

## Chapter 8

### The amalgamation of the parliamentary service departments and the DPS budget

8.1 This chapter details the attempt to achieve efficiencies in the administration of Parliament House by the amalgamation of service provision departments under the Department of Parliamentary Services. It also examines the DPS budget and the effect of the efficiency dividend.

#### Amalgamation of the service departments

8.2 From 1901, the Commonwealth Parliament was serviced by five departments:

- Department of the Senate;
- Department of the House of Representatives;
- Parliamentary Library;
- Department of the Parliamentary Reporting Staff (to 1990 known as Hansard); and
- Joint House Department (JHD).

8.3 Over the decades, numerous reviews of the administration of the Parliament have been undertaken, and unsuccessful attempts were made to amalgamate the parliamentary departments. Proposals have included amalgamating all departments into one department or creating three departments:<sup>1</sup>

- 1910: the Prime Minister, the Hon. Andrew Fisher, questioned the need for five parliamentary departments;
- 1933: the Pinner Inquiry examined the introduction of economies into the Parliament and suggested the merger of all five departments into a single department;
- 1953: the review undertaken by the Acting Assistant Public Service Commissioner, LO Brown, proposed that all accounting work and staff work be transferred to the JHD and recommended that the five parliamentary departments be amalgamated into one;
- 1977: the Manager of Opposition Business in the House, the Hon. Gordon Scholes, wrote to the Speaker of the House of Representatives suggesting that a Department of the Parliament be established by amalgamating the three service departments;

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1 *Managing the Parliament: The Way Ahead, Report by a working group to the heads of the Parliamentary Departments*, 17 March 1997; Australian Public Service Commission, *Parliament – Master of its own household?*, Occasional Paper One, 2002.

- 1980: at the request of the Presiding Officers, a management consultancy company undertook a review of the three service departments and proposed that they be merged;
- 1981: the JHD undertook a pilot study for the coordination of personnel services across the parliamentary departments;
- 1982: the Senate House Committee reported on its inquiry into the JHD and recommended that other matters be dealt with before examining amalgamations of the parliamentary service departments;
- 1987: the Presiding Officers proposed a restructure of the administration of the Parliament. Some administrative changes were implemented and the Parliamentary Information Systems Office was established but no amalgamations were undertaken;
- 1988: the Speaker introduced the Public Service (Parliamentary Departments) Bill 1988 which sought to reduce the number of departments from five to three. The Bill was passed in the House of Representatives but was not considered in the Senate;
- 1993: the Speaker introduced the Public Service (Parliamentary Departments) Bill 1993 which sought to amalgamate the Departments of the Parliamentary Library and Parliamentary Reporting Staff. The Bill was passed in the House of Representatives but the order for the day relating to its consideration was discharged from the Notice Paper in the Senate;
- 1996: the National Commission of Audit suggested to the Government that corporate functions should be combined into a single department with Offices of the Senate and House of Representatives, if required, and other functions contracted out;<sup>2</sup>
- May 1996: the Hon. David Martin, former Speaker, introduced the Public Service (Parliamentary Departments) Amendment Bill 1996 which proposed to amalgamate the three service departments. This Bill was not proceeded with;
- August 1996: the heads of the parliamentary departments responded to the Presiding Officers on the possible rationalisation of, and services provided by, the five parliamentary departments. All heads supported a two or three department structure. Mr Noel Tanzer was appointed by the Presiding Officer to review the responses;
- 1997: following the consideration of the suggestions of the heads of the parliamentary departments provided in August 1996, the Presiding Officers decided to implement a management structure based on the two chamber departments. Departmental heads were appointed as a steering committee to

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2 National Commission of Audit, *Report to the Commonwealth Government*, 1996, AGPS, Canberra.

implement the structure. The working group to the departmental heads reported in March 1997;<sup>3</sup> and

- June 1997: the Senate referred the matter to the Senate Standing Committee on Appropriations and Staffing which recommended that the Senate not support the proposal in the form agreed to by the Presiding Officers.<sup>4</sup>

### ***Podger Review***

8.4 In 2002, at the request of the Presiding Officers, Mr Andrew Podger, then Parliamentary Service Commissioner, undertook a review (Podger Review) of the administration of the Parliament.<sup>5</sup> The review examined the advantages, both financial and organisational, which may arise from changes to the administration of Parliament House security; the extent to which the management and corporate functions could be managed in a more cost effective and practicable manner; savings arising from centralisation purchasing; and any other organisational matters affecting parliamentary administration during the review. The premise of the review was that any changes in administration must maintain or enhance the quality of services to senators and members.<sup>6</sup>

8.5 The review found potential for significant improvements in administrative effectiveness by:

- centralisation of some activities to achieve economies of scale that are not possible in five small parliamentary departments operating independently;
- enhanced standardisation of systems and software across departments;
- improved coordination between the departments; and
- clarification and simplification of management and governance arrangements.<sup>7</sup>

8.6 In relation to management and corporate functions, the Podger Review provided two major options for consideration:

- *Option 1:* incremental improvement by way of a shared-services centre providing transactional processing management and corporate services to the five parliamentary departments under a cooperative purchaser/provider model; and

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3 *Managing the Parliament: The Way Ahead, Report by a working group to the heads of the Parliamentary Departments*, 17 March 1997.

4 Senate Standing Committee on Appropriations and Staffing, *Inquiry into the Proposed Amalgamation of the Parliamentary Departments*, June 1997.

5 Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament, *Final Report*, September 2002.

6 Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament, *Final Report*, September 2002, p. 3.

7 Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament, *Final Report*, September 2002, p. 3.

- *Option 2*: amalgamation of the three service provision parliamentary departments. This option included additional recommendations in relation to the independence of the Parliamentary Librarian and resources and services provided to the Library.<sup>8</sup>

8.7 The Podger Review supported the amalgamation of the three service provision departments as it considered that this option offered significantly greater gains. If this option were to be implemented, the Parliament would be serviced by the two chamber departments and a single 'joint' or amalgamated services department.

8.8 The Podger Review judged that 'salary savings of \$3 million a year in the corporate area would be achievable in the medium term (2–3 years). Allowing for on-costs and overheads, this would generate savings of the order of \$5 million a year'.<sup>9</sup>

8.9 Other recommendations included that a centralised security organisation be established; the Senior Management Coordination Group (SMCG) assume greater responsibility for coordinating strategic ICT issues; the SMCG be given formal responsibility for procurement of common items in circumstances where there is benefit to the parliamentary departments to do so; and a team be established to manage the implementation process.<sup>10</sup>

8.10 The Podger Review concluded:

The proposed new management and governance arrangements for security are primarily aimed at improving the quality, efficiency and appropriateness of security at Parliament House – to ensure the security function is equipped to deal with the new more challenging environment in which the Parliament operates. These proposals are not aimed at making savings – it is likely that, in the short term, costs would increase marginally.

