

Review by the
Parliamentary Service Commissioner
of Aspects of the Administration
of the Parliament

FINAL REPORT

Andrew Podger
September 2002

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Parliamentary Service Commissioner
of Aspects of the Administration
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Final Report

- (a) The advantages, financial and organisational, which may arise from a change to the administration of security within Parliament House;
- (b) The extent to which the management and corporate functions across the Parliamentary departments may be managed in a more cost effective and practicable manner;
- (c) Whether and to what extent financial savings may accrue from the centralisation of the purchasing of common items by all the Parliamentary departments; and
- (d) Such other organisational matters affecting the Parliamentary administration which arise during the review.

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Executive Summary

Overview

This review examines the potential for the administration of the Parliament to be undertaken more cost effectively. It has been undertaken by the Parliamentary Service Commissioner at the request of the Presiding Officers with assistance in particular from Mr Len Early PSM, former Deputy Secretary of the Department of Finance and Administration, and Mr Mike Jones, Group Manager Corporate Strategy and Support, in the Australian Public Service Commission.

The review starts from the premise that any changes in administration must maintain or enhance the quality of services to Senators and Members. Thus, any cost efficiencies that derive from, or entail, any diminution of that quality of service are specifically out of scope.

A major theme of the review is that there is potential for significant improvements in administrative cost 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 co-ordination between the departments; and
- Clarification and simplification of management and governance arrangements.

In effect, the review presents two major options for consideration:

- The first is based on incremental improvement by way of a shared-services centre providing transactional processing management and corporate services to the five parliamentary departments under a co-operative purchaser/provider model; and
- The second is based on a restructuring that entails amalgamation of the three service-provision parliamentary departments.

The second option offers significantly greater gains in return for more fundamental change. While more fundamental change inevitably entails some risk, we believe that the risks are manageable and accordingly strongly prefer the second option to the first.

(a) Administration of security

Current security operations in the parliamentary precincts continue to be adequate to deal with protest action of the kind the Parliament has historically faced. However, the governance arrangements for the parliamentary security function are complex and confounded and management is fragmented, with responsibilities and accountabilities dispersed and diffuse.

Current governance and management arrangements are not sufficiently robust to deal with the potential terrorist threat to Parliament House in the post-September 11 environment. While advice has been received from the Australian Security Intelligence Organisation that Parliament House is a likely risk, there is no recent detailed security threat assessment for Parliament House and arrangements for a higher level of response have not yet been fully formalised and/or tested.

A Security Management Board has been established recently to advise the Presiding Officers on the security function, including development of a five-year strategic plan. However, the Board has no dedicated secretariat support or management resource to advise on strategic and planning issues.

It is recommended that a centralised security organisation be created, overseen by a Board and providing services to the Presiding Officers on a cooperative purchaser/provider basis. The security organisation should be located in the Joint House Department or in an amalgamated service-provision department.

The President of the Senate and the Speaker of the House of Representatives would continue to be jointly responsible for the security of the parliamentary precincts as a whole. The Chamber Departments would continue to hold the security budget and would advise the Presiding Officers from the purchaser's perspective on matters related to the purchaser/provider arrangement (e.g. contents of a memorandum of understanding, including performance standards and price). The Board would be responsible to the Presiding Officers for planning, strategic and policy issues and could include the Secretary, Joint House Department, the Usher of the Black Rod and the Serjeant-at-Arms as well as external members with very senior external management and security expertise.

This would rationalise and strengthen governance, planning and management arrangements, while maintaining existing responsibilities. However, the proposed arrangements are aimed at improving the quality, efficiency and appropriateness of security at Parliament House, not at making savings – it is likely that, in the short term, costs will increase marginally.

(b) Management and corporate functions

(i) Finance, Human Resources (HR) and office services

There is broad agreement that finance, HR and office services functions could be performed more cost effectively in the parliamentary departments.

The basic problem seems to be lack of scale economies in transactional processing within four separate small management and corporate operations. Thus, any options to improve cost-effectiveness would need to address the issue of economies of scale.

One option would be to outsource the functions. However, we do not favour outsourcing of parliamentary management and corporate functions at this stage, because this would risk an outsourcer capturing the predominant benefits of productivity improvements. In our judgment, parliamentary departments would do better to improve cost effectiveness first, and consider outsourcing only after improvements have been realised.

This would imply that realistic options at this stage would entail in-house provision utilising some form of shared-services arrangement - whereby common management and corporate transactional-processing activities that would otherwise be performed in different departments would be concentrated in one area. This option has particular attraction given the commonality of purpose of parliamentary departments.

The types of corporate activities that would be leading candidates for a shared-services arrangement include purchasing, accounts payable and receivables, general accounting, human resources processing and office services. Such processes are necessary. However, they are corporate overheads. They provide services to departmental managers, but they do not impact directly on the delivery of services to Senators or Members.

Undertaking these activities more cost-effectively would enable resources to be redirected to core parliamentary business, e.g. to improve the quality of services to Senators and Members.

The review recommends that one option is the establishment of a shared-services centre to undertake corporate and management transactional-processing activities for all parliamentary departments. Departments would continue to hold the budget for transactional-processing activities and purchase services from the shared-services centre under separate Memoranda of Understanding established between each department and the shared-services centre.

Very few services to Senators and Members would seem to fall within the scope of the shared-services centre. An exception might be the processing of Senators' and Members' pay. We would propose that any services to Senators and Members not be put in any shared-services centre initially, in order to ensure that any teething problems do not impact adversely on the quality of those services.

This recommendation is estimated to deliver improvements in cost efficiency of \$1.5 million a year within two years.

(ii) Information and communication technology (ICT)

There would seem to be little benefit in fundamental changes to the arrangements for provision of ICT services. However, there is some capacity to remove duplication in support of corporate systems and improve coordination between departments.

(c) Purchasing of common items

Almost all items of common procurement by departments are already purchased under common use contracts, which are typically negotiated by specialist procurement areas in DPRS or JHD. It is doubtful whether any significant financial benefit would be gained by centralising the procurement of common items across the five parliamentary departments. However, there would be advantages in strengthening coordination arrangements.

(d) Other organisational matters

Our considerations of security, management and corporate services and purchasing all pointed to potential gains from an approach involving some form of co-operative purchaser/provider arrangement with shared service provision or some other form of enhanced coordination.

In each case, the proposal was modest, providing modest improvements in efficiency or effectiveness, without the need for major restructuring. Consideration of such issues inexorably led the review team to consider the possibility that more

fundamental structural change might deliver greater economies of scale and more substantial benefits.

However, the review team was acutely conscious that any more fundamental restructuring would need to have regard to two fundamental principles:

- The need to maintain the constitutional and institutional independence of the Senate and the House of Representatives would seem to require that any proposal to rationalise parliamentary departments would leave intact two independent chamber departments; each reporting independently and exclusively to the relevant Presiding Officer; and
- The principle of separation of the powers between the Parliament and the Executive, which finds particular expression in sensitivities about independence of the Parliamentary Library.

(i) The structure of parliamentary departments

The model of five separate parliamentary departments was inherited in 1901 from Australia's colonial parliaments. Since then, there have been many proposals to reduce the number of parliamentary departments and/or rationalise their functions, but none have been adopted.

Even after the introduction of a shared-services centre, there would still be substantial duplication in tactical and strategic management and corporate activities within the five small parliamentary departments. This raises the possibility of some amalgamation of departments to reduce duplication and enhance cost efficiency.

There is no constitutional reason why parliamentary departments cannot be structured in any chosen configuration.

This review considers that the amalgamation of the three service provision departments need not conflict with either of the principles above and that the benefits of doing so far outweigh the risks. We therefore prefer this option to the more modest option of a shared-services centre without fundamental structural change.

In our judgment, the independence of the Parliamentary Library could be adequately protected by:

- Creation of a position of Parliamentary Librarian at senior level within the amalgamated service provision department;
- Independence in respect of the Library function;
- Extension of the oversight role of the joint Library Committee; and
- Additional assurance that the Library receives adequate resources.

Experience in amalgamation of executive departments suggests that the potential cost efficiencies from such rationalisation could be substantial, and would be of the order of \$5 million to \$10 million a year. That would, in turn, imply significant resources could be redirected from providing corporate support to departmental management to core parliamentary business, e.g. to improve the quality of services to Senators and Members.

Over time, we would see migration towards more of a purchaser/provider model between the senior Chamber Departments and the service provision department to reinforce the capacity of the Chamber Departments to establish service quality standards in the provision of services to Senators and Members.

(ii) Rationalisation of delivery of parliamentary services between executive and parliamentary departments

Current arrangements for the delivery of services to Parliamentarians are complex, with many services administered by executive, not parliamentary departments. It is clear that the division of responsibilities owes more to history than to logical analysis of the appropriate division of responsibilities. This fragmentation and complexity of delivery of services to Parliamentarians seems to run counter to the broad thrust of public sector reform in Australia and overseas in recent decades.

In particular, a clearer focus on the objectives of support for Parliamentarians would open to question the current separation of services provided within Parliament House from those provided to Parliamentarians elsewhere.

There may well be a willingness within executive government to consider rationalisation of responsibilities, at least at the margin. In our judgment, rationalisation of the administration of the Parliament could provide a foundation for Parliament to seek to take more direct responsibility for provision of services to Senators and Members.

Implementation

Under either option, the review recommendations would entail significant change. We would recommend the establishment of a dedicated implementation team to manage the implementation process, headed by a senior official seconded full time to the task.

If the preferred option of amalgamating the three service-provision departments is adopted, we would recommend moving swiftly to that arrangement, rather than in a staged way starting with the more modest option. Management of the change would be enhanced by early appointment of the Departmental Secretary, who could then champion the initiative and move swiftly to address implementation issues.

We would see benefit in monthly meetings of parliamentary departmental heads through the period of change, to discuss operational as well as more strategic issues. Brief quarterly meetings with Presiding Officers could also be beneficial to obtain any necessary guidance on significant issues.

Recommendations

(a) Security

Recommendation 1: A centralised security organisation be created in the Joint House Department or in an amalgamated service-provision department.

(b) Management and corporate functions

Recommendation 2: (One option) A shared-services centre be established to undertake human resources, finance and office services transactional-processing activities for all parliamentary departments.

Recommendation 2.1: Services to Senators and Members not be transferred to any shared-services centre until the centre is established and operating satisfactorily.

Recommendation 3: SMCG assume greater responsibility for coordinating strategic ICT issues, supported by DPRS in consultation with departmental ICT Directors.

(c) Purchasing

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.

(d) Other matters

Recommendation 5: (The preferred option) The three service provision departments be amalgamated.

Recommendation 5.1: The position of Parliamentary Librarian be established at a senior level within the amalgamated service provision department.

Recommendation 5.2: The independence of the Parliamentary Library be granted by Charter from the Presiding Officers.

Recommendation 5.3: The independence of the Parliamentary Library be reinforced by strengthening the current terms of reference for the joint Library Committee.

Recommendation 5.4: The resources and services to be provided to the Library in the amalgamated department be specified in an annual agreement between the Departmental Secretary and the Parliamentary Librarian, approved by the Presiding Officers following consideration by the joint Library Committee.

