of what the public sector does. To me, when we in this room often think about the public service, I think we tend to think about the policy development process in Canberra, but the public service is so much more than that. That's really important. It's a foundation of what we do in getting policy development right, is absolutely critical to getting delivery right. But what we enable in the public sector, really touches people's lives, and there's no better example really, than in the Health Department. I don't know if there are people here from Health, perhaps some of my previous colleagues, but I know that when I talked to staff in Health, I was always very keen to talk to them about the importance of what they do, that they are enabling services that touch people's lives, and the amazing opportunity to work with such a broad range of stakeholders as you do in line portfolios, less so in central agencies where we tend to just talk to each other a lot of the time.

ROSEMARY HUXTABLE: But that capacity to really engage with stakeholder organisations. So I think you're right, clearly we are in a period where trust in government is low, and I think we really have to think about what our role is in terms of how we enable trust in our public institutions. I mean, in many parts, that was the point of my speech, that what we do really does make an impact on people's lives. How we go about the delivery of services. The more that we can make that seamless for people, that they then form views about their public service, but also their government in that regard.

ROSEMARY HUXTABLE: And I think when we're in the situation that we're in now, both with the bush fires, but now also with the Coronavirus, that there are so many foundation elements of our institutions that are ready for circumstances such as this, where the planning has been going on for many, many years, the relationships are in place, and it's now a matter of unlocking some of those things. So yes, there is opportunity. I guess all of us would prefer that crises don't come along, but it's inevitable that that does happen. And to me having the foundation relationships, institutions in place and ready, is critically important to take advantage of that.

STEVEN KENNEDY: Thank you. Other questions? Come on Finance, thrust your hand in the air. Over there, Jill.

JILL PARKER: Jill Parker, Department of Education, Skills and Employment. Thank you so much, Secretary, for your address this morning, it was really considered and thoughtful. I was interested in your perspective, noting that whole of government perspective that your role gives you, on opportunities to better drive value in the services that we directly deliver to citizens, or in some cases, indirectly deliver to citizens?

ROSEMARY HUXTABLE: So we've got to start at the beginning in a sense. I think we need to be very conscious in our policy development processes around what the implementation challenges are, putting in place the feedback mechanisms so that when we're doing initial policy development, and I talked a bit about the rich data sets that we have available to us, much more than in the past, and the capacity to interrogate that data to really look at the distributional impacts of the policy development stage, and what that might mean for service delivery challenges, I think we have to bring that very much to the fore.

ROSEMARY HUXTABLE: And for me, central agencies have a really critical part to play there, and I guess Finance... probably no more so than Finance, because we're at the beginning of that process, and we're providing advice to government around cost assurance. And the costing process itself, gets deeply into implementation challenges as any of you that have engaged on costings would know. So I think that focus on how we actually develop our thinking on policy to begin with. But then beyond that, the way in which we go about designing implementation. So I'm a great believer that the people who are closest to the issue, or who have the greatest experience on the ground, are the ones who will have the best ideas about how to go about delivery.

ROSEMARY HUXTABLE: And you can write that in a very large way, or you can look at it in quite a narrow way. My view in the department for example, and I say this to people quite often, is that I will not be the expert on how to deliver this particular programme or outcome in one of the teams in the organisation, it's the people who actually do that work who have the best ideas about how it can be done differently. And I think our challenge is to unlock their ideas, their willingness and their interest in being innovative, and I think it's the same when you put that onto a larger scale as well. So the organisations that are most engaged on the ground will be the ones who have the best ideas about how to unlock value.

ROSEMARY HUXTABLE: So really, our challenge is how do we fully engage when we're involved in service delivery and how do we embed the feedback loop so that we can be in a continuous improvement cycle? And there are always formal mechanisms, evaluation processes and the like, but we should really be building this into the day to day so that we can gradually adapt our services to meet needs on the ground.