We estimate that implementation of a shared-services centre for HR, finance and office services transactional-processing activities could generate modest efficiencies of \$1.5 million per year.

It is our judgment that the preferred option of amalgamation of the service-provision departments would generate cost efficiencies of the order of \$5 million to \$10 million a year once fully phased in.

Realising this potential could free resources that the Presiding Officers could redirect to other parliamentary priorities, e.g. to meet the financial pressures likely to emerge for improvements in security, to improve the quality of services provided to Senators and Members or to generate

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8 Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament, *Final Report*, September 2002, p. 8.

9 Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament, *Final Report*, September 2002, p. 52.

10 Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament, *Final Report*, September 2002, p. 8.

productivity improvements needed to support future Certified Agreements for parliamentary staff.<sup>11</sup>

8.11 In his submission to the committee's inquiry, Mr Podger noted his recommendation to amalgamate the then three service departments into one department and added:

In recommending this option, however, I did not mean to rule out the use of 'shared services' agreements amongst the three remaining departments, where any one of them might provide relevant technical support to the other two, though my assumption was that DPS would be the main provider of common services to both Houses of Parliament.<sup>12</sup>

#### *Consideration of the Podger Review*

8.12 The Podger Review was considered by the Senate Standing Committee on Appropriations and Staffing in June 2003. The Appropriations and Staffing Committee was concerned by the lack of evidence for the savings claimed in the amalgamation proposal and the lack of independent verification of the figures.<sup>13</sup>

8.13 At the same time, the Appropriations and Staffing Committee commented on the need to fund enhanced security measures at Parliament House as a consequence of the changed security environment. In April 2003, the Minister for Finance and Administration advised the Presiding Officers that the Government would provide funding of \$25.5 million over four years for enhancement of security. However, savings would need to be made against the appropriations for the parliamentary departments of equivalent amounts over the last three of those four years through the introduction of efficiencies either by implementing the recommendations of the Podger Review or by alternative means.<sup>14</sup>

8.14 The Appropriations and Staffing Committee stated:

The requirement to find offsetting savings of this quantum changes the dynamics of the consideration of the review. The review arose as an assessment of potential administrative and organisational savings measures, which could be returned in the form of enhanced services to senators and members (as maintained throughout the review document). In the new budget context, it becomes a search for cuts required by the Government to

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11 Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament, *Final Report*, September 2002, p. 58.

12 Mr Andrew Podger, *Submission 11*, p. 3.

13 Senate Standing Committee on Appropriations and Staffing, *Review of aspects of parliamentary administration*, 39<sup>th</sup> report, June 2003, p. 3.

14 Department of Parliamentary Services, *Annual Report 2003–04*, p. 65. Until 1 February 2004, funding for security was provided to the Department of the Senate and the Department of the House of Representatives. With the establishment of DPS on 1 February 2004, funding of security was provided to DPS.

meet unforeseen costs for the enhancement of security at Parliament House.<sup>15</sup>

8.15 The Appropriations and Staffing Committee agreed that a resolution proposing the amalgamation of the three service departments and ensuring the independence of the Parliamentary Librarian, proposed by the President, be put to the Senate for determination. The Senate agreed to the amalgamation on 18 August 2003 and further resolved:

(1A) Any savings achieved by the amalgamation may be used to offset increases in costs of security measures approved by the Presiding Officers for Parliament House, but if those increases in costs exceed those savings, the appropriations for the Parliamentary departments are to be supplemented for the excess; and

(1B) Any redundancies arising from the amalgamation must be of a voluntary nature and that no staff will be forced to take involuntary redundancies as a result of the amalgamation.<sup>16</sup>

(2) The Senate supports the Presiding Officers in the following endeavours:

- (a) to reinforce the independence of the Parliamentary Library by strengthening the current role of the Library committees of both Houses of Parliament;
- (b) to bring forward amendments to the *Parliamentary Service Act 1999* to provide for a statutory position of Parliamentary Librarian within the new joint service department and conferring on the Parliamentary Librarian direct reporting responsibilities to the Presiding Officers and to the Library committees of both Houses of Parliament;
- (c) to ensure that the resources and services to be provided to the Parliamentary Library in the new joint service department are specified in an annual agreement between the Departmental Secretary and the Parliamentary Librarian, approved by the Presiding Officers following consideration by the Library committees of both Houses of Parliament; and
- (d) to consider, after the establishment of the joint service department, that department providing human resources and financial transaction-processing activities for all the Parliamentary departments, subject to such an arrangement being proven to be both cost-effective and efficient.<sup>17</sup>

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15 Senate Standing Committee on Appropriations and Staffing, *Review of aspects of parliamentary administration*, 39<sup>th</sup> report, June 2003, p. 3.

16 *Journals of the Senate*, 2003, pp 2180–83.

17 *Journals of the Senate*, 2003, pp 2180–83.

8.16 The House had already agreed to a similar resolution on 14 August 2003.<sup>18</sup> The Department of Parliamentary Services (DPS) was established with effect from 1 February 2004.<sup>19</sup>

***Australian National Audit Office performance audit***

8.17 In June 2006, the Australian National Audit Office (ANAO) reported on its performance audit, *Implementation of the Parliamentary Resolutions Arising From the Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament*.<sup>20</sup> The audit arose out of advice by the Joint Committee of Public Accounts and Audit, in August 2003, that the administration of the parliamentary departments represented an audit priority.

8.18 The ANAO audit findings included that there had been improvement in the management and coordination of Parliament House security services and the substance of the recommendation in relation to physical security had been met.<sup>21</sup>

8.19 In relation to the amalgamation of the three service departments, the ANAO acknowledged the 'significant efforts' undertaken by DPS to form the new department but considered that a more formal planning process could have been put in place. In addition, the chamber departments and DPS had chosen differing Human Resource Management Information Systems and Financial Management Information Systems which 'has not provided a foundation for the parliamentary departments to efficiently move in the future towards a shared services centre'. The ANAO found that, while not all the efficiencies envisaged by the Podger Review had been realised, DPS had been able to absorb reductions in departmental appropriations of approximately \$6 million per annum with only minor changes to its services.<sup>22</sup>

8.20 The ANAO also commented on the Podger Review's other recommendations:

- Parliamentary Library: two of the three parliamentary resolutions in relation to the Parliamentary Library had been implemented with the third, an annual resourcing and services agreement, to commence in 2006–07;
- SMCG: the recommendations that the SMCG assume a greater role in relation to ICT and that it take on responsibility for procurement of common items had not been adopted;

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18 *Votes and Proceedings*, 2003, p. 1079.

19 Department of Parliament Services, *Submission 3*, Attachment 1, p. 1.

20 Australian National Audit Office, Audit Report No. 51 2005–2006, *Implementation of the Parliamentary Resolutions Arising from the Review by the Parliamentary Service Commissioner of Aspects of the Administration of Parliament*.