Implementation

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

1. *Introduction*

In April, the Presiding Officers commissioned the Parliamentary Service Commissioner, Mr Andrew Podger, to review the administration of the Parliament. The Terms of Reference were to review:

- a. The advantages, financial and organisational, which may arise from a change to the administration of security within Parliament House;
- b. The extent to which the management and corporate functions across the Parliamentary departments may be managed in a more cost effective and practicable manner;
- c. Whether and to what extent financial savings may accrue from the centralisation of the purchasing of common items by all the Parliamentary departments; and
- d. Such other organisational matters affecting the Parliamentary administration which arise during the review.

The review reported on its first term of reference in June. For convenience, this report is included as Section 2 of this report¹. The remaining terms of reference are addressed in Sections 3 to 5 of this report.

This review examines the potential for the administration of the Parliament to be undertaken more cost effectively.

It starts from the premise that any changes in administration must maintain or enhance the quality of services to Senators and Members. Thus, any cost efficiencies that derive from, or entail, any diminution of that quality of service are specifically out of scope.

The review focuses on the management and corporate functions within parliamentary departments. It finds that there is potential for significant improvements in administrative cost 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 co-ordination between the departments; and
- Clarification and simplification of management and governance arrangements.

¹ With a few minor edits, including to highlight the recommendation.

2 Security

2.1 Introduction

In the current security environment, Parliament House is assessed as being at medium threat level:

- Protest action is planned or expected from groups or individuals from whom incidental acts of violence are a possibility; and
- It represents a country assessed to be at threat from terrorist action. However, the groups concerned would have to have a medium/high intent and/or capability of targeting it.

The risk from protest action is not new. Historically, on a day-to-day basis, Parliament House security operations have focused mainly on maintenance of good order within the chambers; but they have also dealt with a few serious incidents. These have included²:

- One large public demonstration occurred where protestors were able to penetrate the cordon and caused damage to the main entry doors. (These doors have been reinforced and the creation of a “demonstration assembly area” provides more crowd control and a security ‘fall back’ position.)
- A vehicle drove into Parliament House. (Vehicle blockades have been strategically placed at the primary entry points.)
- A single person threw an incendiary device at the main doors. (This offence occurred late at night and the offender was quickly apprehended.)

In each instance, these incidents have been contained – none led to major injuries or property damage or serious disruption of the processes of Parliament or of the Government. In each case, subsequent action has been taken to reduce the risk of repetition. Thus, over the years, Parliament House security has proved effective in dealing with security threats resulting from protest action.

However, in the aftermath of September 11, with Parliament House a prime potential terrorist target, the role of Parliament House security is dramatically expanded beyond this historical role. Parliament House security needs to be capable of anticipating, preventing and dealing with potential terrorist action and the balance between prevention and response must shift radically in favour of the former.

It needs to do this in an environment where public access to the Parliament and to parliamentary representatives is a longstanding and important component of Australian culture.

The governance and management of the Parliament House security function needs to be sufficiently robust to be effective in this new and far more challenging and more dynamic environment. Presently, it is not. To illustrate with but one example of the deficiencies: despite Parliament House being identified as one of Australia’s primary potential terrorist targets, the Protective Security Co-ordination Centre has not yet

² See Attachment for a list of major security incidents.

been requested to provide a detailed security risk/threat assessment in the aftermath of September 11³.

2.2 Governance and Management Arrangements

2.2.1 Prime Responsibility for Security in Parliament House

The President of the Senate and the Speaker of the House of Representatives are jointly responsible for the security of the parliamentary precincts as a whole⁴.

In respect of the Ministerial Wing, the Presiding Officers' powers and functions are subject to any limitations and conditions agreed between the Presiding Officers and the relevant Minister⁵.

Under an Agreement dated 24 November 1988, the then Minister for Administrative Services and the Presiding Officers agreed to conditions for the control and management of the Ministerial Wing of Parliament House. The Agreement provides that security arrangements in the Ministerial Wing shall be consistent with those determined by the Presiding Officers to apply to Parliament House and the parliamentary precincts as a whole. By agreement with the Presiding Officers, any policy relating to additional security requirements for the Ministerial Wing may be determined by the Special Minister of State, acting on the advice of officers from the Department of Finance and Administration, and shall be implemented by the Australian Protective Service.

The Usher of the Black Rod, working to the President of the Senate, is responsible for the security of that part of the precincts occupied by the Senate. The Serjeant-at-Arms, working to the Speaker of the House of Representatives, is responsible for the security of that part of the precincts occupied by the House of Representatives. The Security Controller, who is responsible for the overall coordination of security arrangements within the precincts in consultation with the Usher of the Black Rod and the Serjeant-at-Arms, has specific responsibility for security in the common and public areas of the precincts (including exterior to Parliament House)⁶.

Given this responsibility, the budget funding for protective security of Parliament House is shared equally between the Department of the Senate and the Department of the House of Representatives.

Following the Presiding Officers' consideration of the findings of a Security Review initiated in May 2000 and dated 18 September 2001, the Presiding Officers agreed to the establishment of a Security Management Board.

³ The PSCC has provided several threat assessments for Parliament House since September 11, the most recent on 5 June 2002. However, these provide only a very general assessment of the overall level of threat – see a summary of this assessment in the initial paragraph under Introduction above.

⁴ Under sub-section 6 (1) of the *Parliamentary Precincts Act 1988*, the parliamentary precincts are prescribed as being under the control and management of the Presiding Officers. Thus, the prime responsibility for security in Parliament House resides with the Presiding Officers.

⁵ *Parliamentary Precincts Act 1988*, sub-section 6(3).

⁶ Parliamentary Security Procedures Manual, Section 1.5

The Board was established in March 2002 and has met three times (the most recent meeting was on 12 June 2002). The Board consists of the Secretary, Joint House Department as Chair, together with the Usher of the Black Rod (representing the Department of the Senate), Serjeant-at-Arms (representing the Department of the House of Representatives) and the Parliamentary Security Controller. The Branch Manager, Service Centre, Ministerial and Parliamentary Services represents the Special Minister of State on Ministerial Wing Security Policy. The Terms of Reference for the Board are:

- Provide advice on policies, practices and procedures on all matters affecting security, theft and emergencies within Parliament House and its precincts. As appropriate, refer these matters to the Presiding Officers for endorsement.
- Seek consensus and effect coordination within Parliament House on issues affecting security, theft and emergencies.
- Develop a five-year strategic plan to address parliamentary security issues.
- Seek endorsement of the plan by the Presiding Officers and if supported, initiate negotiations concerning the funding.
- Develop an annual action plan from the strategic plan and work cooperatively to achieve the plan.
- Report on the strategic plan and annual plan on an annual basis to the Presiding Officers.

2.2.2 Implementing the Security Arrangements

Operational control of security matters in Parliament House is vested in the Usher of the Black Rod, Serjeant-at-Arms and Security Controller.⁷

Since 1992, by agreement between the Presiding Officers and the Australian Federal Police (AFP), a senior AFP officer has been seconded as Security Controller. The Security Controller⁸ is responsible to the Presiding Officers for⁹:

- The provision of protective security and emergency advice;
- Implementation of policy determined by the Presiding Officers; and
- Co-ordination of security arrangements throughout the parliamentary precincts.

Operational security services to the parliamentary precincts are provided by the Australian Protective Service (APS)¹⁰ and the Parliamentary Security Service (PSS).

The APS provides security services to the Ministerial Wing and the external precincts of Parliament House¹¹ under contract to the two Chamber Departments. The contract provides for service hours to be delivered at a specified cost per hour and includes key performance indicators.

⁷*Ibid*

⁸ The Security Controller is located within the Department of the House of Representatives as a consequence of the sharing of security functions between the Chamber Departments.

⁹ Parliament House Security Policy Manual, Section 1.6

¹⁰ The use of the APS staff within the parliamentary precincts is the result of a Cabinet Decision.

¹¹ The services to be provided by the APS are embodied in an Agreement dated 24 November 1988 between the then Minister for Administrative Services who administered the *Australian Protective Service Act 1987* and the then Presiding Officers.

APS staff have the power of arrest and may carry arms outside the building. (There is a general prohibition on arms within Parliament House that is varied in very few instances¹².)

The major functions of PSS staff are¹³:

- The operation of electronic security screening equipment at entrances to Parliament House;
- The physical checking of visitors; general corridor surveillance; staffing the Parliamentary Security Operations Room; and
- Maintenance of order in the public galleries.

The PSS staff are employees of either the Department of the Senate or the House of Representatives and paid by the respective departments.

PSS officers are not empowered to demand private information or take statements from an individual. Should a person choose not to volunteer the information, PSS officers are required to submit comprehensive reports to their supervisor in relation to an alleged breach of security¹⁴.

The Security Controller manages day-to-day security operations (in close consultation with the Usher of the Black Rod and the Serjeant-at-Arms). He oversees the PSS and APS, manages the APS contract and is involved with the recruitment and training of PSS staff¹⁵.

During sitting periods the PSS staff engaged in the respective Chambers operate under direct supervision of the Usher of the Black Rod or the Serjeant-at Arms.

The AFP provides an immediate response capability in the event of¹⁶:

- A terrorist attack within the parliamentary precincts; or
- Major and bomb incidents at Parliament House¹⁷.

In the event of an emergency requiring the participation of other government agencies, the Security Controller co-ordinates security arrangements within the parliamentary precincts until the arrival of the relevant emergency services, when the appropriate officer will assume command¹⁸.

¹² For example, the APS may carry arms inside the House as a first line of resistance against an armed intruder.

¹³ Parliament House Security Policy Manual, Section 3.4

¹⁴ Ibid

¹⁵ The Security Controller has two Deputy Security Controllers (DSCs) to assist him in his role. At the time of the review neither of the positions was filled, but the functions were being provided by the senior APS officer in Parliament House (who is responsible for the service provision by the APS). Among other things the DSC is responsible for the manning of rosters for both the APS (approximately 65) and PSS (approximately 140) staff.

¹⁶ In practice, the AFP provides a response at the request of the Security Controller.

¹⁷ Parliament House Security Policy Manual, Section 3.6,

¹⁸ Parliament House Security Policy Manual, Section 3.1.

2.2.3 Policy and Procedures Manuals, plans and other arrangements

The protective security arrangements for Parliament House and the functions of the officers and organisations responsible for the maintenance of security in the parliamentary precincts are described in the Parliament House Security Policy Manual, issued by the Presiding Officers on 16 August 1994.

A Parliamentary Security Procedures Manual, issued by the Usher of the Black Rod, the Serjeant-at-Arms and the Security Controller on 18 January 1995, provides general guidance on the performance of security duties within Parliament House.

Several specific security plans are mentioned in the Security Procedures Manual:

- The Parliament House Precautionary Security Plan (clause 2.6);
- The Parliament House Anti-Terrorist Plan (clause 2.11); and
- The Parliament House Major Incident Plan.

The Parliament House Precautionary Security, the Parliament House Anti-Terrorist and the Parliament House Major Incident Plans do not exist. There is a National Anti-Terrorist Plan prepared by the Special Advisory Committee on Protection Against Violence (SACPAV – of which the Security Controller is a member) of the PSCC and the AFP has a Major Incident Response Plan. Copies of both documents are held in the Office of the Security Controller.

