

Submission to the Inquiry into the Performance of the Department of Parliamentary Services

This submission provides brief comments on those aspects of the Inquiry's terms of reference upon which I feel competent to remark despite limited direct knowledge of the current operations of the Department of Parliamentary Services.

(a) Matters raised at the Budget estimates hearing on 23 May 2011

I would like to comment briefly on two matters raised at the hearing: the proposed arrangements for the Parliamentary Budget Office and the impact of the Government's efficiency dividend.

Parliamentary Budget Office

I had not previously been aware that a recommendation had been made for the Budget Office to be a separate department within the Parliamentary Service. While the *Parliamentary Service Act* makes this a viable option, I am not convinced such a structural change is necessary and I fear it could be seen as a step away from the rationalisation that occurred when the previous five departments were amalgamated into three.

There are other options available that could ensure the necessary skills, profile and independence of the person heading the Budget Office.

The first and most obvious alternative is to place the Budget Office under the Parliamentary Librarian, who has been given considerable independence in the arrangements agreed by the Parliament in 2003. This would set the Office within a larger administrative framework making it easy to manage the necessary support and handle the likely cyclical nature of its work load. It would not constrain the terms of employment of the head of the Office nor the remuneration, which could be set according to the skills and experience of the person sought taking into account the relevant labour market situation.

It has been suggested that this might constrain the head of the Office who will be expected to make public his or her reports and assessments notwithstanding their political sensitivity, and who may have a higher public profile than the Librarian.

I am not entirely convinced by this argument. The Library already publishes about 300 reports a year while also preparing many confidential reports for individual MPs, who may and often do publish the material. I suspect the Budget Office would also prepare both public and confidential reports, and will need to exhibit a similar discretion to that exhibited by the Library albeit their public profile may well be higher. I do not believe the Librarian could effectively constrain the Budget Office reports, whether public or private, given the role of the Office, the public interest in its work and the professionalism required to do its work. Nonetheless, I recognise there may be some substance to the concern as the extra public profile of the Budget Office may require it to have a more firmly independent culture. This could be addressed by making the head of the Budget Office, like the Librarian herself, a somewhat independent appointment technically under the Librarian and

Secretary of the Department, but with clear professional authority in his or her own right. This might be akin, for example, to the Chief Medical Officer in Health.

A second alternative would be to take this latter suggestion further, making the head of the Budget Office a statutory position with equal status to that of the Librarian while still operating within the Department of Parliamentary Services.

The Parliament should, however, be wary of drawing any comparisons with US practice, where the separation of powers demands much more substantial resources for the legislature particularly in financial and budgeting matters. Our more limited separation between the executive and the legislature suggests that, notwithstanding the independence of the Parliamentary Service from the Public Service and the importance of having an independent Librarian and head of the new Budget Office, there will be more regular interaction with public service departments such as Finance and Treasury than in the US and that protocols will be needed to ensure the Budget Office has access to relevant data and the basis of that data (e.g. assumptions, definitions). The Library already relies heavily on cooperation with public service agencies but the Budget Office may well require more formal agreements with Treasury and Finance in particular.

Efficiency Dividend

A reference was made at the hearing to the impact of the efficiency dividend on the capacity of the Department to provide the services expected by the Parliament. I co-authored (with Professor John Wanna) a submission from the Institute of Public Administration Australia to an inquiry into the efficiency dividend by the Joint Standing Committee on Public Accounts a year or so ago. 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 percent 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.

I note the Government has not taken up the Inquiry's recommendations, let alone our preferred approach. Indeed, once again, the efficiency dividend has been increased rather than dismantled. I hasten to add that I 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'.

I would be surprised if the current arrangements have not caused some diminution of service levels and quality provided by the Parliamentary Service. They may have contributed to the decision (mentioned during the Estimates Hearing) to have the Librarian accept some wider human resource management responsibilities (though this is not necessarily without merit if the Librarian's time involved is limited and is offset by additional resources for the Library).

(b) Heritage Management

This is not an area where I have expertise. Nonetheless, it is clear that heritage issues are particularly significant for the Parliamentary Service, and the DPS in particular needs expertise to assist in decisions on the classification, preservation and disposal of assets. I strongly suspect that the scale of significance demands that there be expertise within the DPS, and not just be drawn from external consultants.

(c) Asset Management and Disposal Policies and Practices

I am not aware of the Department's asset management and disposal policies and practices and therefore could not give my view of their appropriateness or otherwise. I would, however, make a general point about such policies and practices in my agency. It is critical that they reflect the overall functions and objectives of the agency and not be narrowly conceived in financial terms. Like appropriated funds, an agency's assets are to be used efficiently, effectively and ethically (to use the *Financial Management and Accountability Act* terminology). Their monetary value is an important consideration here, but by no means the only one. 'Value for money' assessments should also involve the contribution the assets make, or could make, towards the objectives of the agency (including those wider objectives the agency is obliged to address such as heritage).

To illustrate this issue, let me give one example. An area where from my experience agencies frequently get this wrong is in the management of intellectual property. Effort is sometimes made to protect such property by ensuring exclusive ownership, despite the fact that the agency's objectives would be far better addressed by wide and free dissemination of the information, or by shared ownership with private industry which is better placed to exploit it, despite such action technically reducing the financial value of the property to the agency.

(d) Resource agreements and/or memoranda of understanding for the provision of services within and by DPS

In my report on the administration of the Parliament, I presented the option of more use of 'shared services' by the then five departments to achieve economies of scale and greater efficiency. My preferred option, of course, went further in recommending amalgamation into three departments. 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.

Some articulation in agreements or memorandums of understanding of the service levels expected from a common provider can be helpful to clarify expectations and to promote proper monitoring and evaluation. But there are dangers in taking such formalities too far, in encouraging the sense that one department (or one part of DPS) is purchasing services from another and has concomitant power over the service provider. Agreements should promote collaboration including shared learning from performance reviews. The Parliamentary Service is too small to benefit from formal purchaser/provider contracts between or within departments.

(e) Assessment of the efficiencies achieved following the amalgamation of the three former joint parliamentary service departments.

My report in 2002 claimed there would be more substantial gains from amalgamation than the modest savings that could be made through shared services while retaining the then departmental structure. I am not aware of any formal evaluation to test the level of savings achieved, but understood from evidence given in Estimates hearings in later years that there was broad acceptance amongst the heads of the three departments that useful efficiencies had been achieved notwithstanding some earlier scepticism.

My report was not aimed solely at savings, however. In the security area in particular (the focus of my initial work), I saw benefits from a more strategic approach that would improve the quality, efficiency and appropriateness of security at Parliament House, not savings. 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 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.

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.

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.

(f) Efficient use, management and delivery of IT services and equipment

I have no detailed knowledge of current arrangement, but understand that IT services are now better integrated including between Parliament House and Senators' and Members' offices outside the Parliament, with responsibility now lying with the DPS.

IT management within Commonwealth agencies has had a chequered record over the last decade and a half. Lessons I would draw from that experience include:

- The importance of focussing on the agency's business objectives, not just on 'efficient' management of the hardware and software;
- Retaining in-house strategic management capacity, and sufficient expertise to be an informed buyer of IT services;

- Paying close attention to the needs and preferences of the users of the services, including staff and customers/clients (in the case of the DPS, the latter means Senators and Members, and the public). Most IT redevelopments in my experience grossly underestimate the time and effort required to consult with and train users, and overstate the potential benefits of new applications etc. by not taking account of the limits to user adoption of available services; and
- Avoiding arrangements which might in future constrain connectivity or the adoption of new government-wide standards that could enhance both the agency's operations and those of other parts of government.

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