

21 November 2002

**MR SPEAKER:**

## **RESPONSE TO THE PODGER REPORT**

### **General comments**

Thank you for the opportunity to make comments relating to the *Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament* delivered to you by Mr Andrew Podger in September 2002. As requested, I have made the report widely available within the Department, and have welcomed comment by staff, either by contacting the Deputy Clerk, Bernard Wright, or to your office directly. I have attached comments that have come to me, and aspects of this response draw on those comments from current and immediately former staff of the Department. Of course, responsibility for the contents of this note remains with me alone.

#### *Review by Commissioner with service-wide expertise*

My initial comment is to welcome the first review by the Parliamentary Service Commissioner, who is also the Public Service Commissioner with administrative expertise spanning the entire Australian Public Service. There are differences between the Parliamentary and Public Services, of course. However, the underlying administrative principles remain basically the same.

The parliamentary department heads have a statutory responsibility under the Financial Management and Accountability Act that overrides any resolution of either House. It also overrides apprehension as to the potential power of the head of a central administrative department. By the same token, I do not think that the Presiding Officers or the Houses of Parliament can lightly dismiss the considered recommendations of its Parliamentary Service Commissioner.

My response to the question posed by the accompanying paper (presented in October in draft form, but since published by the Commissioner) by Jill Adams of the Australian Public Service Commission *Parliament – Master of its Own Destiny* ? is that the Department of the House of Representatives has attempted to deliver better, increased services to Members and, where appropriate, to Senators. However, in maintaining its administrative structure, the Parliament has continued with

arrangements that benefit the parliamentary bureaucracy instead of directing those benefits to the Senators and Members we serve. The situation has become critical since 11 September 2001 and 12 October 2002 in that vastly increased expenditure on security measures has become necessary, and we cannot expect the Australian taxpayer to meet additional costs for an institution that declines to put its own houses in order.

Consequently, I support in full the recommendations in the Podger Report. There are some aspects of the report involving the less-preferred option to which I feel I should draw your attention, and I will comment on these as they arise.

### **Recommendation 1: Security**

I fully support the recommendation that a centralised security operation be created, preferable in an amalgamated service-provision department, otherwise in Joint House Department.

You have already indicated your acceptance of the report's recommendations, and the continuing status of the Security Management Board. I endorse these developments, as I think they will strengthen the coordination of our response to the current threat environment, and facilitate on-going attention and strategic planning on a parliament-wide basis. We certainly need to move from our recent position of being mainly reactive to threat situations. Already, I feel that we have had cause to be grateful for the practical and common sense input to the Board's deliberations of the Usher of the Black Rod and the Serjeant-at-Arms. It is also extremely important that the Board and the Security Controller continue to be well integrated into the security policy and operational networks of Australian authorities. You would be aware that I have designated the duties of the Serjeant-at-Arms to be performed at the Senior Executive Service level, without increasing the SES complement of the Department.

I also support the recommended purchaser-provider model recommended by the report. This will facilitate our discharging of our responsibility for security in the Chambers, and of the suites of Senators and Members. It will also facilitate the formulation of security policy, budgeting and planning in what will be an area of significantly increased substantial expenditure. Equally importantly, I agree that the submission from the staff in the Members' Entitlements and Human Resources Office that there are strong grounds for the processing of pay and other entitlements to be carried out by House staff.

I understand that the Senate has endorsed the 37<sup>th</sup> Report of the Senate Standing Committee on Appropriations and Staffing concerning reorganisation of security at Parliament House. I believe that we should commit the House of Representatives component of parliamentary security in accordance with the recommendations.

There will, of necessity, be additional funding directed towards sustaining the security of Senators and Members, and of the parliamentary building itself, given its symbolic importance to Australians and the world. The House has run a very tight financial ship (I will elaborate on this subsequently), and unless additional funding is available, the Department may face some difficult choices about funding priorities. As your statement to the House in presenting the Podger report suggested, the Parliament

could be expected to make some contribution towards these additional expenses by realising some savings that would be expected to flow from adopting other recommendations in the Podger report.