21 Australian National Audit Office, Audit Report No. 51 2005–2006, *Implementation of the Parliamentary Resolutions Arising from the Review by the Parliamentary Service Commissioner of Aspects of the Administration of Parliament*, pp 33–34.

22 Australian National Audit Office, Audit Report No. 51 2005–2006, *Implementation of the Parliamentary Resolutions Arising from the Review by the Parliamentary Service Commissioner of Aspects of the Administration of Parliament*, pp 47–48.

- measurement of client services: while there was a framework in place to measure and report service levels, the ANAO considered that there was scope to improve how service levels are measured by including timeliness or responsiveness indicators. The ANAO considered that a survey to measure client satisfaction should be undertaken in the post-amalgamation environment; and
- Parliament House accommodation: the ANAO noted that a number of reviews of accommodation had been undertaken which had all identified the shortfall of accommodation space in Parliament House. It was also noted that the number of staff in the parliamentary departments had not declined significantly since the Podger Review. In addition, in 2006 the SMCG had outlined a strategy to assess short and long-term accommodation requirements of all occupants of Parliament House.<sup>23</sup>

### ***Review by the Parliamentary Service Commissioner***

8.21 In 2007–08, with the agreement of the Presiding Officers, the then Parliamentary Service Commissioner, Ms Lynelle Briggs, undertook a review of the implementation of the amalgamation of the three service departments. The Commissioner reported to the Presiding Officers on 16 June 2008 that:

The general conclusion was that, while it is difficult to isolate and measure change that has happened as a direct result of amalgamation and change that has occurred, and is still occurring, as a result of management intervention following amalgamation, the two together have delivered significant financial savings to the Australian public.<sup>24</sup>

8.22 The Parliamentary Service Commissioner also stated that further savings were possible through the full implementation of the Podger recommendations, particularly the establishment of a shared services centre to provide HR and financial transaction-processing activities for all the parliamentary departments. It was noted:

The review considered that the duplication of functions in the three existing departments was not cost effective and that efficiency gains could be achieved through the economies of scale a shared services centre would provide.<sup>25</sup>

8.23 The Parliamentary Service Commissioner made five recommendations:

- that priority be given to investigating and implementing a shared service centre;
- that the terms of reference for the SMCG be amended to include oversight of strategic ICT for the whole of Parliament, that DPS provide more senior

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23 Australian National Audit Office, Audit Report No. 51 2005–2006, *Implementation of the Parliamentary Resolutions Arising from the Review by the Parliamentary Service Commissioner of Aspects of the Administration of Parliament*, pp 12–15.

24 Parliamentary Service Commissioner, *Annual Report 2007–08*, p. 3.

25 Parliamentary Service Commissioner, *Annual Report 2007–08*, p. 5.



representation for SMCG and that the Chief Information Officer position be established as part of the new shared services centre;

- that SMCG review procurement activity on a regular basis to ensure effective operation of existing arrangements and to monitor unnecessary duplication and to consider the effective implementation of central procurement guidance that requires coordination between the three parliamentary departments;
- that the Project Assessment Committee conduct a regular self-assessment process of its performance and effectiveness; and
- that the three parliamentary departments establish a working party to develop a strategy for promoting whole-of-parliament working, cooperate to provide regular training on the Parliamentary Service Values to staff, and review their processes for embedding the Parliamentary Service Values into their governance and performance management arrangements.<sup>26</sup>

8.24 In commenting on these recommendations, the current Parliamentary Services Commissioner, Mr Stephen Sedgwick, stated that they 'emphasised the desirability of looking for better ways for the parliamentary departments to continue to work together to take advantage of strategic opportunities and achieve economies of scale not available to smaller organisations'.<sup>27</sup>

8.25 The Presiding Officers sought a joint response from the heads of the three parliamentary departments to the recommendations made by the Parliamentary Service Commissioner and a working group was established to consider a shared services centre. The majority of the other recommendations were supported.<sup>28</sup>

### ***Further efficiencies***

8.26 Over the last three years, DPS has sought further efficiencies and cost savings with the Department of the House of Representatives commencing provision of payroll services to DPS during 2009–10. During 2010–11, the parliamentary departments continued work towards common service arrangements across the departments with developments including:

- a furniture style guide to provide a model for the procurement of administrative office furniture throughout Parliament House;
- collaboration on a comprehensive services catalogue; and
- a joint protective security policy for the parliamentary departments encompassing physical security, personnel security and ICT security.<sup>29</sup>

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26 Parliamentary Service Commissioner, *Annual Report 2007–08*, p. 6.

27 Australian Parliamentary Service Commissioner, *Submission 15*, p. 3.

28 Parliamentary Service Commissioner, *Annual Report 2008–09*, p. 4.

29 Parliamentary Service Commissioner, *Annual Report 2010–11*, p. 5.

## **Efficiencies and savings achieved through amalgamation of the three service departments**

8.27 The Podger Review commented that significant savings, from \$5 million to \$10 million per year once fully implemented, could be gained through potential cost efficiencies of the amalgamation of the three services departments.<sup>30</sup> The actual savings were estimated at \$5.2 million with savings in the order of \$3.7 million in the first year.<sup>31</sup>

8.28 The level savings and the costs of implementation were explored during the May 2003 Budget estimates hearings. The costs of implementation of the amalgamation, including redundancies, were estimated at \$1.2 million. This figure was seen as 'optimistic' by the then Clerk of the Senate, Mr Harry Evans.<sup>32</sup> DPS also advised the ANAO that, as at 30 January 2006, the estimated total cost of the amalgamation was \$1.6 million.<sup>33</sup>

8.29 DPS indicated in its 2003–04 Annual Report that 'guaranteed' net savings from staff reductions was close to \$1.5 million and that 'the savings from staff reductions so far achieved is considerably less than that predicted in the Podger Report'. Other savings from on-costs, overheads and economies of scale were around \$0.6 million per annum.<sup>34</sup>

8.30 During the Budget Estimates 2004–05, the then Secretary of DPS, Ms Hilary Penfold, stated that DPS would be unable to find \$5 million worth of savings in the first year following the amalgamation and 'probably not for quite a lot of years, if ever'.<sup>35</sup> Ms Penfold went on to state:

One of the difficulties is that we have not until now been in a position to go to the department of finance and actually say, 'Here are the savings, and you can see that they are nowhere near \$5 million.' That is what we will be doing in August in the context of additional estimates. We will be showing the department of finance where we have made direct, obvious savings, where we think there might be some scope for more efficiencies and then where we will have to make cuts to make up the rest of those savings. They

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30 Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament, *Final Report*, September 2002, pp 6–7.

31 Senator the Hon. Paul Calvert, President of the Senate, *Budget Estimates Hansard*, 26 May 2003, pp 24–25.

32 Mr Harry Evans, Clerk of the Senate, *Budget Estimates Hansard*, 26 May 2003, p. 25.

33 Australian National Audit Office, Audit Report No. 51 2005–2006, *Implementation of the Parliamentary Resolutions Arising from the Review by the Parliamentary Service Commissioner of Aspects of the Administration of Parliament*, p. 47.