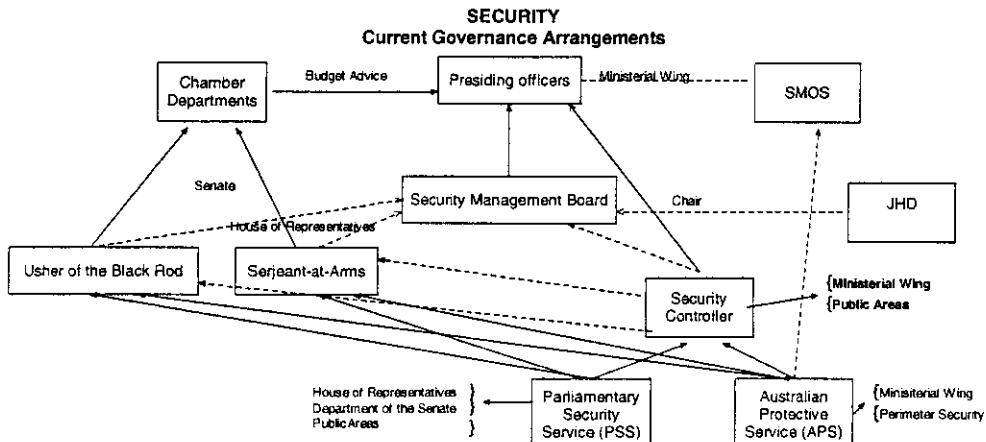
There is a Memorandum of Understanding dated 1988 between the Presiding Officers and the AFP that provides for the AFP to respond to major incidents or upon the request of the Security Controller at Parliament House.

The Parliament House Fire and Emergency Procedures Manual has recently been updated and is currently with the printers. Evacuation exercises are held bi-annually.

2.3 Consideration of the issues

2.3.1 Governance complexity

Apart from the role of the Presiding Officers, current Parliament House security governance arrangements are complex and confounded.



Until recently, the Presiding Officers have had no dedicated source within Parliament House of strategic policy and planning advice on security issues. There is no long-term strategic security plan and there has been little capacity to address strategic security issues.

The Security Controller was not charged with this responsibility - his role was and is the provision of protective security and emergency advice and implementation of policy determined by the Presiding Officers.

There is expert advice available outside Parliament House. The Protective Security Coordination Centre (PSCC) was established in 1976 to ensure that appropriate security arrangements for holders of high office were coordinated between the Commonwealth and States. In 1977, the PSCC was also given responsibility for coordinating counter terrorism planning. One of the roles of the PSCC is to provide high-quality policy advice to Ministers and other clients in the area of protective security, including through expertise in the fields of research, analysis and liaison.

The PSCC provides protective security to dignitaries and routinely provides protective security advice to Ministers on their homes and offices outside Parliament House and may be able to provide assistance and expertise.

There has been no recent detailed security risk/threat assessment of Parliament House. The PSCC has never been commissioned to provide a detailed security risk/threat assessment of Parliament House, nor has it been requested to provide an assessment of Parliament House security operations.

Governance has been strengthened recently with the establishment of the Security Management Board to advise the Presiding Officers on the security function, including development of a five-year strategic plan. However, there must be concern about the Board's strategic policy capacity, given it has no decision-making authority, no budget-management role, no secretariat support and no dedicated management resource to advise on strategic and planning issues or on security arrangements in other parliament houses (or other similar organisations) in Australia or overseas.

There is no consolidated security budget. Expenses related to parliamentary security are met within the (separate) budgets of the two chamber departments. Combined expenditure to date for PSS staff is \$4.3 million, the contract with APS is \$5.5 million and current proposals provide for capital expenditure of \$5.29 million over the next twelve months.

In recent years asset replacement has been on the basis of a five-year plan developed in May 1996 (i.e. the plan is now out of date and has not been updated).

Until recently, the Joint House Department prepared a program of asset replacement together with a cash flow analysis for the ensuing year for the Asset Replacement Committee. The Committee consisted of the Usher of the Black Rod, Serjeant-at-Arms, Security Controller and the Chief Engineer. Following the establishment of the Security Management Board, that Board has assumed this role.

Maintenance of current systems and procurement of new systems is managed by the Joint House Department on behalf of the Chamber Departments.

Plans for new capital investment have had to be made in a financial and strategic vacuum.

Relevant governance material (agreements with Ministers, manuals and plans) has not been kept up to date (although some are currently being revised).

Given this situation, it is difficult to conclude that the governance of the Parliament House security function is sufficiently robust to be effective in the new more challenging environment.

2.3.2 Management complexity

Management of the security function is fragmented. Responsibilities and accountabilities are dispersed and diffuse.

The Security Controller manages day-to-day security operations, but in close consultation with the Usher of the Black Rod and the Serjeant-at-Arms.

Relatively minor security issues (e.g. about the precise details of vehicular access to the Ministerial wing) necessarily involve the Usher of the Black Rod and the Serjeant-at-Arms, who may have very limited direct interest in such matters.

The Security Controller has no strategic planning or budget management responsibility. However, although the Chamber Departments are responsible for staff selection and promotion, the Security Controller's Office is represented in these processes.

The Usher of the Black Rod and the Serjeant-at-Arms are responsible for the security of that part of the precincts occupied by their respective Chambers. However, this responsibility is outside their area of expertise and they do not, in practice, exercise it outside the Chambers except in controlling access to Parliamentarians' offices out of hours.

The APS is engaged under contract to the two Chamber Departments to provide security services to the Ministerial Wing and the external precincts of Parliament. Except in response to specific requests from the Presiding Officers, the APS can be routinely deployed solely in those areas. The PSS provides security services elsewhere in the building. During sitting periods the PSS staff engaged in the Chambers operate under direct supervision of the Usher of the Black Rod and the Sergeant-at Arms.

Such complex and dispersed management responsibilities, together with significant constraints on deployment of resources, must slow and complicate management decision-making.

2.3.3 Security operations

A high-level protective security risk assessment of the operational security arrangements for the parliamentary precincts was commissioned as part of this

Review. The findings in this Report in relation to Security Operations are drawn from that assessment.

2.3.3.1 Historical Role

Part of the security protection plan for the parliamentary precincts involves the unobtrusive utilisation of security measures, coupled with a community access friendly Parliament. This creates some complications in ensuring an impregnable security program. To date, the existing security arrangements have proven to be adequate for the circumstances.

There have been relatively few major security incidents within the parliamentary precincts and existing arrangements have responded adequately to these incidents.

2.3.3.2 Post September 2001 Context

The current base line security arrangements for Parliament House were initially established in 1988, when the new premises commenced operations. Since that time, despite some significant changes to threat levels, only minor changes have been made to the security protection plan.

The September 2001 incident has dramatically changed the security landscape and has established the need to ensure that preventative structures are in place, at all times, to counter the potential threats.

There has been a significant response by the Parliament House security service in relation to the increased threat environment post 11 September. However, no recent Parliament House specific threat assessment has been conducted. The most current report is a *Risk Assessment: conducted by KPMG*, which examined the generic risks for the facility and is over twelve months old.

By way of illustration, some contemporary specific concerns that need to be addressed are:

- The physical design of the parliamentary precinct provides multiple opportunities for the placement of devices in or near the premises and the current security arrangements may not provide adequate means of detecting such devices, for example, there does not appear to be a current means of detecting the plastic explosive Semtex.
- There are concerns about the adequacy of the current arrangements for the issue and administration of passes within the Parliament, including the relatively broad level of access to the building provided by passes.
- There is a short fall of security personnel provided by the Australian Protective Services – the situation needs to be reviewed and rectified immediately.

The next level of response arrangements has not been fully formalised and/or tested. At this point of time, it is important to ensure that the escalation capacity will meet potential future demands.

Worldwide security has been escalated to respond to current international events. More recently, the Australian Government has given support to United States military

action against terrorists that could lead to some form of retaliatory action. There is a strong need for the security arrangements in the parliamentary precincts to take a more strategic viewpoint and to pre-empt possible future threats.

2.4 Options

A recent review undertaken for the Joint House Department by Ernst and Young¹⁹ identifies four options for the future operation of the PSS. These options are shown in Table 1.

Each option would retain the Security Management Board and transfer the Security Controller and Deputy Security Controller to Joint House Department, where they would report to the Secretary of the Joint House Department. Each option assumes that the APS security functions in the Ministerial Wing would be reviewed.

¹⁹ Ernst and Young, Review of Parliamentary Security, June 2002

Table 1: Options for the future operation of the PSS identified by Ernst and Young

Option	1	2	3	4
	Status Quo	Centralised Strategic and Asset Management	Purchaser/Provider	Shared Services
Appropriations	Retained by Chamber Departments	Transferred to Joint House Department	Retained by Chamber Departments	Transferred to Joint House Department
PSS Officers	Employed by Chamber Departments	Employed by Chamber Departments	Transferred to Joint House Department	Transferred to Joint House Department
Other issues		<p>Chamber Departments</p> <p>Department responsible for security operations</p> <p>Joint House Department funds and manages all security assets</p> <p>Joint House Department purchases security services from Chamber Departments under a Memorandum of understanding</p>	<p>Joint House Department responsible for all security operations</p> <p>Chamber Departments purchase security services from Joint House Department under a Memorandum of understanding</p>	<p>Joint House Department responsible for all security operations</p>

Ernst and Young's option 2 seems to confuse and fragment governance and management arrangements even more than at present. For this reason, this option is not included in the analysis below.

Three options similar to Ernst and Young's options 1, 3 and 4 do seem worthy of consideration. In the broad, these options entail:

- (a) Strengthening the current governance and management arrangements; or

- (b) Creating a central security organisation providing security services:
 - (i) As a core Departmental function; or
 - (ii) On a purchaser/provider model.

2.4.1 Option (a): Strengthening the current governance and management arrangements

A major lack in the current governance arrangements is any dedicated strategic planning and policy capacity. In this regard, the Security Management Board could be provided with some form of secretariat to furnish it with strategic advice. However, an additional secretariat, particularly if it were separate from the security operation, could tend to fragment governance and management arrangements even more than at present.

There is the capacity to streamline the current management arrangements, for example by:

- Clarifying that the operational responsibilities of the Usher of the Black Rod and the Serjeant-at Arms primarily relate to the operations of the Chambers;
- Formulating an explicit multi-year security budget to provide a planning basis for capital and operational proposals; and
- Enhancing the authority of the Security Controller to manage the day-to-day security operations, e.g. by giving him more responsibility for management of personnel and of the security budget.

However, the maintenance of the current management arrangements does not appear compatible with the creation of a more coherent security organisation with governance and management arrangements more in line with the norm. In the contemporary context, this model would struggle to meet the needs of Parliament House as a primary potential terrorist target.

2.4.2 Option (b): Some form of central security organisation

Creation of a central security organisation could simplify lines of responsibility and accountability and facilitate action to address some of the shortcomings of the current arrangements.

A central security organisation could include a capacity to provide strategic policy and planning and secretariat support for the Security Management Board. This would facilitate development of a consolidated security budget and help to provide a strategic context for new capital investment plans. The creation of a single central body responsible for strategic and policy issues would increase the focus on relevant governance material (agreements with Ministers, manuals and plans) and establish a clear responsibility for keeping the material up to date.

At the same time, decisions on operational issues could be streamlined by enabling them to be made by operational staff against strategic guidelines provided by the Board and senior management.

If a centralised security organisation were established, the options for its location would seem to be:

- A separate organisation;

- The Department of the Parliamentary Reporting Staff; or
- Joint House Department.