ROSEMARY HUXTABLE: And then I think the last bit of the puzzle, is really that focus on achieving value. We can spend a lot of time doing unproductive tasks or putting a lot of focus on unproductive tasks, so I think we've got to be very considered about how do we get the most out of the budget, or the context that we sit in. And we need to be very open-minded around that, and also beyond ourselves. We're not the only organisation that has challenges around them, every organisation has challenges around trust. There are many organisations that are grappling with those issues in

the public sector, and the private sector. And I think we have to form lines of communication with those agencies, so that we're really learning from each other.

STEVEN KENNEDY: Thank you. Any other questions? We'll go here and then here.

ROSEMARY HUXTABLE: Go to Paul?

STEVEN KENNEDY: Yeah, I want to go to Paul first, and then we'll go over here second. Away you go Paul.

PAUL TILLEY: Thank you.

ROSEMARY HUXTABLE: Before you start Paul, thank you for triggering my interest in the history of the Department of Finance.

PAUL TILLEY: You're welcome. And thank you Rosemary for your address today. So it's Paul Tilley, ex-Treasury. So I was thinking a bit in terms of history, and one of your first points Rosemary, about the context for Finance since the split from Treasury in 1976. I was wondering about your thoughts about how the two agencies... the different roles of the two agencies, the different perspectives they bring, and particularly the budget process, but more generally how you would see the perspective of Finance compared to the perspective a Treasury would bring to the budget process, and I was wondering about your thoughts on that.

ROSEMARY HUXTABLE: Yeah. Well, I guess our role in Finance, we're probably looking down two tracks. We have an intense interest and engagement in the payment side of the budget, and we have the relationships with agencies through our agency advice units, that our approach to that is to be very much part of solving problems with agencies. Recognising that the government has its fiscal objectives, but it also has broader objectives. It has education objectives, veterans affairs objectives, home affairs objectives, and how we actually have that really close relationship where we can be focused on finding pathways through problems.

ROSEMARY HUXTABLE: So I think we have a capability, a capacity, and a requirement to go much more deeply into the payments environment than Treasury can really. It's about a different pivot and capability, and it would be ridiculous for us to simply be replicating each other's work. And in the time that I've been in Finance I haven't really seen that occurring, and I think it's important in terms of how we work efficiently, to have some sense of what are our strengths are and play to those strengths. That's not to say that we don't have contestability in that environment, and we need to have contestability. We will often be very focused on the impact on

payments of particular proposals, Treasury may be more interested in some of the broader, macro economic impacts of those proposals.

ROSEMARY HUXTABLE: So I think there's room for us both, I think we bring different skills and different expertise, but we also have a lot of other responsibilities that sit outside our direct engagement in working together to develop the annual budget, and the economic updates through the year. And I know... one of the things that I think is challenging for a Finance Secretary is just the breadth of the work that we do. The span is very large and I talked about some of the span today, but I didn't even talk about some of the other things we do. The responsibility we have, for example, in the Ministerial and Parliamentary Services area and I think it's been a historic challenge for Finance to find the things that unite us as an organisation, which is why I'm very driven by the value proposition. Because I think that is the one thing that really does bring us together as an organisation, how we drive value through governance frameworks, through investment funds, through government business enterprises, through our budget work, and a whole range of other things.

ROSEMARY HUXTABLE: But I know that in Steven's world too, he has a very broad range of responsibilities, particularly around regulatory matters. I mean Steven can speak about the broader Treasury matters, but I think while we're in a shared space, we have overlaps with the Venn diagram, we have areas of overlap, but we have areas that are really quite distinct. I think we work very effectively together, but not necessarily with one voice, and not always with one voice. And we need to retain that contestability in the system I believe, and I think we do a fair job of that.

ROSEMARY HUXTABLE: He has to agree with me of course.

STEVEN KENNEDY: We disagree a lot. We have a question over here.

DAVID BURNS: Hi, David Burns from the Australian Tax Office, and I go for Geelong Football Club.

ROSEMARY HUXTABLE: Next.

DAVID BURNS: My question's around performance and risk management. Traditionally there's been a bit of a focus around financial performance, and financial risk management, and we've seen through the banking sector there's obviously been a lot of failures in that space. How far do you think the public sector's got to go in terms of non-financial performance, and non-financial risk management? I'd be interested in your views.