**Recommendation 2: Shared services centre for human resources/finance and office services transactional processing**

*Efficiency of House of Representatives corporate services*

I support the adoption of this proposal on a trial basis if amalgamation, which has my total support, does not proceed. However, my support for the limited option is accompanied by a number of cautionary notes I feel I should make known to you. The advisory review team agreed with me that the corporate services area of the House was the leanest in the Parliament. In fact, I almost certainly would have sought additional savings in the area during the course of the review, but I felt it more prudent to await the conclusions of the review. We would have to make sure that our involvement in any exercise of this kind did not involve us being dragged into inefficiency.

If **recommendation 5** is implemented, and I would very much hope that it is, after the amalgamated department has been established and its corporate support area is functioning effectively, there should be some benchmarking with the corporate support areas of the Chamber departments. The outcomes of this benchmarking would point to whether there would be value (and further savings) to be achieved by having a common service arrangement for the provision of corporate support across all the parliamentary departments.

*No transfer of Senators & Members entitlements*

The Review indicates, at subrecommendation 2.1, that services to Senators and Members not be transferred to any shared-services centre until the centre is established and operating satisfactorily. The report suggested that care should be taken in putting any services to Senators and Members in a shared-services centre, in order to ensure that any teething problems do not impact adversely on the quality of those services.

I totally endorse this subrecommendation, and would suggest that it be taken further. Any consideration I have given to outsourcing our services has always been on the basis that the in-house confidentiality of Members' details should remain within the House Department. I believe that I could never agree to the transfer of those details to any joint body answerable in part to the President of the Senate.

**Recommendation 3: SMCG assume greater responsibility for co-ordinating strategic information and communication technology issues, supported by DPRS in consultation with departmental information and communication directors.**

**Recommendation 4: SMCG be given formal responsibility for coordinating procurement of common items in circumstances where there is benefit to the parliamentary departments in doing so.**

I support these recommendations. They are reasonably consistent with the evolving role of SMCG. If **recommendation 5** is implemented, the membership of SMCG will reduce. This is not necessarily a bad development.

**Recommendation 5: The preferred option is that the three service provision departments be amalgamated, with specified subrecommendations aiming at ensuring the independence of the Parliamentary Library.**

I strongly support this recommendation. The report at paragraph 5.2..7 listed a number of additional cost factors in three separate organisations:

- Three sets of senior executives supported by three sets of middle managers and three sets of administrative staff.
- Three groups of consultative, advising and decision-making forums and secretariats.
- Three sets of systems requiring hardware, licences, development and maintenance, three sets of policies and three certified agreements.

There are also three separate budgets, financial statements and annual reports.

The Podger report pointed to very significant savings that would accrue from an amalgamation of this kind. The overall judgement of the review team led them to conclude that savings in the order of \$5 million to \$10 million per year would be achievable. There has been some caution expressed within the Department as to the scope of possible savings. As in all matters of this kind, the end result can never be precisely ascertained. However, to deny the very real possibility of substantial savings is to adopt an ostrich in the sand attitude.

One important point to note is that these funds from which savings would flow are currently directed towards bureaucratic purposes; they do not directly impinge on the delivery of services to Members of Parliament. Of course, any savings realised should be directed to the Parliament in the first instance to fund other emerging priorities. Security is one obvious and immediate need. However, I do not think the taxpayer should be called upon to fund additional expenditure in this regard until the Parliament has made an effort to put its own house in order.

The report goes on to indicate that there may well be a willingness within the government to consider rationalisation of responsibilities, at least at the margin. Further rationalisation of this kind would result in further savings, either to be delivered to the Parliament, or considered a return to the taxpayer. However, in the continuation of the status quo, a government should not be expected to pass over further rationalisation of functions to an administration that insisted in continuing its quaint but inefficient operation.

*Independence of the Parliamentary Library*

Subrecommendations 5.1 and 5.4 relate to strengthening the independence of the Parliamentary Library. I fully support the recommendations.