In this regard, a separate organisation seems to have no obvious advantages. It would potentially increase overheads and would provide no prospects of synergies with a parent organisation.

Location within an existing parliamentary department would enable access to senior management resources to provide the necessary strategic oversight. The Department of the Parliamentary Reporting Staff does have responsibility for Information and Communications Technology (ICT) security. However, there would seem to be more substantial synergies from co-locating security and building operations. This would suggest location of any centralised security operation within Joint House Department.

Any more centralised security model that is adopted would need to be consistent with:

- The Presiding Officers' responsibility for security in the parliamentary precincts; and
- The Usher of the Black Rod's and Serjeant-at-Arms' responsibility for security within the chambers.

Provision of security operations either as a core Departmental function or on a purchaser/provider model could be consistent with these responsibilities.

2.4.2.1 Option (b) (i): Providing security services as a core Joint House Department function

Joint House Department is responsible to the Presiding Officers for all of its operations. Thus, Joint House Department providing security services as a core Departmental function would seem to be consistent with the Presiding Officers' responsibility for security in the parliamentary precinct.

However, the Security Management Board, which seems to provide a valuable forum to bring the various parliamentary perspectives to oversight of parliamentary security, would not seem to sit well within the governance arrangements for a Departmental function. A Board with decision-making powers would seem to erode the authority and responsibility of the Departmental Secretary. On the other hand, an advisory Board would seem to add another layer of bureaucracy and complexity without necessarily improving governance.

In any event, the Senate and House of Representatives may well be sensitive to any loss of authority of the Chamber Departments in relation to the security function.

2.4.2.2 Option (b) (ii): Providing security services on a purchaser/provider model

A centralised security organisation located in Joint House Department, overseen by a Board strengthened with external membership, could provide services on a purchaser/provider basis to the Presiding Officers. This is likely to initially lead to an increase in costs in establishing the purchaser/provider framework.

The President of the Senate and the Speaker of the House of Representatives would continue to be jointly responsible for the security of the parliamentary precincts as a whole²⁰.

The Board would be responsible to the Presiding Officers for planning, strategic and policy issues and could include the Secretary, Joint House Department²¹, the Usher of the Black Rod and the Serjeant-at-Arms as well as additional external people with very senior financial, management and security expertise. Thus, the Board would have the range of responsibilities normally associated with a corporate board.

A partnership arrangement in the form of a Memorandum of Understanding (MoU) would be negotiated between the Chamber Departments and the Board and signed off by the Presiding Officers. The Chamber Departments would continue to hold the security budget and would advise the Presiding Officers on matters related to the purchaser/provider arrangement (e.g. contents of an MoU, including performance standards and price).

The security organisation would include the contracted APS officers and employ all PSS officers, be responsible for all operational security and for providing planning, strategic and policy advice to the Board; and the Usher of the Black Rod and the Serjeant-at-Arms would continue to be responsible for security within the Chambers (provided by security officers from the security organisation).

The division of responsibilities between the Board and management of the security organisation would be based on the normal corporate model, with management responsible for day-to-day security operations. Thus, although the Security Controller would not be a member of the Board, the Controller could continue to perform the current range of functions, including providing expert security advice to the Board and assuming operational control in the event of a security emergency.

The Chamber Departments would:

- Advise the Presiding Officers on matters relating to the purchaser/provider relationship from the purchaser's perspective;
- Contribute to security strategy and policy through Board membership; and
- Continue to be responsible for security within the Chambers.

The option is pragmatic rather than a pure purchaser/provider arrangement. It does not entail competition at this level, and it assumes cooperation by having the 'purchasers' represented on the Board of the providers, and allowing the Board the major role in advising on strategic security policy.

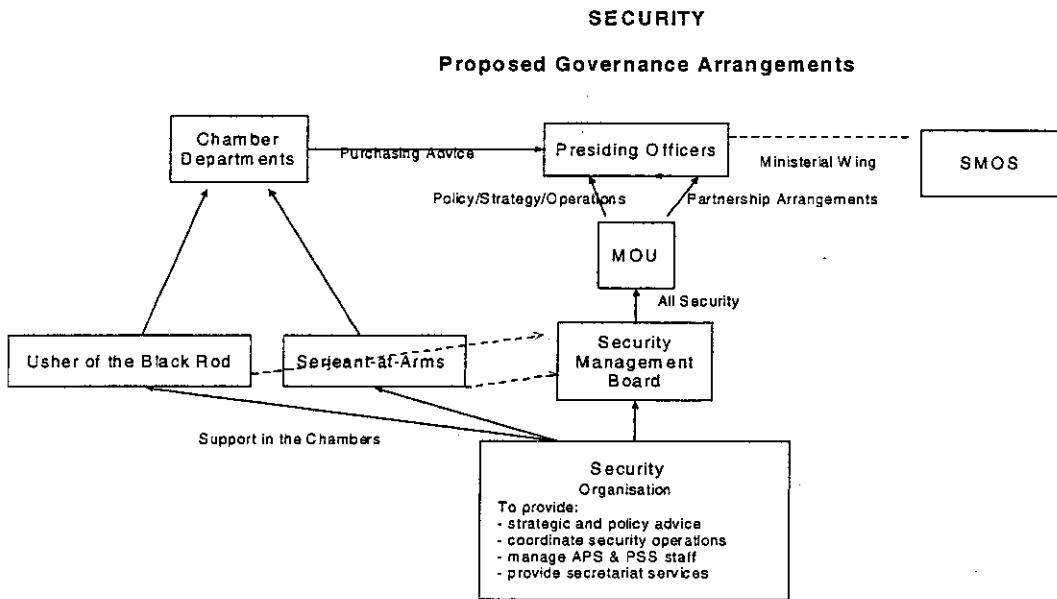
It would, however, rationalise and strengthen governance, planning and management arrangements, while maintaining existing responsibilities.

²⁰ In respect of the Ministerial Wing, the Presiding Officers' powers and functions would continue to be subject to any limitations and conditions agreed between the Presiding Officers and the relevant Minister.

²¹ If the three service-provision departments were amalgamated, the Secretary of that department or his or her nominee could become the Board member.

2.5 Recommendation

Recommendation 1: A centralised security organisation be created in the Joint House Department or in an amalgamated service-provision department.



The centralised security organisation, under the guidance of the Board, would be well placed to address such issues as:

- Commissioning a detailed security threat assessment of Parliament House and an assessment of the adequacy of Parliament House security operations;
- Developing a five-year strategic security plan, a consolidated security budget and a five-year capital program; and
- Reviewing the optimal deployment of APS and PSS officers within the parliamentary precincts.

This recommendation could be put into effect by the Presiding Officers agreeing the recommendation, appointing the Board and charging the Board with development of the proposed Memorandum of Understanding (MOU). The MOU would cover the arrangements proposed in this Report. Implementation of the arrangements would be the responsibility of the Board and the management of the security organisation.

3 ***Management and corporate functions***

3.1 **Background**

The review commissioned PricewaterhouseCoopers (PwC) to undertake a high-level benchmarking assessment of management and corporate functions within the parliamentary departments.

The PwC assessment said that there are currently 148 full-time equivalent employees (FTEs), with a salary cost of \$10 million, providing management and corporate functions to 1,367 employees²² across the five parliamentary departments. Of these 148 FTE's, 41 are in finance, 48 in human resources (1 working exclusively on Senators and Members matters), 33 in Office Services (excluding Chamber services) and 26 in Information Technology.

Table 1: Resources devoted to management and corporate functions within the parliamentary departments

Department	Finance (FTE)	Human resources (FTE)	Office services (FTE)	Information Technology (FTE)	Total (FTE)
Senate	7.0	10.0	8.6	5.0	31
House of Representatives	7.0	8.4	6.3	7.7	29
Joint House	13.3	12.1	9.8	6.6	42
DPRS and DPL	13.4	17.7	8.6	6.6	46
Total	41	48²³	33	26	148

3.2 **Outsourcing**

Early consultations revealed general acceptance that management and corporate functions within the parliamentary departments could be performed more cost-effectively.

One option to improve the cost-effectiveness of the functions would be to outsource management and corporate activities, which the parliamentary departments could do jointly or independently.

However, our judgment was that the parliamentary departments themselves should first seek to improve the cost-effectiveness of their management and corporate functions and consider outsourcing only once this had been done. This would reduce the risk associated with outsourcing; and we would otherwise be concerned that the

²² Excluding Senators and Members and their staff.

²³ This includes 1 FTE working exclusively on Senators & Members HR.

outsourcer(s) would capture the predominant benefit of any improvements in cost-effectiveness.

Thus, the review focused on potential improvements to the cost-effectiveness of management and corporate functions whilst retaining these functions within the parliamentary framework, at least in the first instance.

3.3 PricewaterhouseCoopers assessment

PwC Consulting were engaged to conduct an assessment of the management and corporate functions across the Parliamentary Departments and make recommendations on:

- The potential for the management and corporate functions, within the Parliamentary Departments, to be managed in a more cost effective manner, within current structures;
- The extent to which additional economies may be available within some form of shared-services centre; and
- Whether, and to what extent, further benefits might subsequently be available from standardisation of systems and/or processes within any shared services centre.

PwC assessed parliamentary departments' current performance of management and corporate functions against high level benchmarks and, where available, more detailed process benchmarks. Where benchmarks were not available, PwC used its experience in analysing corporate services performance in other organisations (in both the public and private sectors) to assess the activities that were identified during analysis.

Based on these benchmark comparisons and activity analysis, PwC concluded that that there was significant potential for realising savings across all the corporate services functions undertaken by the five parliamentary departments, by moving to a different model of service delivery.

PwC estimated the potential savings could amount to as much as 30 per cent of current management and corporate resources.

Case Study No. 1: Canadian State Government of Ontario

A few years ago, the Canadian State Government of Ontario created a shared-services bureau to provide administrative services to 18 ministries and three central agencies.

The scope of shared service bureau services in the first phase includes:

- Finance: purchasing; accounts payable; general ledger processing; standard management reporting; past due account collections
- Administration: archives; document storage and retrieval
- Human resources: payroll; employee benefits; employee training; employee health and safety.

With the implementation underway:

- Cost savings of approximately US\$300 million have been achieved;
- Benefits from purchasing synergies are expected to average US\$10 million a year; and
- Duplication in management structures has been removed.

However, the total potential savings was based on the implementation of four key initiatives:

- A shared-services model;
- A high degree of standard processes and procedures across departments;
- Common corporate systems (i.e. financial management information system and human resources management system); and
- E-commerce functionality is utilised of systems such as workflow and employee self-service (ESS).

PwC said that individual departments could move towards better practice and further savings could be realised within the current organisational structures. However, they said that, in their experience, this level of savings would not be significant compared to the total savings that could be realised if the departments were to move to a shared-services centre.

A shared-services centre would enable the realisation of economies of scale; and, once within the shared-services centre, further savings could be realised through the standardisation of systems and processes.

PwC said that, in their experience:

- Only 10% of total savings are likely to be realised through process improvement and simplification within current organisational structures;
- A further 60% may be achievable from additional economies of scale available within a shared-services centre; and
- A further 30% by from standardisation of systems and/or processes that would subsequently be possible within the shared-services centre.

Case Study No. 2: The Australian Public Service Commission

The Commission sources a range of its corporate services from external providers. It sources its information and communication technology infrastructure and support from Iplex ITG, under a contract with six other unrelated agencies.

