Introduction

This book examines public governance in the Australian Commonwealth public sector, especially from the late-twentieth century to the early twenty-first century. This a period in which public governance has been informed and influenced by the principles and actions of private sector corporate governance but also, more generally, by how government departments and agencies, in their decision-making processes, increasingly relate to other government bodies and to organisations outside the government sector.

There are at least three strong reasons for the interest in the topic of public sector governance. One reason is the trend toward a general acceptance by government of the need to include more players in decision-making processes and to find new means of dealing with public policy questions. Another reason is the extent of the public sector’s incorporation of private sector and market experiences. A final reason lies in renewed attention to the role of government in an era of increased political, socio-economic and environmental interconnectedness, which is demonstrated worldwide through particular governmental responses to collective challenges, such as climate change and the 2008–09 global financial crisis.

This book concentrates on the Commonwealth level of government. Focusing primarily upon this level provides a common point of reference for those studying or engaged in governance, given the similarities and differences across all Australian jurisdictions. It also matches the focus that rests on the Australian Government within much of the literature (e.g. Keating, Wanna and Weller 2000) and key governance reform initiatives. Most importantly, the gradual expansion of Commonwealth power under the Australian Constitution, at the expense of the states and territories, makes the Commonwealth level of government pivotal in governance initiatives that are influential across levels of government in addressing cross-jurisdictional concerns, such as water management and conservation. So, this book also offers comparative insights for those charged with reviewing, reforming, or otherwise studying governance at other levels of government within Australia or in other countries.

Governance reform and terminology

From the 1980s, public sector reform drew on private sector ideas and practices in moving from traditional public administration to a public management approach. The language of corporate governance was transferred to the public sector as both an expression of that and through the need to revisit how to
provide a corporate basis for transforming organisations in rapidly changing environments. This marked the first stage, in the 1990s, of the public sector’s appropriation of corporate governance models that drew on corporate law and governance in the sector’s design of legislation for statutory corporations and agencies (i.e. the Commonwealth Authorities and Companies Act 1997 (CAC Act)), as well as in major governance reviews of the early twenty-first century (e.g. Uhrig 2003). Governance modelling of the public sector upon the private sector also developed within a broader system of multi-level points of entry for enhanced central coordination and control of public sector bodies (Halligan 2006; and MacDermott 2008).

As the thinking about corporate governance in the public sector matured and the fixation on the private sector passed, at least in public administration, the term ‘public governance’ also came into use. The differences in values between the public and private sectors, and in the dynamics of the relationships with shareholders and stakeholders, necessarily affected the automatic transference of ideas. The most notable conversion was that of the Australian National Audit Office (ANAO) which, having been the primary advocate of corporate governance within the public sector, in 2003 adopted ‘public sector governance’ for its guidelines.

In addition, ‘governance’ has entered the parlance of practice as a generic term that covers the internal workings of government as well as its interactions with others beyond the public sector itself. Within the rubric of governance, two applications reflect the activities and organisational basis of public agencies. Core corporate governance principles apply most directly to government enterprises, particularly public authorities with a board and other attributes that correspond to a private sector organisation. But there are also applications more generally to public organisations throughout the public sector, including departments of state.

The Australian Government currently uses both corporate and public governance concepts. For example, the Department of the Prime Minister and Cabinet refers to corporate governance as the process for directing and controlling agencies. The ANAO lists governance principles that cover accountability, transparency/openness, integrity, stewardship and leadership. This book seeks to examine these various elements within a general conception of governance that illustrates the interconnections between organisations, levels and sectors.
Contemporary governance landscape

The contemporary governance landscape in Australia has a number of regulatory landmarks and reform milestones. The regulatory landmarks in the late-twentieth and early twenty-first centuries include the package of legislation for the governance framework (especially the CAC Act, Financial Management and Accountability Act 1997 (FMA Act) and Public Service Act 1999 (PS Act)), as well as the official governance guidance that has been produced in various forms by the Department of Finance and Deregulation (Finance), ANAO and other government agencies. Under official policy, public organisations can be formed under the FMA Act when they are departments of state or other budget-funded agencies, while the authorities or companies of the outer public sector are regulated under the CAC Act.