34 Department of Parliamentary Services, *Annual Report 2003–04*, pp 66–67.

35 Ms Hilary Penfold, Secretary, Department of Parliamentary Services, *Budget Estimates Hansard*, 24 May 2004, p. 29.

will then have to decide whether they are prepared to fund those services continuing or whether that is what they want done.<sup>36</sup>

8.31 Ms Penfold quantified the savings attributable to the amalgamation as 'just under \$2 million' at the Budget Estimates 2006–07. Ms Penfold went on to state that DPS had provided this information to the Department of Finance and Administration (Finance) as the DPS appropriation had been reduced by \$5 million but Finance, while giving an undertaking to look at the information, 'never have'.<sup>37</sup>

8.32 The committee has only been able to identify limited additional evidence in relation to the savings arising from the amalgamation, notwithstanding that savings had been a central aim of the Podger Review's recommendations. In 2004, for example, a consultancy report was provided to DPS following a Financial Assessment and Due Diligence Review of the three former departments. The report estimated the savings arising from the amalgamation at between \$2.2 million and \$2.4 million per year excluding transition costs. The ANAO noted that this report was provided in March 2004, following DPS's establishment on 1 February the same year.<sup>38</sup>

8.33 The ANAO's performance audit also noted that, following a 2003–04 Budget decision, DPS had absorbed a reduction in appropriations of \$6 million per annum. Of this amount, DPS identified approximately \$2 million per annum in savings directly attributable to the amalgamation, offset by the estimated \$1.6 million cost of amalgamation as at 30 January 2006. The ANAO commented that while not all the efficiencies envisaged by the Podger Review had been realised, DPS had absorbed the reduction in its appropriations and had advised that there were only minor changes to services.<sup>39</sup>

8.34 In his submission to the committee, Mr Podger commented that he was not aware of any formal evaluation to test the savings achieved by the amalgamation but he understood from evidence provided at estimates hearings that 'there was broad acceptance amongst the heads of the three departments that useful efficiencies had been achieved notwithstanding some earlier scepticism'.<sup>40</sup> He stated that:

I also envisaged that the gains from amalgamation would enable a shift in resources from internal management towards the provision of improved services to Senators and Members, as mentioned in my letter of transmittal to the Presiding Officers. I did not recommend direct savings to the budget

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36 Ms Hilary Penfold, Secretary, Department of Parliamentary Services, *Budget Estimates Hansard*, 24 May 2004, p. 30.

37 Ms Hilary Penfold, Secretary, Department of Parliamentary Services, *Budget Estimates Hansard*, 22 May 2006, p. 29.

38 Australian National Audit Office, Audit Report No. 51 2005–2006, *Implementation of the Parliamentary Resolutions Arising from the Review by the Parliamentary Service Commissioner of Aspects of the Administration of Parliament*, p. 45.

39 Australian National Audit Office, Audit Report No. 51 2005–2006, *Implementation of the Parliamentary Resolutions Arising from the Review by the Parliamentary Service Commissioner of Aspects of the Administration of Parliament*, p. 48.

40 Mr Andrew Podger, *Submission 11*, p. 4.

though I did expect some of the gains should be used to meet the requirements of the then efficiency dividend and contribute to the productivity offsets required for the then impending pay agreement.<sup>41</sup>

8.35 Mr Podger also noted the possible effect of the efficiency dividend on services to senators and members:

I am not in a position to assess whether services to Senators and Members have improved. I should think the new arrangements have improved broader strategic advice and management in the Parliamentary Service, but I fear the cumulative effect of the efficiency dividend and limited price adjustment for wage increases in the years since amalgamation may include the clawing back of any service improvements.<sup>42</sup>

8.36 Mr Podger added:

I suggested in the report that further consideration be given to rationalising the responsibilities of the Parliamentary Service and the Department of Finance in the administration of the Parliament, including beyond the confines of Parliament House. Again, I was not focussing on savings but on more coherent and effective support for Senators and Members. I understand some progress has been made in the area of IT, which I specifically mentioned. There may still be scope for improved support for facilities, but I do understand the argument that Finance should retain responsibility for Senators' and Members' entitlements, given that Department's greater arms' length separation from individual Parliamentarians and its financial discipline.<sup>43</sup>

8.37 The DPS submission did not provide any assessment of efficiencies achieved as a result of the amalgamation. Instead, it focussed on the challenges of providing appropriate levels of service given the decline of its operating budget.<sup>44</sup>

### **Department of Parliamentary Services budget**

8.38 In addition to the funding decrease experienced as a consequence of the amalgamation and increased security costs, DPS has faced tighter fiscal circumstances due to budget decisions regarding levels of appropriations and the effect of the efficiency dividend.<sup>45</sup> The following discussion provides an overview of the DPS budget since its establishment in 2004.

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41 Mr Andrew Podger, *Submission 11*, p. 4.

42 Mr Andrew Podger, *Submission 11*, p. 4.

43 Mr Andrew Podger, *Submission 11*, p. 4.

44 Department of Parliamentary Services, *Submission 3*, p. 17.

45 The efficiency dividend was introduced in the 1987–88 Budget as an annual 1.25 per cent reduction of departmental funding. The dividend has changed over the years: reducing to 1 per cent in the 1994–95 and increasing again to 1.25 per cent in 2005–06. From 2011–12 it was increased to 1.5 per cent. The Commonwealth has also imposed higher one-off dividend payments of 2 per cent in 2008 and 2.5 per cent for the 2012–13 financial year.

8.39 In 2002–03, the combined departmental appropriations for the three parliamentary service departments was \$105.5 million. The combined departmental appropriations (three service departments and DPS part year) for 2003–04 was \$98.9 million.<sup>46</sup> The 2004–05 DPS budget reflected a \$4.84 million decrease related to a 2003–04 budget decision to reduce the appropriations to the then five departments by \$6.14 million to offset the funds provided for increased security. Following the transfer of security funding from the chamber departments to DPS, the entire \$6.14 million reduction was applied to the DPS budget. DPS received a one-off supplementation of \$1.3 million in recognition that the chamber departments could not find the required savings in the first year.<sup>47</sup>

8.40 In subsequent years, DPS's budget has reflected the effects of the efficiency dividend and other budget decisions. DPS provided its 'adjusted operational appropriation' for 2000–01 to 2011–12 to illustrate the impact.