The Commission has been in this relationship with Iplex for 2.5 years. There were some teething problems during the initial twelve-month period and at that time staff reported a decline in their level of satisfaction with the services they received. There have been some contract management issues and occasional minor service delivery issues to be managed. However, annual staff surveys indicate increased levels of satisfaction. The Commission now has a much better developed understanding of the levels of service that it requires.

The Commission is now pursuing a policy of bringing most systems into the scope of the contract, potentially including sensitive databases containing the personnel records all APS employees and senior executives. This approach will provide the advantages of a common source of support for most Commission systems and the development of a partnership approach through which the service provider develops a comprehensive understanding of our business needs.

The Commission has been able to access a deeper and broader range of expertise through its relationship with Iplex than would have been the case through an in-house arrangement. The Commission has also benefited from partnering in this approach with a number of other agencies.

The Commission receives its HR services from Relcorp Management Services through a shared arrangement with the Department of the Prime Minister and Cabinet, the Ombudsman and the Office of National Assessments whereby each agency receives services consistent with the terms of its certified agreement. This approach achieves economies of scale not available to these agencies individually.

PwC said that it was important to recognise that their analysis did not take account of costs involved in implementing a shared-services centre. These would include redundancy/redeployment, retraining and capability development, consultancy costs, internal implementation costs, technology enablement, facilities and fit-out.

The PwC assessment had another important inherent limitation. PwC were not asked to take account of the unique circumstances of the parliamentary departments (and could not have done so in the time available). Thus, the PwC assessment did not consider any service quality differentials between the parliamentary departments and the implicit benchmark partners.

Nevertheless, the report tells us two things:

- First, it says that finance, HR, office services and some Information and Communications Technology (ICT) functions could be performed more cost-effectively; and

- Secondly, it says that some form of shared-services arrangement is necessary to reap most of any potential benefit.

The review investigated these propositions in consultation with the parliamentary departments.

3.4 Finance, HR, office services

3.4.1 Introduction

Officers of parliamentary departments were very critical of aspects of the PwC assessment. Nevertheless, there was broad agreement that finance, HR and office services functions could be performed more cost effectively in the Parliamentary departments.

In those circumstances, there seemed little point in continuing to analyse in great depth the precise potential for improvement. It seemed more productive to agree that there is capacity for improvement and to begin working on solutions.

Critical issues are:

- The extent to which management and corporate functions could be managed more cost-effectively within current organisational structures;
- Alternative options for managing more cost-effectively and the costs (including transitional costs) and benefits of doing so; and
- The extent to which any promising options can be structured to meet the needs of the Parliament and the parliamentary departments.

3.4.2 The extent to which finance, HR and office services functions could be managed more cost-effectively within current organisational structures

One option would be to seek to improve the cost-effectiveness of finance, HR, and office services functions within each parliamentary department by, e.g., re-engineering each separate corporate and management operation. This could also entail such things as enhancing standardisation of systems and software across the departments.

It is not obvious that the potential for improved cost effectiveness from this approach is significant. The PwC assessment does identify a number of potential improvements in cost effectiveness, but there is no agreement that all these suggestions would be productive.

In any event, the PwC proposals for productivity improvements within current departmental structures address relatively lesser issues – there is no suggestion that they offer the prospect of fundamental improvement in cost effectiveness.

The basic problem seems to be lack of scale economies in transactional processing within four separate small management and corporate operations. There is no suggestion that there are significant deficiencies in the management or staff of the management and corporate functions within parliamentary departments or that there

has been a lack of attention to productivity improvement within the existing operations.

Rather, PwC's advice is that only 10 per cent of the potential improvement could be delivered within current organisational structures and that a move to some form of shared-services arrangement is necessary if significant improvements are to be made.

We share the judgment that organisational change is needed to deliver the bulk of potential improvement.

3.4.3 Alternative options for managing more cost-effectively

Any options to improve the cost-effectiveness of management and corporate functions would seem to need to address the issue of economies of scale.

This would imply that realistic options would entail some form of shared-services arrangement - whereby common management and corporate activities that would otherwise be performed in various different management and corporate areas would be concentrated in one area.

Common management and corporate activities can be characterised as:

- Strategic, typically related to the setting of the overall organisational direction and management, intrinsically linked with governance/accountability and performance management frameworks;
- Tactical, typically involve either the provision of advice, tailored to the unique circumstances of an organisation and/or higher-level analytical/interpretative activities that require deep knowledge of the organisation. As such these activities need to be delivered by staff that possess a significant level of specific knowledge and/ or specialist professional skills; and
- Operational, such as the processing of accounts payable transactions, typically do not require either organisation specific knowledge (over and above that which can be built in to the configuration of the enabling business application) or specialist skills.

Those management and corporate functions with the greatest potential for inclusion in a shared-services arrangement are likely to be operational activities that are common to most departments' management and corporate areas, heavily transaction based; and where there are economies of scale that have not been able to be realised.

The shared-services approach could collect together some of the non-strategic support processes and activities that every organisation needs to do, such as accounts payable or payroll. Such processes are necessary and doing them well helps to support the corporate strategy of the organisation. However, they are not integral to the strategic management of the organisation and do not require detailed organisation-specific knowledge or skills and they are activities in which there can be significant economy of scale.

Leading candidates for a shared-services arrangement include:

- Purchasing, accounts payable and receivables;
- General accounting;

- Human resources processing; and
- Office services.

Policy matters would remain the responsibility of each department.

Leading candidates for a shared-services centre

Purchasing, accounts payable and receivables

- Payment of accounts
- Payment of credit card accounts
- Invoicing debtors, issue of purchase orders, receipting
- Payment of travel allowance
- Issue of receipts

General accounting

- Data entry
- Reconciliation
- Production of standard and general financial reports
- Preparation of BAS/FBT statements
- Administration of FMIS including database management
- Archival of financial reports

Human resources

- Advice on recruitment processes
- Processing of recruitment (facilitation of engagements, transfers, promotions, removals, security clearances, mailing out of selection material and advice to successful and unsuccessful applicants)
- Processing of probation reports
- Payroll processing (processing of commencements, variations to pay, separations)
- Superannuation administration including ComSuper reporting
- Leave processing
- Personnel records (file maintenance and establishment maintenance)
- HRMIS administration (maintain system, server, database management and interface with FMIS)
- Archival of HR reports
- Rehabilitation and case management support for ill and injured employees including compensation processing)
- EAP
- Organisation of general training (non-department specific)
- Workplace advice, work stations, office layout
- Production of standard HR reports

Office services

- Records management system – database management and support
- Couriers

- Stores receipt and management of stores including receipt, tagging and distribution
- Minor repairs and maintenance
- Telephone directory
- Travel administration

Theoretically, there are a number of ways in which shared-services arrangements could be constructed:

- Two or more shared-services organisations, each providing the full range of transactional processing services to a group of departments (thus, e.g., one shared-services organisation could provide services to the chamber departments, another to the other departments);
- Several organisations, each specialising in particular transactional processing activities (e.g. one of these smaller shared-services organisations might handle all finance activities); and
- A single shared-services organisation.

However, the parliamentary departments would seem to be far too small to enable economies of scale to be realised under the first option.

It would be possible to establish separate specialist transactional processing operations (e.g. undertaking finance activities, HR activities and office services respectively). None would be big enough to set up as a separate organisation, but they could be established as centres of excellence in different departments (but providing services to all departments).

However, our judgment is that this approach would make it difficult to build the service culture and reap the synergies that would be available in a single shared-services organisation (i.e. a shared-services centre).

The establishment of a single shared-services centre has several potential benefits, including:

- Long-term cost savings due to economies of scale and standardisation of business systems;
- Improved focus on core business in departments as key internal resources are redirected to areas of strategic focus;
- Enhanced service culture within the organisation; and
- Better career prospects within a transactional-processing organisation (albeit at the cost of reduced prospects for broader experience).

The creation of a shared-services centre would involve implementation costs such as redundancy/redeployment, retraining and capability development, consultancy costs, internal implementation costs, facilities and fit-out; and subsequent costs associated with the re-engineering and standardisation of processes, consolidation of workloads, rationalisation of ICT systems and implementation of new technology.

Given these necessary transitional activities, there should not be any illusions that any savings would be reaped within the first twelve months.

3.4.4 Structuring an option to meet the needs of the parliamentary departments.

Case Study No. 3: Shared-services centre in DPRS providing financial and personnel processing to DPL.

At the time a shared-services centre was created, DPL had 17 people undertaking financial and personnel-processing functions. Nine DPL staff moved to DPRS and DPL made savings of eight people (two in Human Resources, two in Finance, three in associated Office Services and one other).

The three positions saved in office services provided a range of basic support services such as managing assets and stores, setting up computers, moving furniture, setting up conference rooms, photocopying and delivery. These tasks are now performed partially by DPRS, partially by contracted external resources, when required, and partially by line areas (at some resource cost to the staff now doing some residual of the tasks in conjunction with their previous work).

When the shared-services centre commenced (1 July 2001), the nine DPL staff moved to DPRS in West Block but continued to perform DPL processing work. However, within twelve months, substantial integration of the processing staff within DPRS has occurred and there have been further savings (in DPRS) of approximately 4 staff (3 in HR and 1 in Finance).

There were some initial teething problems and there is still some resistance to change by individual staff and this has required higher use of management resources. In addition, there are still questions about whether staffing in the DPRS group is optimal. Nevertheless, with goodwill being demonstrated by staff in both departments, the shared-services centre is now working appropriately.

A shared-services centre would normally be set up to run as a customer-focused business, recovering costs; and required to establish itself as a low-cost provider of services.

Performance standards for the shared-services centre would generally be specified in a service level agreement. The standards are likely to include the turnaround time and service quality for the particular process, the unit cost of transactions and the process for resolving conflicts between the customers and the shared-services centre.

Service level agreements (SLAs) would need to be developed and maintained between the shared-services centre and each of the parliamentary departments (to ensure that each department could specify its own service standards and that service standards did not decline). These SLAs would determine and manage the relationship

between the provider of services (the shared-services centre) and the purchaser (parliamentary departments). Thus they would address matters such as issue resolution, communication protocols and so on. They would also specify the cost, quantity, quality for all the services provided by the shared services centre to its customers, become the basis of the business plan for the shared-services centre; and enable the performance of the shared-services centre to be measured, so that it could be held accountable for the level of service that it delivered to the customers.

Possible components of a Service Level Agreement

- Specification of services to be provided.
- Hours of operation.
- Performance standards (e.g. time in which activities will be completed, quality standards).
- Reporting framework, including timeliness of reports.
- Agreed processes for problem resolution.
- Penalties for under-performance.
- Costs.

In principle, a shared-services organisation could be established within a parliamentary department or as a stand-alone organisation. However, our legal advice suggests that there would be severe practical difficulties in establishing a stand-alone organisation outside the parliamentary departments.

If a shared-services centre were to be established within one of the current parliamentary departments, the obvious candidate would be DPRS, which provides a range of ICT services to parliamentary departments; and already provides transactional processing services to the DPL.

In order to implement a shared-services centre with minimum disruption, we would propose that the Presiding Officers take an in-principle decision to move to a shared-services arrangement with:

- Strategic finance, HR and office services functions left in departments and transactional processing functions moved to a shared-services centre;
- Departments continuing to hold the budget for transactional processing services; and
- Purchaser/provider agreements to be established between each department and the shared-services centre entailing a Memorandum of Understanding, including a Service Level Agreement covering performance standards and prices.