The reform milestones of the twenty-first century’s first decade, which have significant governance implications, consist primarily of two government reports that examine Australian Commonwealth public administration: the Review of the Corporate Governance of Statutory Authorities and Office Holders (Uhrig review) in 2003 and Ahead of the Game: Blueprint for the Reform of Australian Government Administration (Ahead of the Game) in 2010. While there are additional reforms of discrete aspects of Australian Commonwealth public administration, these two reports have been pivotal in setting governance frameworks for the Commonwealth public sector as a whole, with flow-on implications for governance structures and arrangements at the organisational level for public sector bodies.

Each report reflects different conceptions, reform phases, and central government priorities for governance. Similarly, each report presents major challenges in creating and administering public sector bodies for the ends that they serve in a new era of governance. The reform of organisational governance structures and arrangements that is signalled in these two reports continues in aspects of the Commonwealth Financial Accountability Review (CFAR), which Finance began in late 2010 and continued to pursue as this book went to press in 2012. The major public discussion paper to have been released as part of the CFAR in early 2012, Is Less More?: Towards Better Commonwealth Performance (DFD 2012b), takes the improvement of governance arrangements for a whole-of-government financial framework to a new level. In several chapters, this book takes into account the connections and disconnections between these governance reform milestones.
Orientations and audiences

As this introductory discussion shows, governance is a subject that can be studied from multiple disciplinary and work-situated standpoints. The concepts, regulation and practices of governance draw insights from public administration, management and law. This is reflected, for example, in the multidisciplinary backgrounds of the book’s co-authors. Governance is therefore relevant as a topic of study by academics and students in many different courses and fields of research, and by those engaged in the work of governance both within and outside the formal structures and processes of government. To assist the book’s various audiences, it contains key tables and figures, case studies and other examples, and relevant insights and models for reform that have been derived from experience internationally.

In addressing public governance, the co-authors are also mindful of what it has not been possible to cover within this book. Sub-national government only appears in the relationship of state and territory government to the Commonwealth government. Under revitalised notions of cooperative federalism, this is an increasingly important interaction in its own right. While the political executive is ever present, it is not at the core of this study, even though in practice it is the pivot of public governance in its governmental dimension. The significance of the political executive is evident as the source of policy initiative, the political dynamic and democratically based leadership, as well as a source of the limitations of good and effective governance. There are of course other studies that consider these matters as well as governance in sectoral terms (e.g. Brown and Bellamy 2007), and the increasing importance of the civil society aspects of governance (Osborne 2010).

The analysis of governance directions in this book focuses mainly upon developments in the last quarter of the twentieth century and the early stages of the twenty-first century. In particular, this analysis takes into account the approach to governance of John Howard’s Coalition government from 1996 to 2007, as well as the Labor government’s handling of public governance issues under the leadership of both Kevin Rudd and Prime Minister Julia Gillard to the end of 2011. As CFAR continued into 2012, this book also positions this major official initiative and its governance implications within the broader timeline of governance reform.
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Structure

The first part of the book examines the context and frameworks of governance in its relevant forms. Chapter 1 explores several dimensions of governance as a baseline for its discrete explorations in subsequent chapters, including the different meanings and the growing use of more expansive and inclusive conceptions. Chapter 2 then examines the rise of corporate and public governance, considering in particular the evolution of official principles and practice that has occurred during the last three decades. Chapter 3 considers the defining tensions that arise in the assimilation of corporate governance with public sector governance more generally. This is informed by evidence-based assessment of the underlying tensions.

The second part addresses governance in the public sector, with chapters that focus upon discrete features of governance, including system governance, departmental governance, board governance, and participatory governance. Chapter 4 focuses upon central government and cross-government activity. This is followed by two chapters on distinctive organisations and their governance: chapter 5 which explores governance of the departments of state, and chapter 6 which considers board governance of authorities and state-owned companies. Chapter 7 explores the way in which citizens may be engaged in the policy process.

The final part looks at key challenges for governance design and implementation. Chapter 8 is concerned with how to create or restructure public sector bodies and chapter 9 explores crucial issues that arise in appointing CEOs and directors to boards of authorities and bodies.

The book concludes in chapter 10 with a review of directions in public governance in Australia and overseas as a result of various challenges, in particular those that arise from the demands of integration within central government and collaboration across the public sector and with other sectors. It highlights the increasing permeability of government boundaries and the implications of this for public accountability.