**Table 8.1: DPS adjusted operational appropriation 2000–01 to 2011–12**

<b>Financial year</b>	<b>Adjusted operational appropriation \$000</b>
2000–01	98,474
2001–02	101,542
2002–03	102,566
2003–04	102,046
2004–05	93,271
2005–06	92,700
2006–07	94,507
2007–08	96,398
2008–09	98,585
2009–10	100,302
2010–11	101,545
2011–12	102,932

*Source: Department of Parliamentary Services, Submission 3, Attachment A, p. 7.*

8.41 DPS stated that the adjusted appropriation figures are the operational appropriation including new policy proposal funding for each financial year. For 2000–01 to 2003–04, the combined appropriations for the three former service departments have been adjusted for depreciation funding. The 2004–05 to 2009–10 figures are the operational appropriation less depreciation. The 2010–11 and 2011–12

46 Department of Parliamentary Services, *Annual Report 2003–04*, pp 97, 159, 205 & 241.

47 Department of Parliamentary Services, *Annual Report 2004–05*, pp 12–13.

reflect the use of capital budget statements. The 2011–12 figure also excludes the one-off pre-election funding for the Parliamentary Library.<sup>48</sup>

8.42 DPS reported a reduction in real funding of 19 per cent between 2000–01 and 2008–09.<sup>49</sup> DPS also provided the committee with an indication of the decline in its budget in terms of purchasing power. DPS noted that since 2000–01, the Consumer Price Index (CPI) has increased by 35 per cent while DPS operational funds increased by around 4 per cent. Taking the period from the commencement of DPS, the operational budget increased by less than 1 per cent, while the CPI increased by 25 per cent.<sup>50</sup> However, DPS indicated that it had faced significant cost increases above the CPI for many of the services and products purchased externally (for example, water, electricity, gas and external guarding) and it had in place certain contracts (notably cleaning and equipment maintenance) where costs were linked to CPI.<sup>51</sup> For example, at the Budget Estimates 2009, DPS commented that it would have to find savings of some \$4.5 million due to increased costs for electricity, Comcare and Comcover premiums, Australian Protective Services to secure the perimeter of Parliament House, and wage increases for DPS staff.<sup>52</sup>

8.43 In addition, DPS, as with both Chamber departments, has had to take account of the fluctuations in workload and cost, as a result of the changes in parliamentary activity.<sup>53</sup> For example, the 2008–09 DPS Annual Report stated:

In the shorter term our operational budget is under considerable pressure. The work rate of a new Government has greatly increased the level of parliamentary activity, including chamber business and committee business. There is a flow-on increase in DPS operating costs. However, the available operating funds for DPS have changed very little for nine years; in terms of purchasing capacity our budget has declined significantly over this period. Without extra funds, we will therefore continue to operate with increasing frugality.<sup>54</sup>

8.44 DPS indicated that the additional one-off 2.5 per cent efficiency dividend imposed in 2012–13 would result in a reduction in its operating appropriation of approximately \$2.6 million in 2012–13, \$2.6 million in 2013–14, and \$2.7 million in

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48 Department of Parliamentary Services, *Submission 3, Attachment A*, p. 7.

49 Joint Committee of Public Accounts and Audit, *Report 413 The efficiency dividend and small agencies: Size does matter*, p. 24.

50 Department of Parliamentary Services, *Submission 3, Attachment A*, pp 6–7.

51 Joint Committee of Public Accounts and Audit, *Report 413 The efficiency dividend and small agencies: Size does matter*, DPS Submission, p. 5.

52 Mr Alan Thompson, Secretary, Department of Parliamentary Services, *Budget Estimates Hansard*, 25 May 2009, p. 19.

53 Department of Parliamentary Services, *Submission 3, Attachment 1*, p. 5.

54 Department of Parliamentary Services, *Annual Report 2008–09*, p. 12.

2014–15 and 2015–16.<sup>55</sup> The departmental capital program would reduce by approximately \$2.4 million in 2012–13, rising to a reduction of approximately \$5.4 million in 2014–15.<sup>56</sup>

8.45 DPS has received a number of additional appropriations including funding for security upgrade work in and around Parliament House in the 2010–11 Budget.<sup>57</sup> From late 2011, DPS took on responsibility for electorate office information technology from the Department of Finance and Deregulation. Additional funding was also received for this new program. Additional funding has also been provided in recognition of increased workload. For example, in 2011–12 some \$337,000 was provided as a consequence of the increase in activity in the House of Representatives and its committee system. However, DPS noted that the effect of the efficiency dividend was such that 'the net effect of any increases is that we have some funding increase but is well below CPI increases for the year'.<sup>58</sup>

8.46 The Presiding Officers have also raised the changes to the DPS budget with the committee. The Presiding Officers noted that 'the context for the work of DPS is defined by the very tight fiscal environment in which it works'. The Presiding Officers went on to comment:

For the financial year 2011–12, DPS received an operational appropriation of \$103 million. This represents a modest increase of about \$1 million, or less than one per cent of its budget, since DPS commenced operations in 2003–04. The funding of DPS has not grown in line with the rising cost of doing business. Considering the rise in inflation of around 25 per cent over the past eight years, the operational funding of DPS has effectively decreased in real terms by more than \$20 million. Based upon the most recent budget papers, this steady decline in purchasing power will continue into the foreseeable future.<sup>59</sup>

### ***Response to budget changes***

8.47 DPS indicated that in order to fund the efficiency dividend, it has sought savings through the introduction of cost savings measures and the reduction of staff numbers 'but most "no regrets" savings have been achieved'.<sup>60</sup> DPS noted that,

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55 Senate Finance and Public Administration Legislation Committee, Additional Estimates 2011–2012, Department of Parliamentary Services, *Answer to question on notice No. 64*.

56 Senate Finance and Public Administration Legislation Committee, Additional Estimates 2011–2012, Department of Parliamentary Services, *Answer to question on notice No. 65*.

57 Mr Alan Thompson, Secretary, Department of Parliamentary Services, *Budget Estimates Hansard*, 24 May 2010, p. 11.

58 Mr Alan Thompson, Secretary, Department of Parliamentary Services, *Budget Estimates Hansard*, 23 May 2011, p. 17; see also CPSU, *Submission 16*, p. 2.

59 Senator the Hon. John Hogg, President of the Senate, letter to the committee, dated 13 September 2011.

60 Department of Parliamentary Services, *Submission 3*, Attachment 1, p. 6.

wherever possible, it has sought to minimise the effect of savings measures on parliamentarians.<sup>61</sup>

8.48 In relation to cost saving measures, DPS stated that savings measures include:

- rationalisation of corporate services following the amalgamation and subsequently, DPS has entered into a shared services model for payroll services, which are now provided to DPS by the Department of the House of Representatives;
- reform of work practices and systems in various areas such as security;
- reduction of the area of the building to be painted each year by 40 per cent with painting targeted to areas of identified need;
- support of interstate committee hearings by a single officer, rather than the previous practice of sending two officers (Hansard and broadcasting);
- adoption of new technology to assist with service delivery, for example an increasing proportion of Parliamentary Library work is conducted via electronic service delivery; and
- transfer of staff and storage to Parliament House from offsite locations where DPS had been paying rent.<sup>62</sup>

8.49 At the February 2012 Additional Estimates, DPS commented that it was reviewing its capital program to meet the 20 per cent reduction to departmental capital budget.<sup>63</sup> Dr Dianne Heriot, Parliamentary Librarian, commented on the effect of reduction of 20 per cent in the Library's capital budget:

It will effectively impact on our reference collection. Around one in four, net effect, reference titles will be cancelled and one in four monographs will not be purchased. We are still working though this in our collections development area. It is likely that the impact of the impost may not be felt until the financial year after this coming one, as we pay subscriptions and things like that towards the end of the financial year. But we are going through working out cuts to meet the new measure.<sup>64</sup>

8.50 DPS also noted that as staffing costs are a large part of its budget, 61.4 per cent in 2011–12 (up from 55 per cent of operating budget in 2005<sup>65</sup>), it would be difficult to absorb the efficiency dividend without any impact on the overall budget

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61 Department of Parliamentary Services, *Submission 3*, Attachment 1, p. 8.