The purchaser/provider agreements should include incentives for both the purchaser and provider to encourage realisation of cost efficiencies and enhanced service provision.

Some practical issues would need to be addressed. The precise transactional processing activities to be moved to a shared-services centre would need to be determined having regard to the particular requirements of the parliamentary

departments. Further, in small parliamentary departments, many people would be undertaking a mix of operational and tactical activities – these responsibilities would need to be rationalised to permit separation of the transactional processing activities.

The shared-services arrangement could then be implemented as follows:

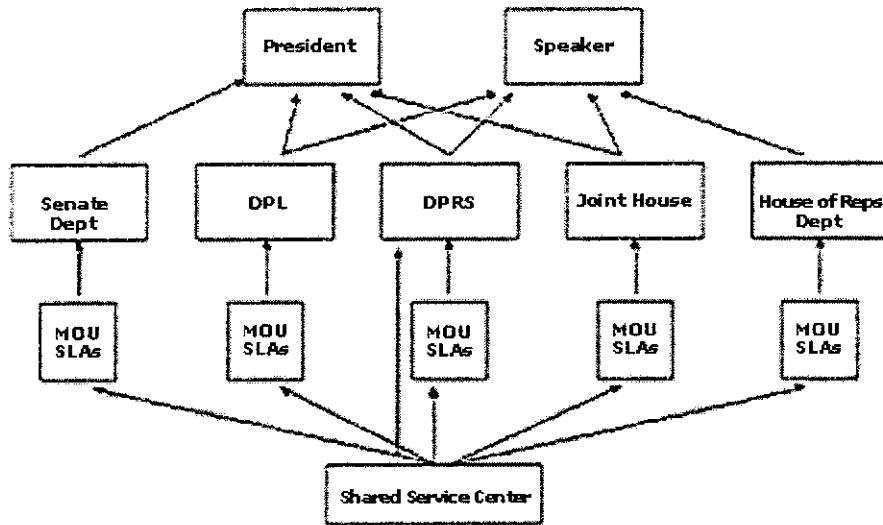
- A person could be appointed to lead an implementation team;
- A shared-services centre could be established, comprising people undertaking transactional processing activities within parliamentary departments;
- These people would not initially need to be physically moved, although their reporting arrangements could change so that they reported to managers within the shared-services organisation;
- The new organisation could be given six months to produce a business plan and put in place service-level agreements with the parliamentary departments. These would be designed to achieve substantial productivity improvements over, say, a three-year period; and
- Further time, possibly as much as another couple of months, could be allowed to implement any new organisational structure.

We would propose that the shared-services centre would be a normal departmental operation, i.e. we would not be proposing the establishment of any additional board to oversee its activities. Thus, the activities of the shared-services centre would be subject to the normal governance arrangements of parliamentary departments, with its day-to-day activities governed primarily by the Service Level Agreements with its customer departments.

Established consultative forums under the auspices of SMCG (including SMCG itself) could be utilised by management of the shared-services centre to consult customer departments jointly on any relevant matters and by parliamentary departments to raise any issues of mutual interest.

We would suggest that departments be required to use the shared-services organisation for three years, after which they would be able to bring the function back in house or seek an alternative supplier.

Shared-Services Centre: Proposed Governance Arrangements



3.4.5 The benefits and costs of implementing a shared-services centre for finance, HR and office services

3.4.5.1 Introduction

We have not had the time or resources to fully cost and analyse the proposal to implement a shared-services centre for finance, HR and office services. However, it is possible to identify and quantify the major costs and benefits and make a judgment about the likely net benefits of the proposal.

3.4.5.2 Benefits

The PricewaterhouseCoopers (PwC) assessment suggests that around 38 staff could be saved by moving to a shared environment for the provision of finance, HR and office services.

PwC suggest that around 70 per cent of these savings may be achievable from economies of scale available within a shared-services centre, with the remaining 30 per cent depending on the standardisation of systems and/or processes that would subsequently be possible within the shared-services centre.

When allowance is made for any service quality differentials between the parliamentary departments and the implicit benchmark partners (which, in the area of transactional-processing services, one would expect to be small) and for the impact of the different certified agreements in different departments, our judgment is that about half of PwC's estimated savings might be realisable within the first few years.

Given PricewaterhouseCoopers said that there are currently 148 full-time equivalent employees (FTEs), with a salary cost of \$10 million, providing management and corporate functions across the five parliamentary departments, this would imply potential salary savings of around \$1.5 million a year once a shared-services centre was fully phased in.

3.4.5.3 Costs

The PricewaterhouseCoopers assessment highlights some key costs involved in implementation of a shared-services model. These include:

- The cost of staff deployed to an implementation team;
- Consultancy costs;
- Redundancy/redeployment costs;
- Facilities and fitout and
- The costs of staff development and training.

An implementation team would need to be put in place prior to the establishment of a shared-services centre. This could entail around three people full-time for around six months, with additional part-time involvement of managers in each parliamentary department – say, a total cost of around \$150,000.

Most organisations use external consultants to assist the implementation project team. This role usually involves strategic assistance and should cost no more than \$50,000.

We presume that there would be no involuntary redundancy in implementation of a shared-services centre in the parliamentary departments, although there may be some people who would find it difficult to fit into any new arrangement and who would find voluntary redundancy an attractive option. However, presuming that any staff reductions would be handled primarily by natural attrition, it would not seem likely that voluntary redundancy and redeployment costs would exceed \$500,000 (particularly after allowing for the fact that any voluntary redundancies early in a financial year are unlikely to add significantly to overall costs within that year).

PricewaterhouseCoopers say that, in order to create the service culture and new shared-services centre, many organisations opt for new or reconfigured accommodation in order to accommodate all of the shared services personnel in one place. This can involve significant one-off capital expenditures, which could amount to as much as, say, \$100,000.

A new shared-services centre would face additional costs for staff development and training – in particular, there would be an upfront need to invest in training and reskilling. It would be very difficult to see these costs being in excess of, say, \$100,000.

Thus, it is very difficult to see total costs of implementing a shared-services centre exceeding \$1 million, at least part of which would start to be recouped immediately because of reduced staff numbers.

Of course, as PricewaterhouseCoopers point out, there would also be unquantifiable costs. There is always a cost associated with changing work practices, particularly if

people become concerned about the impact on them of change. Whilst the change can be managed to reduce these costs, there is still potential for increased absenteeism, loss of productivity, increased turnover and loss of talented personnel.

In addition, there would be subsequent costs within a shared-services centre associated with the re-engineering and standardisation of processes, consolidation of workloads, rationalisation of ICT systems and implementation of new technology, although much of these costs could be absorbed within the ongoing operations of the centre.

3.4.5.4 Comparison of the costs and benefits

The above assessment implies that total implementation costs of a shared-services centre in the first year would be less than \$1 million. Even allowing for little improvement in cost-effectiveness within the first year and only gradual improvement within the second, these implementation costs should be fully recouped within the first two years of operation.

3.4.5 Recommendation

Implementation of a shared-services centre would entail modest structural change within the parliamentary departments and deliver modest benefits. It could also be undertaken in a way that, in our judgment, would entail little risk to the quality of services to Senators and Members.

Very few services to Senators and Members would seem to fall within the scope of the shared-services centre. An exception might be the processing of Senators' and Members' pay. In any event, we would suggest 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.

Recommendation 2: One option is that a shared-services centre be established to undertake human resources, finance and office services transactional-processing activities for all parliamentary departments.

Recommendation 2.1: Services to Senators and Members not be transferred to any shared-services centre until the centre is established and operating satisfactorily.

Departments would continue to hold the budget for transactional processing activities and purchase services from the shared-services centre under separate Memoranda of Understanding established between each department and the shared-services centre.

These recommendations are estimated to deliver improvements in cost effectiveness, of \$1.5 million a year within two years.

3.5 Information and communication technology (ICT)

There would seem to be little benefit in fundamental changes to the arrangements for provision of ICT services.

As a shared-services provider DPRS is responsible for:

- The central infrastructure facilities and central systems for ICT; and
- ICT training and support and advice on ICT systems development.

Parliamentary departments are responsible for:

- Departmental ICT strategy;
- Departmental ICT systems and support; and
- Support of ICT products required to meet specialist departmental needs.

This seems to be a sensible division of responsibilities. For example, each department has several departmental-specific systems, which are typically managed by people who are departmental experts rather than ICT professionals. There would seem little merit in moving these resources into DPRS.

However, there are some changes that could be warranted.

Recommendation 3: SMCG assume greater responsibility for coordinating strategic ICT issues, supported by DPRS in consultation with departmental ICT Directors.

In this context, Departmental ICT Directors should provide guidance to the Strategic Products Review Group (SPRG).

Currently, departments maintain support and operations of their own corporate systems. Transfer of these functions into the shared-services centre, together with the associated transactional processing, could provide potential for more cost-effective operations. In addition, departments seeking to enhance ICT technical skills could, where appropriate, contract DPRS ICT professionals as out-posted DPRS staff.

4 Purchasing of common items

Almost all items of common procurement by departments are already purchased under common use contracts, which are typically negotiated by specialist procurement areas in DPRS or JHD. For example:

- DPRS specifies a standard suite of products for use on the Parliamentary ICT network. Departments use contracts that DPRS has negotiated with preferred suppliers to purchase ICT equipment;
- The Accredited Procurement Unit (APU) in JHD has negotiated panels for use by itself as well as other parliamentary departments in purchasing legal; internal audit; employee relations; rehabilitation; and graphic design/printing services.

In addition, the Department of Finance and Administration has entered into arrangements with suppliers for the supply of office machines and equipment to Commonwealth Departments and it is mandatory for Departments to use these arrangements. Stationery is purchased under contract with two local commercial suppliers and the Design Integrity Committee is responsible for ensuring that furniture accords with the original design concept of the Parliament House architects.

There have been several occasions (e.g. travel and banking) where parliamentary departments have united to establish joint purchase arrangements, usually under the auspices of SMCG. However, there is no formal mechanism to facilitate this coordination of procurement of common items.

Given almost all items of common procurement by departments are already purchased under common use contracts and responsibility for purchasing is devolved to departmental staff, it is doubtful whether any significant financial benefit would be gained by centralising the procurement of common items across the five parliamentary departments.

However, there would be value in strengthening coordination arrangements for purchasing.

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.

To assist the SMCG, the Manager of the APU in JHD could provide secretariat support to the SMCG on procurement matters.

5 *Other matters*

5.1 *Introduction*

The review team was conscious that, in May 2002, the then President of the Senate, Margaret Reid, in advising the Finance and Public Administration Legislation Committee of the initiation of this Review, indicated that any changes in the structure or responsibilities of the parliamentary departments would need to be examined by the Standing Committee on Appropriations and Staffing and be reported to the Senate. The President commented “it is not a plan on my part to start merging the departments”.

Nevertheless, as the review considered its primary terms of reference (security, management and corporate functions and purchasing), it became clear that there was potential for improvements in administrative cost effectiveness by:

- Centralisation of some activities to achieve economies of scale that are not possible in five small parliamentary departments;
- Enhanced standardisation of systems and software across departments;
- Improved co-ordination between the departments; and
- Clarification and simplification of management and governance arrangements.