ROSEMARY HUXTABLE: Yeah, it's a good question. I think it's one... The PGPA Act has really brought this into stark relief, and I think we've all grappled with that, what does that really mean? In many ways it's easy to take a compliance, tick the box approach to assurance, I suppose. Now, remember when I say it's easy, it's not actually easy, because there's lots of detail and skills and manual processes that you need to go through, but you've probably got a fair sense of whether you've met this standard, or this indicator, and you can identify where you haven't adhered to standards. When you talk about performance and governance, and you really begin to focus on how we govern effectively, how we are accountable, how we measure and understand our performance, there's a lot of grey in that.

ROSEMARY HUXTABLE: We're not producing widgets on assembly line, you can't tick the box in terms of how many you've produced at what cost, and measure their quality in that sense. And a lot of the work we do, has outcomes that could be many, many, many years in the future. And I know in the work we've done ourselves in Finance, just with our own processes and through our own audit committee, that actually having that end to end sense of how what you do reflects in performance, how you would know whether you were effective, these are really difficult issues I think to grapple with. Ian McPhee, who has been part of our performance committee, has been helping us grapple with that. And I think as an organisation we're maturing in that regard, and similarly in terms of the governance that we have in place. We have to enable contestability in that governance, we have to have a culture that encourages people to speak up, to not feel that they can't raise issues of concern, even if they might be unpopular issues.

ROSEMARY HUXTABLE: So it really goes to every level of the structure of our organisations I believe. The PGPA Act puts it out there. The review of the PGPA Act suggested that we were going along okay, but agencies had embraced it with varying degrees of passion and enthusiasm. We've got further to go. I think building transparency and accountability is part of that solution as well, and really unlocking a lot of that performance data. I mean, right now we produce a lot of reports, but how accessible is that information? Things like [transparency.gov.au](https://www.transparency.gov.au) actually is quite game-changing, because it does enable an ease of interrogation of those things. And as we get the full flow-through of portfolio budget statements, corporate plans and annual reports loaded, you'll be able to not only see what one entity has done in an end to end sense, but how that compares to other entities.

ROSEMARY HUXTABLE: So I think we have to remain vigilant in this space, and it's not easy, and there will be those who would like to go back to the way it was, and that's just... that is change, that's what change is.

STEVEN KENNEDY: There's one down the back.

KERRY PRESTON: Thank you. Kerry Preston from the Department of Health, and I'm a Brumbies girl. Just interested, the public service kind of serves two-headed master, the government of the day, and looking after people's money. In terms of for example, the sports grants, where that comes into conflict and the PGPA was meant to protect processes, how do we balance those two masters?

ROSEMARY HUXTABLE: I don't really want to get into the contemporary issues, but I would point out there has been an Auditor General's report on the administration of the sports grants programme. There's a lot of public debate around that now. It's a good thing to be able to have public debates about public sector issues. I would point out, and the Auditor General made clear, even though I said I wasn't going to talk about sports grants, the Auditor General made clear in his report that the sports grants weren't subject to the Commonwealth grant guidelines. Our responsibility in Finance is for the Commonwealth Grant Guidelines and I think that the way in which the grant guidelines have developed and operate is highly consistent with the objectives of the PGPA Act.

ROSEMARY HUXTABLE: I mean, remembering that it's a devolved framework, and as I said before, we're not in a compliance policing world, this is around accountable authorities and organisations being clear about their responsibilities and accountabilities, and being transparent around the processes they go through.

ROSEMARY HUXTABLE: Grants have always been a difficult and contested space, there's been many Auditor General's reports about many grants programmes over many, many years. I'm sure there will be many more in the future. So people have different views about the outcome of those processes often. But what I would say is that I think we have very strong institutions, that we have very clear guidelines. I think grants hubs are actually really important in this space and shouldn't be underestimated, because we're basically forming centres of excellence around grants administration. I know there's been some resistance to grants hubs, there's some debate around the cost of administering grants.