**Recommendation 6: A dedicated implementation team be established to manage the implementation process, headed by a senior official seconded full time to the task.**

*Try before you buy*

If the decision were to be made to amalgamate the service departments, I would support this proposal. However, the President and yourself may wish to consider an alternative approach.

Following the retirement of the then Parliamentary Librarian in 1992, the Secretary of the Department of the Parliamentary Reporting Staff has acted as the Parliamentary Librarian. Conservative costing of the savings achieved by the Parliament in that time in salary and support staff costs are in the order of \$1.75 million to \$2.5 million. Should the President and you decide that it might be appropriate not to seek a resolution of both Houses to achieve the total amalgamation of the three service departments, you might consider whether it was appropriate to approach each of the two secretaries serving joint departments so as to ascertain as to whether one or the other would care to consider an early retirement option. I believe that it would be unlikely that both would accept. If that did occur, a secondment from the public service could be organised or an appointment made to one of the offices. The one secretary could then be commissioned to achieve rationalisation of functions before the Houses were requested to consider the change on an ongoing basis. The corporate services functions of the three departments would be an appropriate starting point (the Library and DPRS have already gone some way down this path already).

Should an acting arrangement be favoured in this way, I would suggest that the Presiding Officers might approach the Remuneration Tribunal with a view to determining a salary for the combined duties to be equal to the remuneration paid to the Clerks of the Houses. Significant savings would be available, despite the higher salary paid to the secretary/ acting secretary.

**If move to amalgamation unsuccessful**

*Savings should be returned to Members of Parliament and taxpayers*

In the current context, I believe that should the Parliament decide not to pursue the administrative efficiencies, all the parliamentary departments should be called upon to reduce their expenditure by the amount of projected savings, which I think are modestly estimated at \$10 million per year.

In 1997, the Senate Appropriations and Staffing Committee concluded that the estimated savings of \$2.5 million a year was not sustained by detailed cost analysis. The savings that have continued to be absorbed in bureaucratic arrangements since that time, and not made available to Senators and Members has been approximately \$10 million. This is on the basis of 1997 costing, and I would suggest that the real cost in spending on bureaucratic services (lost to Senators and Members and the taxpayer) is significantly more.

On this occasion, a former senior public servant who was involved in previous machinery of government changes has advised the Parliamentary Commissioner on this matter. His experience suggested that there would be substantial savings, and I do

not believe that anyone could question this with any creditability. It has also been suggested that the amount is not sufficiently large to justify the moves involved. However, I have also seen written and heard said that the Parliamentary Service operates in the atmosphere of a sheltered workshop. Much more significant moves occur in the wider public service to achieve efficiencies and address emerging priorities. The amount of \$5million to \$10 million would provide scope for additional services to Members of Parliament. If the efficiencies were not achieved, it would provide a good ballpark figure for reduction in parliamentary funding.

*Impact on the House of Representatives if efficiencies not achieved*

During the period of the most recent review, the working group agreed with me that the House of Representatives had the leanest corporate services area. They also reminded me that our SES component was significantly less than that of the Senate. As at 30 June 2002, we had two less SES staff than the Senate, and all SES staff employed by the department were actually working for the House.

After the last election, we accepted responsibility for the staffing and other administrative costs associated with an increase in the number of parliamentary committees which could have led, under an agreed financial formula, to an increase of funding between \$ 500 000 and \$1 million, and I understand that the Government was briefed accordingly. However, the staff agreed to attempt to meet the additional responsibilities initially without seeking additional funding. To the extent that it has been possible so far to proceed down this path, it has been achieved only by the commitment of House staff to accept additional responsibility and to work harder.

Some figures have been prepared that show the amount of funds available for expenditure on each Senator and Member when non-discretionary, administered funds (Salaries for MPs, school visits program) are taken into account. These show that there is a sum available for each Senator that is twice that available for expenditure on each Member.