In each case, we developed an approach involving some form of co-operative purchaser/provider arrangement with shared service provision or some other form of enhanced coordination.

In each case, the proposal was modest, providing modest improvements in efficiency or effectiveness, without the need for major restructuring. Consideration of such issues inexorably led the review team to consider the possibility that more fundamental structural change might deliver greater economies of scale and more substantial benefits. Thus, the review began to focus on both the structure of the parliamentary departments and on the potential rationalisation of delivery of parliamentary services between executive and parliamentary departments.

The review team was acutely conscious that any more fundamental restructuring would need to have regard to two fundamental principles:

- The need to maintain the constitutional and institutional independence of the Senate and the House of Representatives would seem to require that any proposal to rationalise parliamentary departments would leave intact two independent chamber departments; each reporting independently and exclusively to the relevant Presiding Officer; and
- The principle of separation of the powers between the Parliament and the Executive, which finds particular expression in sensitivities about independence of the Parliamentary Library.

The review’s consideration of management and corporate functions and of purchasing activities also revealed that printing was a major parliamentary activity that was undertaken differently in different departments. Thus, the review considered whether improvements in cost effectiveness were available in this area.

5.2 The structure of parliamentary departments

5.2.1 Introduction

“The most successful companies have made fundamental changes to the structure and operations of their organisations by adopting the Coombs' principles of eradicating centralised control and devolving management. As an illustration, John Gough now leads and manages Pacific Dunlop with a head office of only 43 people. CSR, of which I am a Director, had a head office of 502 in 1982; at the end of this year it will have a headquarters of about 70. Sir Eric Neal has followed the same practice at Boral, as have Sir Peter Abeles at TNT and Stuart Horner at Lend Lease. Many other private sector organisations have, or are proceeding, along the same path. Successful companies have become more competitive by becoming leaner, reducing excessive layers of management and decentralising decision making.”

Report by Efficiency Scrutiny Unit on proposed successor arrangements to the Public Service Board, July 1987.

A shared-services centre would permit the parliamentary departments to reap economies of scale in respect of transactional processing. However, there would still be substantial duplication in tactical and strategic management and corporate activities.

Thus, in addition to the creation of a shared-services centre, the review considers possible amalgamation of parliamentary departments.

There is no constitutional reason why parliamentary departments cannot be structured in any chosen configuration. However, any restructuring of departments would need to have regard to the two fundamental principles identified above of bicameralism and independence from the Executive.

5.2.2 History

The model for the initial administrative arrangement of five separate departments was inherited in 1901 from Australia's colonial parliaments. Since then, there have been many proposals to reduce the number of parliamentary departments and/or rationalise their functions.

The first proposal to amalgamate the departments was in 1910. Since then there have been four variants proposed:

- Amalgamation of the five parliamentary departments;
- Amalgamation of the three service provision departments;
- Amalgamation of DPRS and DPL; and
- Amalgamation of all five departments into two—the two Chamber departments.

Each of these is considered in turn below.

5.2.2.1 Amalgamation of the five parliamentary departments

There have been at least four occasions when it has been suggested that the five departments should be amalgamated into one (in 1910, 1933, 1953, and 1996), most recently, by the National Commission of Audit (NCA), established by the newly elected Coalition Government in 1996 to review the operations of government.

The NCA concluded that the arrangements in relation to the parliamentary departments involved a significant duplication of corporate functions and were an inefficient way of delivering these support services to Parliament. It recommended that the parliamentary departments should be combined into a single new department. It said that, if required, there could be an Office of the Senate and an Office of the House of Representatives in this department.

The Clerk of the Senate responded by saying that the NCA's proposal was incompatible with bicameralism:

"The President and the Senate would lose their own dedicated group of advisers, who would be part of an organisation for which they would not be exclusively responsible. The services which are delivered to the Senate would be located in a joint department partially under the control of the House of Representatives, and, necessarily, of the ministry of the day which controls the House. This would give rise to an obvious conflict of interest in the government party having effective control over the services of the chamber which performs the parliamentary functions of scrutinising and holding accountable the government of the day."

The Presiding Officers decided not to support the NCA's recommendation.

5.2.2.2 Amalgamation of the three service provision departments

Proposals to amalgamate the three service departments into one occurred in 1977, 1980, 1988 and 1996.

The first two proposals to amalgamate the three service departments came in 1977 from a past Speaker, Gordon Scholes and a parliamentary officer, A R Browning.

Between 1977 and 1980 reviews of all five departments were undertaken at the invitation of the Presiding Officers by consultants as part of a Joint Management Review.

The review of the three service departments by Urwick International generated five reports in 1980. Among many proposals to increase the departments' efficiency was the recommendation that the three departments be amalgamated into a single department of Parliamentary Services.

There was considerable concern about this proposal. The depth of the Senate's concern was shown by its decision, on 29 October 1981, to initiate an inquiry, by the Senate House Committee, into the organisation, operation, functions and financial administration of the Joint House Department.

No amalgamations followed.

In May 1988 Speaker Joan Child proposed a Public Service (Parliamentary Departments) Bill 'quite simply to reduce the number of separate departments serving the Parliament from five to three'. The legislation proposed a new Department of Parliamentary Service, with a new Secretary to administer it, in lieu of the three joint departments.

The main objectives of the bill were a less fragmented and more effectively co-ordinated administration, improved services to Senators and Members in a climate of severe resource restraint, a better balance of managerial, parliamentary procedural and other specialist viewpoints and more flexibility in administrative arrangements.

Those against the Bill questioned the validity of the cost savings and considered them not substantial enough to justify the significant change. They also questioned whether improved services would follow.

The Bill was passed in the House but was not considered in the Senate.

In 1996 former Speaker, Stephen Martin MP introduced a Public Service (Parliamentary Departments) Amendment Bill to amalgamate the three service departments to create a new Parliamentary Services Department.

The Bill failed to gain priority for resumption of debate on its second reading.

5.2.2.3 Amalgamation of DPRS and DPL

The only proposal to amalgamate the Departments of the Parliamentary Library and the Parliamentary Reporting Staff was in 1993.

In 1992 the Presiding Officers asked John Templeton, head of DPRS, and acting Parliamentary Librarian, to consider the broader issue of effective coordination and management of information services provided to the Parliament by the two departments. In response, he suggested that combining the two departments to create a Department of the Parliamentary Information and Reporting Services. This would have given the Parliament two service departments, one of which would provide information services, the other—the Joint House Department—providing physical services.

The proposal noted that the common links between the departments were information service delivery and information technology; and argued that better coordination and integration of these would provide potential for more effective use of resources and enhanced client services by including the library in an 'umbrella' administrative department.

The Presiding Officers established an Advisory Committee of Senators and Members from both sides, chaired by Peter Nugent, MHR, to consider, take submissions and report on the proposal. The majority supported the proposal, but noted "a considerable resistance to the proposal in the client service areas of the Library".

The Dissenting Report was concerned about any undermining of the independence of the Parliamentary Library in fulfilling its objectives and its responsibilities to the Parliament.

A Bill to create an amalgamated department was passed in the House but not in the Senate.

5.2.2.4 Amalgamation of all five departments into two - the two chamber departments

When the Presiding Officers decided not to support the NCA's recommendation for all five departments to be merged into one, they sought position papers on the proposal for subsequent consideration by former Secretary of the Department of Administrative Services, Noel Tanzer.

Mr Tanzer's review of submissions noted that "there are charges that the proposals are incompatible with bicameralism, that they would result in conflict of interest in the government party or parties and that they would undermine the effectiveness of the parliamentary process and imperil independence". Nevertheless, he concluded that "logically a single department can be justified and has the potential for major savings but the question is whether it is politically achievable".

On 5 March 1997, the Presiding Officers announced their decision to implement a management structure based on the two chambers. The parliamentary departmental heads produced an implementation plan twelve days later.

However, the Senate Standing Committee on Appropriations and Staffing recommended to the Senate that the proposal not be agreed, on the basis that:

- The estimated savings were not significant in the context of the overall parliamentary budget and when compared with savings achieved in previous years;
- The independence of the Parliamentary Library was threatened by the amalgamation proposal; and
- The proposed Parliamentary Joint Services Board of Management (comprising the Presiding Officers and the Clerks) was not an appropriate mechanism for overseeing the provision of joint services.

5.2.2.5 The Parliamentary Service Act 1999

The context in which this current Review has been undertaken has differed somewhat from that applying during earlier considerations of the optimum arrangements for the administration of the Parliament. The *Parliamentary Service Act 1999*, among other matters, explicitly establishes the Service independently of the Executive (s10). It also confirms bicameralism in that it establishes the two chamber departments (s54(1)) and the offices of the two Clerks (s55), with accountable independence for the Clerks (eg. s19 and s20).

The Act does not establish the structure for other elements of the administration of the Parliament, but rather, it provides for the creation and abolition of such other Departments of the Parliament as are required (s54(2)). Departments are created and abolished by resolutions passed by each House.

5.2.3 Consideration of the issues

There is no constitutional reason why parliamentary departments cannot be amalgamated in any chosen configuration.

The two chamber departments are established by the *Parliamentary Service Act 1999*. However, any changes to the structure of the other parliamentary departments could be effected by a resolution of both Houses.

In addition, in the Senate, any departmental restructuring would require consideration by the Senate Standing Committee on Appropriations and Staffing, which has a mandate to inquire into proposals to vary the staffing structure of the Senate as well as “such other matters as are referred to it by the Senate”. The House of Representatives has no such Committee.

The need to maintain the constitutional and institutional independence of the Senate and the House of Representatives would seem to require that any proposal to rationalise parliamentary departments would leave intact two independent chamber departments, each reporting independently and exclusively to the relevant Presiding Officer.

The challenge is to change administrative arrangements in order to improve the cost effectiveness of service delivery to the Parliament, whilst at the same time maintaining or enhancing the quality of services to Senators and Members and the independence of the Parliamentary Service from the Executive, which has been a particularly sensitive issue for the Parliamentary Library.

Of the options outlined above, the one with most potential would appear to be the amalgamation of the three service provision departments.

5.2.4 Amalgamation of the three service provision departments

A shared-services centre would permit the parliamentary departments to reap economies of scale in respect of transactional processing. However, there would still be substantial duplication in tactical and strategic management and corporate activities.

Amalgamation of the three service provision departments would enable rationalisation of these tactical and strategic activities. Essentially, this would entail broadening the span of responsibility of managers, particularly in the corporate area.

This option would not impinge on the independence of the chamber departments, because it would leave the two Presiding Officers jointly responsible for the services presently provided by these departments. Nor would it impact adversely on the services provided to Senators and Members, given that services could be delivered in the same way by the same people, albeit with some rationalisation of management and corporate structures.

Experience in amalgamation of executive departments suggests that the potential cost efficiencies from such rationalisation could be substantial.

The Department of Finance and Administration

The Department of Finance and Administration (DOFA) was formed on 9 October 1997 by the amalgamation of the Department of Finance (Finance) and the Department of Administrative Services (DAS).

An implementation team, headed by a Deputy Secretary, was established to manage the amalgamation, which was completed before Christmas 1997.

At the time, DAS was going through a major restructure as the Government sold or closed down DAS businesses. Nevertheless, as part of the amalgamation, around 25 per cent of the SES positions in the previous departments were abolished.