ROSEMARY HUXTABLE: I think we've got, those of us who are responsible for those, the responsible Secretaries and myself, have got more work to do around really communicating the value of grants hubs, but it's not unlike the procurement environment. You can have organisations where procurement is just their business. They understand it very deeply, they do it all the time, they're the real experts in that. There are other

entities where they'll undertake a procurement process once a year, you can't possibly have the same level of expertise. So I think in procurement and in grants, the challenge is to actually create the centres of excellence and advice of the people that are doing these projects all the time, and really enable that process.

ROSEMARY HUXTABLE: Not only is that good for administration, it's good in a financial sense. As you build scale you reduce costs. But it's also good for the end user because they, in the grant space for example, an entity can be dealing with someone who they deal with all the time, they don't have to report in multiple ways on multiple things. So I think there's lots of benefits, and we're probably in the change management process around some of those things at the minute, but I think there's lots of potential there.

STEVEN KENNEDY: I might... We've got one more question, so I might ask it if that's all right? Just to extend on that-

ROSEMARY HUXTABLE: Who do you support?

STEVEN KENNEDY: I don't... It's of no interest to me. In my former role as Infrastructure Secretary, I was struck by the challenges with a lot of our grant programmes through grants hubs, and you're kind of uniquely placed with your experience in Health and now Finance, just to reflect of this challenge of the improved risk management and business practice you can get with standardisation, that you can get through grants hub. But the potential loss of connection you can get with the parties on the other side, a lot of the complexity we've had in service delivery, be they in grants or elsewhere, is because we're trying to respond to very different communities, and there's this inherent tension about standardised, and standardised approaches, but then the government's strong need for us to be able to really deal with very different clients. And you can see in both, and there's some Nirvana somewhere there in the middle, but there can be this pressure of, we standardise and we're really not responding carefully to the different needs. But then if we respond in a complex way, we don't get the risk management in the back end right.

STEVEN KENNEDY: I mean, what's been your own personal reflection seeing that at Health, because you've dealt with very diverse communities in Health? And obviously it can be done, but it's a challenge to bring it together.

ROSEMARY HUXTABLE: It is. I think it's what some would call the wicked problem. My experience in Health, and there was a lot of the genesis around the grants hubs coming from Health, we did some activity survey work across Health to just really drill down on what it is that people do every day in terms of thinking about our productivity and performance. And this is going back 10 years. And I think all of us in the executive were absolutely

shocked at what volume of activity in our workforce, was focused on grants administration. And I might not get those figures exactly right, I don't know if there's anyone who can help me, but I think it was something like 40% of what the Health Department was doing was around grants administration.

ROSEMARY HUXTABLE: The whole process, the end to end process, which was way more than any of us expected, and it led to that discussion I think at the time with social services about actually back-ending some of their... using some of their systems to deliver some of the health grants. And then you think... I don't know that Health would be the biggest grants portfolio in the Commonwealth, if you then applied that across many, well just how much of government administration is spent doing grants administration? And it wasn't just the workforce element of it, it was actually the other side as well, because we had the recipients of the grants who were having to deal with 12 different areas of the department as staff would come and go in those areas, it was very confusing for them. And they were required to report in 12 different ways on a quarterly basis, so they were then completely tied up in the administration process themselves.

ROSEMARY HUXTABLE: So to me, there's got to be a better way, and I think the grants hubs that's the standardisation piece, enabling more standardised reporting, developing excellence, so that you're not having this doing a grant once in a blue moon approach. But you're right, I don't think it's going to... It's not going to meet every process. There will be some that are very high volume, quite transactional, where standardisation is absolutely key, there will be others that are much more one off and unique, where the link to the community is absolutely critical. And I think we have to work out where's the right flex point in that, which is some of the work that Kathryn [Campbell] and David [Fredericks] and I are wanting to do, and the other Secretaries who are using the hubs, to think about whether there are ways that we can improve, I guess, to find more that sweet spot.

ROSEMARY HUXTABLE: But you're right, sometimes grants are actually about building capability in communities as well, and there's no point in having a grant that comes in... consultants come in, or whatever, do whatever the work is and leave again, when actually the whole point of it is to build capability in that community. So at the end of the day there isn't a one-size-fits-all approach for anything probably, but finding the right place between standardisation and the unique nature of individual grants, I think that's the place we've got to find.

STEVEN KENNEDY: Thank you.