62 Department of Parliamentary Services, *Submission 3*, Attachment 1, p. 8.

63 Senate Finance and Public Administration Legislation Committee, Additional Estimates 2011–2012, Department of Parliamentary Services *Answer to question on notice No. 65*.

64 Dr Dianne Heriot, Parliamentary Librarian, Department of Parliamentary Services, *Budget Estimates Hansard*, 21 May 2012, p. 76.

65 Ms Hilary Penfold, Secretary, Department of Parliamentary Services, *Budget Estimates Hansard*, 23 May 2005, p. 27.



for staff costs.<sup>66</sup> The committee notes the change in the number of DPS staff: full-time equivalent (FTE) staff at July 2004 (the first full year of DPS operations) was 866 and at May 2010 was 731, a drop of 135. Staffing levels at August 2009 were 771 and at May 2010 were 731, a reduction of 40.<sup>67</sup> The reductions during this time were found through transfer of the DPS payroll function to the Department of the House of Representatives (8 FTE); efficiencies in security operations (18 FTE) and facilities section (8 FTE); reorganisation of SES responsibilities (1 FTE); and other reductions (5 FTE). In 2010–11 staff levels were reduced by over 20 FTE.<sup>68</sup>

8.51 In relation to the reorganisation of SES responsibilities in 2009–10, Mr Thompson commented at the 2011 Budget Estimates:

We were very conscious of our budget outlook. It has basically been the same number of dollars for 11 years. Each year DPS and its predecessor organisations have been making do with a bit less real purchasing power. Two-and-a-bit years ago we worked out a way we could run the place effectively with one less SES officer. That officer left to go and work on the upcoming CHOGM in Perth. Since that officer left we divided up the corporate functions across a range of SES officers. The chief finance officer took on some additional responsibilities, I took on some additional responsibilities and the librarian took on some additional responsibilities.<sup>69</sup>

8.52 The committee notes that the responsibilities taken on by the Parliamentary Librarian were those of the DPS human relations section. Mr Thompson went on to state that a further reconfiguration of staffing was taking place, and once finalised, the Parliamentary Librarian no longer has responsibility for the human resource function.<sup>70</sup>

8.53 DPS advised that a further reduction of around six staff were planned for 2011–12:

...as a result of the declining purchasing power of the DPS operational budget for 2011–12. It was noted that these reductions would be achieved largely through natural attrition but voluntary redundancies will be offered in line with the Parliamentary Service Act and the DPS employment agreement.<sup>71</sup>

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66 Senate Finance and Public Administration Legislation Committee, Additional Estimates 2011–2012, Department of Parliamentary Services, *Answer to question on notice No. 64*.

67 Senate Finance and Public Administration Legislation Committee, Budget Estimates 2010–11, Department of Parliamentary Services, *Answer to question on notice No. P13*.

68 Senate Finance and Public Administration Legislation Committee, *Budget Estimates 2011–12*, Department of Parliamentary Services, *Answer to question on notice No. 25*.

69 Mr Alan Thompson, Secretary, Department of Parliamentary Services, *Budget Estimates Hansard*, 23 May 2011, p. 28.

70 Mr Alan Thompson, Secretary, Department of Parliamentary Services, *Budget Estimates Hansard*, 23 May 2011, p. 29.

71 Senate Finance and Public Administration Legislation Committee, Budget Estimates 2011–12, Department of Parliamentary Services *Answer to question on notice No. 25*.

8.54 As at 18 January 2012, the FTE was 706.32.<sup>72</sup> In 2012–13, a further reduction of 18 FTE is expected.<sup>73</sup>

8.55 DPS also noted the increase in the number of non-ongoing staff (which includes casuals). It stated that this was 'largely related to the steady decline in purchasing power of the DPS operational budget since 2004' with various branches seeking to contain and reduce costs 'including by making changes in the balance of ongoing and non-ongoing staff'. The numbers of non-ongoing staff rose from 76 in 2007–08 to 106 in 2010–11. This represents an increase in the proportion of non-ongoing staff from 8.2 per cent in 2007–08 to 12.6 per cent in 2010–11 with the Content Management Branch having the greatest proportion of non-ongoing staff (22.7 per cent).<sup>74</sup>

8.56 The effects of DPS's declining budget and the efficiency dividend on the building, the provision of services and the impact on staff were raised with the committee. The Presiding Officers commented on the continued application of the efficiency dividend and stated that the ability of DPS to meet the needs of the Parliament is being compromised:

The ability of DPS to meet the evolving needs of the Parliament is compromised by the application of Government efficiency dividend funding reductions over many years. We have worked with DPS to find more efficient and alternative ways of delivering services. As a consequence, staffing levels have been reduced and, where necessary, particular services have ceased or have been modified. The continuation of this situation has the potential to adversely affect day-by-day service delivery for the Parliament, and could also compromise the long-term maintenance of this iconic building.<sup>75</sup>

8.57 The Joint Standing Committee on the Parliamentary Library also pointed to impact of the efficiency dividend on the Parliamentary Library and consequently the Parliament. The Committee commented:

Each year the Committee considers and makes a recommendation to the Presiding Officers on the resource agreement between the Parliamentary Librarian and the Secretary of DPS. This year the Committee advised that it was concerned about the resources available to the library, in particular, the adequacy of the resources to provide research services that meet the needs of Parliament, skills for delivery of online services and digitisation of

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72 Senate Finance and Public Administration Legislation Committee, Additional Estimates 2011–2012, Department of Parliamentary Services, *Answer to question on notice No. 64*.

73 Department of Parliamentary Services, *Portfolio Budget Statements 2012–13, Budget Related Paper No. 1.20C*, p. 32.

74 Department of Parliamentary Services, *Answers to Questions on Notice*, 19 January 2012, pp 7–9.

75 Senator the Hon. John Hogg, President of the Senate, letter to the committee dated 13 September 2011.

collection material, in particular radio and television programs. The committee has expressed concerns about resources for a number of years.