This all points to the fact that meeting additional security costs and being called upon to contribute to savings that the Parliament will not identify itself will put the House of Representatives Department under severe pressure and may call for difficult operational decisions to be made that go to the core of our basic operations.

In making future funding decisions, I would suggest that the Presiding Officers become aware of the real funding position of each of the parliamentary departments. Report 388 of the Joint Committee of Public Accounts and Audit (June 2002) related to review of accrual budget documentation. Among its recommendations was a recommendation (recommendation 10) that the Department of Finance and Administration, in consultation with the Audit Office, should review ways in which agencies should disclose details of any operating surplus to output or output group level. Some of the surpluses of this kind relate to the capital use charge. However, I understand that in many agencies there are surpluses additional to the capital use charge. I am currently exploring ways in which we can give effect to the committee's recommendation. However, I am not certain as to the extent to which the parliamentary departments provide the Presiding Officers with full details of their actual financial position. I will provide you with full details concerning the House of Representatives Department. Certainly, I do not believe that there should be any

significant variation between the position between the Department of the Senate and ourselves. **I recommend that the President and you require similar information from each parliamentary department so that you are able to determine the financial position of each department.**

I do not see it as inconsistent with the role of the departmental heads for the Presiding Officers to articulate the requirements they have of the parliamentary administration. The success of a new structure, indeed of any structure, will depend on the actions and decisions taken within that framework. In this regard it would be entirely proper, indeed even a responsibility, for the Presiding Officers to set down their priorities and requirements, whether in funding or other matters. Reducing the number of departments will lead to savings. However, it will not of itself necessarily diminish the activities that are of a lower priority, or involve a higher cost. The Presiding Officers have a role to play in this area, and to this end I welcome the suggestion made by the review team that the departmental heads meet regularly with the Presiding Officers to discuss subjects related to this and other matters.

#### *Rationalisation of functions*

Rationalisation of functions is not only a matter for the joint departments. The 1997 report of the Senate Appropriations and Staffing Committee recommended that the Presiding Officers require each parliamentary department to identify annually items of expenditure where savings may be achieved, particularly by the rationalisation of functions common to two or more departments. I do not believe that any action has ever been taken by the Presiding Officers in respect of this recommendation.

The House is not bound by recommendations of a Senate Committee. Nonetheless, since 1997 I have made a number of suggestions to the Senate, some orally and others in writing, seeking to achieve rationalisation. The suggestions have not been taken up. There are a number of parliamentary operations where the Senate and the House share funding responsibility, such as in relation to the Parliamentary Relations Office and the Parliamentary Education Office, and a case towards the point of the fate of my suggestions has occurred in relation to the funding of the Citizenship Visits Program (CVP). We are at risk from an audit point of view in relation to the funding of this program, and I understand that the internal auditors for each department recommended vesting in a single department. When I wrote suggesting this, the Clerk of the Senate replied declining support for the proposal on the basis that a future Speaker might regard the program as a House of Representatives program only.

**I recommend that the President and you take action to activate the recommendation of the 1997 Senate Committee and require the Clerk of the Senate and I to report to you on ways in which rationalisation between the Department of the Senate and the Department of the House of Representatives.** I would prefer to see other arrangements in place than those that prevail currently that are messy and sometimes risky from an audit point of view. For example, I feel that funding responsibility for the Citizenship Visits Program should be transferred to the Senate (in line with its Parliamentary Education Office responsibility) and the House accept funding for inter-parliamentary relations matters. Regardless of the outcome of those discussions, I am prepared to transfer CVP funding to the Senate.

During the course of the Podger review, I tried on a number of occasions to raise these matters for consideration. However, the Clerk of the Senate objected on the basis that they were outside the terms of the review. I did not agree with that point of view then, and I do not agree with it now. I leave it for the consideration of the President and you.

Once again, I thank you personally and on behalf of the staff of the Department of the House of Representatives for the opportunity to comment on the recommendations of the Podger review. I would be only too happy to provide further explanation or additional material if this would be of assistance.

I C Harris