The Library has, before and since the creation of DPS, experienced over a decade of efficiency dividend reductions and has achieved significantly improved productivity from its resources. A consequence of the efficiency dividend has been a reduction in the ability to purchase information resources for use by Senators and Members. Achieving further efficiencies to fund the pay increases necessary to attract and retain skilled staff and meet efficiency dividend reductions without significant cuts in services is a very difficult task. The pressure of increasing costs and the efficiency dividend will lead to a further reduction in the number of staff delivering research services, simply because of the predominance of salaries in the Research Branch budget (99%).

The committee considers that adequate funding for library services is essential for a well functioning parliament.<sup>76</sup>

8.58 DPS pointed to the difficulties of maintaining assets with a declining budget. DPS stated:

In the medium to long-term, the decline in purchasing power will also affect the ability of DPS to maintain the assets of Parliament House to an acceptable standard of reliability. The decline in purchasing power also makes it very difficult to establish and deliver on more rigorous standards for IT services.<sup>77</sup>

8.59 In relation to the capital budget, DPS commented:

...the purchasing power of our operating budget is steadily declining. This budget is used to provide day-to-day services, AND to maintain Parliamentary assets. Careful investment of capital funds can partially offset this decline in purchasing power of the operating budget, but we believe there will soon need to be a different approach to operational funding to prevent unacceptable deterioration of key assets leading to an unnecessarily early requirement for renewal.<sup>78</sup>

8.60 DPS also commented in February 2012 that it was reviewing its capital program to meet the 20 per cent reduction to the departmental capital budget.<sup>79</sup>

8.61 Concerns about the long-term impact of lower spending on the building were raised by Ms Pamille Berg. While acknowledging the effort to maintain the building, Ms Berg commented:

I have heard that over the period of, say, the last 13 years there has been a roughly 30 per cent drop in the money which is available to maintain the

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76 Joint Standing Committee on the Parliamentary Library, *Submission 6*, p. 1.

77 Department of Parliamentary Services, *Submission 3*, Attachment A, p. 9.

78 Department of Parliamentary Services, *Submission 3*, p. 14.

79 Senate Finance and Public Administration Legislation Committee, *Additional Estimates*, February 2012, Answers to Questions on Notice, No. 65.

building. When you then take inflation and the fact that the maintenance requirements are inevitably rising because it is getting older—it is not new anymore—that is a very significant impost.<sup>80</sup>

8.62 The CPSU commented that many agencies, particularly smaller agencies like DPS, have run out of 'efficiencies', and instead reduce services or cut staff as they manage long-term cuts to budgets.<sup>81</sup> While DPS indicated that it has sought to minimise the effect of savings measures on parliamentarians, the CPSU argued that continued savings measures will have an effect on services as well as placing additional pressure on staff:

A reduction in staffing levels, combined with an increased workload is placing unreasonable pressure on staff, and will ultimately result in a decreased quality of parliamentary services provided, or will lead to some services no longer being provided at all.<sup>82</sup>

8.63 Mr Leo Vukosa, CPSU staff representative, provided evidence on the effect of savings measures on staff, particularly staff turnover. Mr Vukosa commented:

I am finding at the moment that the staff turnover is directly related to the efficiency dividend and the extra pressures put on the staff to perform greater services and produce greater outputs than before with fewer resources. Where before these used to be more tolerance of people whose work output was a little lower for a number of reasons than their colleague, these days that tolerance is much lower because of the lesser number of staff to perform those duties. They are asking a lot more of the staff for the same amount of money that they were getting in other agencies, where there was less pressure and less work.<sup>83</sup>

8.64 These comments echoed those received by CPSU from its members in DPS and pointed to concerns in many areas of the department:

Professional development opportunities refused for attendance at relevant industry exhibitions and conferences. Staff who have left not being replaced. Ongoing positions being converted to non-ongoing.

Due to funding constraints, partly related to the efficiency dividend, Hansard's quality control and travel procedures have been substantially altered.

Hansard is no longer checked adequately.

Full-time staff have been cut and Hansard officers can rarely attend interstate committee hearings.

Further reluctance to provide training.

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80 Ms Pamille Berg, *Committee Hansard*, 16 November 2011, p. 6.

81 CPSU, *Submission 16*, p. 2.

82 CPSU, *Submission 16*, p. 2.

83 Mr Leo Vukosa, CPSU, *Committee Hansard*, 2 May 2012, p. 13.

Effect on recruitment. Almost all of the Research Branch budget is spent on staff.

Staffing is the only area where savings can be made to meet the efficiency dividend.

The freeze on recruitment means that significant expertise and knowledge is lost when staff leave and/or retire. It means that resources are spread thinly and staff are doing more with less. It also means that DPS is exposed to significant gaps in knowledge as there is no capacity for succession planning.

Less money in budget = less guides, but the number of school visits and public numbers is constant if not increasing.<sup>84</sup>

8.65 Concerns about the effect of the efficiency dividend on small agencies are not new. In 2008, the Joint Committee of Public Accounts and Audit (JCPAA) undertook an inquiry into the effect of the efficiency dividend on smaller public sector agencies. It noted, in relation to the parliamentary departments, that the Department of the House of Representatives and DPS advised the JCPAA that they would soon consider service cuts if current budgetary circumstances continue. Both departments reported budget decreases in real terms since 2000–01: 11 per cent and 19 per cent respectively.<sup>85</sup>

8.66 DPS's submission to the JCPAA stated that the department had little room for further efficiencies:

Put simply, costs have been growing at a rate greater than revenues since the formation of the DPS in 2004. To date, persistent cost cutting has kept expenditure in line, or slightly below available revenue. It is unlikely that further early gains are available without dramatic re-engineering given that DPS has already identified a range of efficiencies from the CIR process, all of which will have been implemented by the end of 2008...<sup>86</sup>

There is a real possibility that any future savings measures or funding future pay increases will only be achieved by cutting employee numbers and/or activities, including services to Senators and Members.<sup>87</sup>

8.67 The Joint Standing Committee on the Parliamentary Library also provided a submission to the JCPAA and stated that the cumulative effect of the efficiency dividend and rising costs means that senators and members are able to access fewer resources each year. It reported that 'without further funding for the collection,

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84 CPSU, *Submission 16*, pp 2–3.

85 JCPAA, Report 413: *The Efficiency Dividend: Size does matter*, 4 December 2008, p.xx.

86 JCPAA inquiry into the effects of the ongoing efficiency dividend on smaller public sector agencies, Department of Parliamentary Services, *Submission 29*, p. 8.

87 JCPAA inquiry into the effects of the ongoing efficiency dividend on smaller public sector agencies, Department of Parliamentary Services, *Submission 29*, p. 9.

Senators and Members will not be able to fully and effectively respond to issues in the Parliament'.<sup>88</sup>

8.68 The JCPAA recommended that the Government establish a parliamentary commission to recommend funding levels for the parliamentary departments in each Budget, a practice common in other Westminster countries.<sup>89</sup> In its response to the report, the Government noted the JCPAA's recommendation but stated:

The Government considers it appropriate that decisions on the future funding for the parliamentary departments continue to be subject to the usual budgetary processes in which proposals for additional funding are considered against other competing priorities.

The Speaker of the House of Representatives and the President of the Senate are, of course, still able to put forward funding proposals in accordance with the budgetary rules and processes in place at the time. It is open to the Speaker and President to make arrangements to increase the input by elected representatives into such proposals as they see fit.<sup>90</sup>

8.69 Mr Andrew Podger's submission to the committee's inquiry summarised key concerns raised in his submission to the JCPAA inquiry:

We highlighted the combined impact of the dividend and the process for (partial only) price adjustment of departmental expenses, concluding that its assumption of productivity gains of around 3 per cent a year, year on year, was not realistic. The arrangements have no economic logic to them. A more appropriate way of promoting efficiency would be to withdraw the dividend entirely and use the CPI, an output-based indicator reflecting national productivity gains, to adjust departmental expenses. We noted the current arrangements are particularly problematic for small agencies, such as the Parliamentary departments, and inevitably lead to cuts in activities and not just improved efficiency. There is also the risk of certain public service agencies 'gaming' new policy proposals to compensate for the impact of the current arrangements.<sup>91</sup>

8.70 Mr Podger also commented on the Government's response to the JCPAA recommendations and while stating that he would 'have no objection to occasional across-the-board cuts in departmental expenses to force re-prioritisation of activities, so long as the political leaders (ministers or, for the Parliamentary Service, the Presiding Officers) took responsibility for the activities curtailed and did not hide behind spurious claims of "efficiency"'.<sup>92</sup>

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88 JCPAA inquiry into the effects of the ongoing efficiency dividend on smaller public sector agencies, Joint Standing Committee on the Parliamentary Library, *Submission 35*, p. 5.

89 JCPAA, Report 413: The Efficiency Dividend: Size does matter, 4 December 2008, pp xx, 29.

90 Commonwealth Government, *Government Response to Report 413 'The efficiency dividend and small agencies: Size does matter'*, p. 2.

91 Mr Andrew Podger, *Submission 11*, p. 2.

92 Mr Andrew Podger, *Submission 11*, p. 2.

8.71 Mr Podger concluded:

I would be surprised if the current arrangements have not caused some diminution of service levels and quality provided by the Parliamentary Service.<sup>93</sup>

### ***Funding of DPS***

8.72 The matter of funding models for DPS was raised by the President in a letter to the committee at the commencement of the inquiry. The President indicated that both he and the Speaker were of the view that 'it is now time to consider other funding models for DPS, possibly related to levels of Parliamentary activity in each financial year'.<sup>94</sup>

8.73 DPS also expressed its preference for a funding model which allowed for fluctuating parliamentary workload, as proposed to the JCPAA in 2008. In addition, DPS commented that the model should:

- recognise the growing demand for IT services;
- offer some choice to senators and members about the IT equipment they use; and
- allow for adequate long-term maintenance and preservation of the assets of the Parliament.<sup>95</sup>

8.74 DPS saw the advantages of this funding model as providing a base payment component which assumes a 'quiet' sitting year with extra payments for increasing levels of chamber and committee activity. This model would allow DPS to respond to peak demands in busy parliamentary years; establish rigorous service standards for key services such as IT; and ensure effective asset management.<sup>96</sup>

8.75 The committee notes the comments of Dr Rosemary Laing, Clerk of the Senate, at the October 2012 Supplementary Estimates in relation to the setting of parliamentary budgets. Dr Laing pointed to the Latimer House principles, endorsed by all member nations of the Commonwealth, which 'comprise a set of guidelines about the relationship between the arms of government—parliament, executive and judiciary—and how that relationship is best cast in terms of practical working models'. Dr Laing went on to state:

Those principles include a best practice guideline that houses of parliament should have the autonomy to set their budgets using an all-party committee

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93 Mr Andrew Podger, *Submission 11*, p. 2.

94 Senator the Hon. John Hogg, President of the Senate, letter to the committee dated 13 September 2011.

95 Department of Parliamentary Services, *Submission 3*, p. 19.

96 Department of Parliamentary Services, *Submission 3*, Attachment 1, p. 9.

to determine and administer a budget of the house without amendment by the executive. That is a Commonwealth-wide best practice model.<sup>97</sup>

8.76 Dr Laing, in the Clerk's review for the department's 2011–12 Annual Report, also commented that 'experience in other jurisdictions where parliaments have a greater degree of autonomy in setting their budgets shows that the function is undertaken responsibly and having regard to prevailing financial and economic circumstances'.<sup>98</sup>

### **Committee comment**

8.77 The underlying premise of the amalgamation of the three parliamentary service departments in 2004 was that significant savings would be made. While some savings and efficiencies have been achieved, the committee considers that these are much less than initially anticipated. In addition, during the time that the amalgamation was taking place, the costs for additional security measures had to be funded from existing resources. Senators commented during the 2003–04 Budget Estimates hearings, and in the Senate, that the parliamentary departments were virtually singled out in being required to fund increased security measures from savings.<sup>99</sup>

8.78 In the years since the amalgamation, DPS has continued to experience a decline in purchasing power and increasing costs for staff, resources and contracted services. DPS indicated that over the eight year period to 2011–12, its operating budget increased by less than 1 per cent, even though CPI increased by around 25 per cent. While this is a significant issue, it has been difficult to gain a comprehensive picture of the effect of changes to the DPS budget through estimates processes and a less than informative annual report. The committee considers improved information on the financial performance of DPS is required so that the Parliament can be fully informed of the changes in DPS's budget position. (The committee has made further comments about annual reporting in chapter 9.)

8.79 The committee is concerned that further decreases in the DPS budget will have a detrimental impact on the maintenance of the building and on the services that support the parliamentary process. However, having said that, the committee is mindful of poor management of resources in the past which have resulted in increased costs, both in the short and long-term. In addition, it appears that DPS may not have been as effective as it could have been in ensuring adequate funding for new projects, other than security projects, and for putting a case to Government that managing the heritage aspects of Parliament House may require additional funding.

8.80 The requirement to seek funding from Government for funding the Parliament, in the committee's view is a matter which requires further consideration. There is a need to ensure that the budget for DPS is such that services required by the

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97 Dr Rosemary Laing, Clerk of the Senate, *Supplementary Estimates Hansard*, 15 October 2012, p. 4.

98 Department of the Senate, *Annual Report 2011–12*, p. 4.

99 Finance and Public Administration Legislation Committee, *Budget Estimates Hansard*, 26 May 2003, pp 28–29; *Senate Hansard*, 18 August 2003, pp 13782–92.



Parliament are sustainable in the long term and the committee considers that it is time for further deliberations on the appropriate model of funding for DPS.