Efficiencies generated from restructuring within DOFA generated ongoing savings for the Commonwealth Budget of more than \$25 million a year from 1999-2000. (Full savings were not realised until 1999-2000 due to short-term transitional costs associated with the restructure, particularly staff separation costs.)

This would, in turn, imply that significant resources could be redirected from providing corporate support to departmental management to core parliamentary business, e.g. to improve the quality of services to Senators and Members. However, the option would need to be implemented in a way that would protect the independence of the Librarian.

5.2.5 Independence of the Parliamentary Library

The Parliamentary Library is currently responsible to both Presiding Officers, an arrangement that would continue if the three service provision departments were amalgamated. Indeed, departments responsible to both Presiding Officers commonly provide joint services directly to both Senators and Members of Parliament - JHD provides maintenance services to both the Senate and the House of Representatives and DPRS provides broadcast, Hansard and ICT services to both Chambers.

Since 10 September 1991, the Parliamentary Library has operated with a joint Departmental Secretary with the Department of the Parliamentary Reporting Staff. Over that period, there have been clear improvements in both the extent and delivery of client services and to the cost efficiency of Library management, without any obvious concern about the impact on the independence, objectivity, impartiality or confidentiality of the Library.

The *Parliamentary Service Act 1999*, among other matters, enshrines in legislation a set of values applying to employees of the Parliamentary Service, including the provision of professional advice and support for the Parliament independently of the Executive and non-partisan and impartial advice and services to each House of the Parliament.

Thus, the provision of non-partisan advice and services is a requirement of the Parliamentary Service Values, which is reinforced by the core Library personal values of professionalism, confidentiality, impartiality and integrity. Such core values are a critical element of the ongoing independence of the Library.

The Parliamentary Library has not been compromised by DPRS providing finance and HR processing functions on a user pays basis since 1 July 2001, and transcript services for some years. In fact, this has delivered cost efficiencies that have enabled Library resources to be redirected to its core services for Senators and Members.

It is common to find offices with specific independent authority and responsibility within executive government departments. Thus, e.g., the Director of National Parks, who has statutory responsibility for Commonwealth reserves, operates within the Department of Environment and Heritage. The Merit Protection Commissioner is located within the Australian Public Service Commission and the Employment Advocate within the Department of Employment and Workplace Relations.

The Director of National Parks

The Director of National Parks is a statutory corporation established under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) to administer, manage and control Commonwealth reserves. The Director is responsible for managing the land-based parks and reserves established under the EPBC Act. These comprise the three National Parks jointly managed with traditional aboriginal owners at Booderee, the World Heritage listed Kakadu, and Uluru-Kata Tjuta, the unique island ecosystems in the National Parks on Pulu Keeling, Christmas Island and the Norfolk Island Territory and the Australian National Botanic Gardens.

Parks Australia, a Division of Environment Australia, provides support to the Director in the performance of his functions.

The Department of Environment and Heritage provides all management and corporate services to the Director under a Service Level Agreement between the Director and the Departmental Secretary.

Thus, the position of Parliamentary Librarian could be established at a senior level within the amalgamated service provision department. The Parliamentary Librarian could act as the executive manager of the library function, with independence from the Departmental Secretary in respect of the Library's confidential and impartial client service functions.

The Library provides an integrated library and research service and it would be important that the Librarian had strong relevant professional qualifications.

The normal financial management and HR controls required by statute, such as Chief Executive's Instructions and disciplinary procedures, could continue to apply at a departmental level.

Employment Advocate and Merit Protection Commissioner

The Employment Advocate is a statutory position established under the *Workplace Relations Act 1996* and the Merit Protection Commissioner is a statutory position established under the *Public Service Act 1999*. In both cases the legislation establishes the functions of the office and provides arrangements for the provision of staff.

The Workplace Relations Act specifies that "the staff necessary to assist the Employment Advocate are to be made available by the Secretary of the Department of Employment and Workplace Relations". The Public Service Act says that "the staff necessary to assist the Merit Protection Commissioner are to be made available by the Public Service Commissioner".

Staff and support services are provided under the terms of a memorandum of understanding with the Secretary of the Department of Employment and Workplace Relations and the Public Service Commissioner respectively.

In the case of the Merit Protection Commissioner, the office holder is also a member of the Commission's Executive.

There would be a number of options for protecting the independence of the Library, including by providing statutory independence. However, we would think that independence could be granted by Charter from the Presiding Officers in respect of the Library's confidential services to Senators, Members and parliamentary committees, and the ability to attend (as an official) non-private meetings of the Library Committee.

Each Chamber has a Library Committee established by Standing Orders chaired by the relevant Presiding Officer with six other members. Each Committee can consider any matter relating to the provision of library services to parliamentarians referred to it by the Chamber or the Presiding Officer.

These Committees have an advisory role. Executive responsibility lies with the President and the Speaker, who are not necessarily bound by decisions of the Committees.

Each Chamber Library Committee regularly exercises its power to confer with (and sit with) the Library Committee of the other Chamber. For many years, the President and the Speaker have decided between themselves who is to chair the joint Library Committee. The joint Library Committee has in recent times unanimously supported action to maintain the independence of the Parliamentary Library.

The Chamber Library Committees and the joint Library Committee could be specifically charged with considering any matter relating to the independence of the Parliamentary Library.

In addition, we would see it as important to ensure that the Library receives adequate resources and services from the service-provision department.

Obviously, this is a matter of judgment but this approach would seem to us to adequately protect the independence of the Parliamentary Library.

5.2.6 Recommendation

In comparison with implementation of a shared-services centre, amalgamation of the three service provision departments offers significantly greater gains in return for more fundamental change.

While more fundamental change inevitably entails some risk, we believe that the risks are manageable and accordingly prefer the option that entails more fundamental change.

Recommendation 5: The preferred option is that the three service provision departments be amalgamated.

Recommendation 5.1: The position of Parliamentary Librarian be established at a senior level within the amalgamated service provision Department.

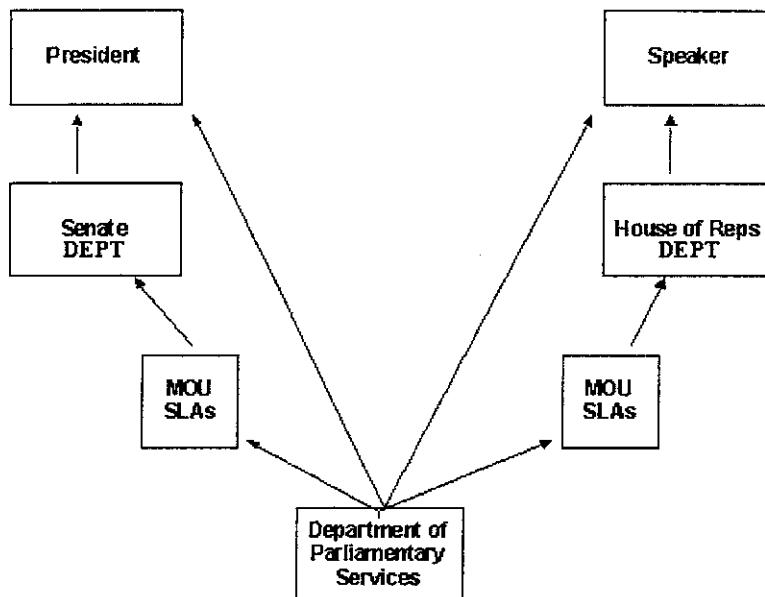
Recommendation 5.2: The independence of the Parliamentary Library be granted by Charter from the Presiding Officers.

Recommendation 5.3: The independence of the Parliamentary Library be reinforced by strengthening the current terms of reference for the joint Library Committee.

Recommendation 5.4: The resources and services to be provided to the Library in the amalgamated department be specified in an annual agreement between the Departmental Secretary and the Parliamentary Librarian, approved by the Presiding Officers following consideration by the joint Library Committee.

Over time, amalgamation of the three service-provision departments would enable migration towards more of a purchaser/provider model between the senior Chamber Departments and the service provision department where that was appropriate. This would reinforce the primacy of the Chamber Departments and their capacity to establish service quality standards in the provision of services to Senators and Members.

Amalgamated Service Provision Department: Proposed Governance Arrangements



5.2.7 Potential cost efficiencies from departmental amalgamations.

We have not been able to undertake a detailed analysis of the cost efficiencies that might result from amalgamation of the three service provision departments.

However, we believe that very significant savings would be derived from amalgamation of the corporate function.

These savings would derive directly from economies of scale and reduced duplication; subsequently further savings would derive from synergies within the larger department as amalgamation provides the opportunity for revised and refined approaches to service delivery.

In the three separate departments there are currently three senior executives responsible for corporate services supported by three sets of middle managers at Executive Levels 2 and 1 and three sets of administrative staff. There are three groups of consultative, advising and decision-making forums and secretariats (e.g. Occupational Health and Safety committees, workplace relations, information technology, audit, etc); three sets of systems requiring hardware, licences, development and support (eg. financial management information systems, human resource management systems, registry systems, etc); three sets of policies requiring development and maintenance (eg. Chief Executive Instructions, human resource policies and plans, ICT strategies, audit plans, delegations, etc); and three certified agreements requiring separate administration, interpretation, processing and advising. Many of these activities will on occasion require external professional advice leading to threefold opportunities for the provision of consultancy advice to the Parliament.

Clearly very significant savings would accrue from the amalgamation of these functions - from direct salary savings and related on-costs (superannuation, leave, computer systems, office furniture and equipment, etc) as spans of responsibility are broadened and economies of scale created. Savings would also accrue from the creation of the greater depth of expertise that is possible in a larger organisation - strategic and policy development expertise would grow and reliance on external advice would diminish somewhat.

Subsequently further savings would be achievable from the provision of services to the two Chamber Departments through the shared services approach.

We have investigated a number of ways in which we could derive some reasonable estimate of the likely extent of cost efficiencies from amalgamation of the three service provision departments.

In 1996, the National Commission of Audit (NCA) identified amalgamation of the five parliamentary departments as an option to reduce overlap and rationalise Commonwealth activity.

In discussing the potential for improving efficiency and effectiveness, the NCA cited government reforms in the United States and United Kingdom that it said were expected to deliver administrative savings of around 12 per cent over a three-year period. It also cited an Economic Planning and Advisory Council (EPAC) suggestion that relatively modest efficiency gains of between 5 and 10 per cent were possible in the Commonwealth public sector, and more detailed EPAC figures suggesting improvements of 14.6 per cent in the Department of Defence alone. The NCA saw these figures as conservative, in that they did not rely on major reform of the public sector. It said "at the upper end, various studies have suggested that savings of over 30 per cent are available in specific areas.

Given that the NCA specifically identified the parliamentary departments as an area of significant potential for reducing overlap and rationalising activity, it is reasonable to presume that it saw these departments as a potential source of savings at the higher end of the range. This would imply savings of more than \$30 million from the NCA's proposed amalgamation of the five parliamentary departments.

Following the NCA report, the Presiding Officers proposed to amalgamate the five parliamentary departments and implement a management structure based on the two Chamber departments. A working group of senior corporate management officers from the five parliamentary departments found that removing duplication from the corporate service areas of the five departments could generate savings. It estimated longer-term savings of around 25 per cent to 30 per cent of corporate services staff or around 40 to 50 people, generating salary savings of \$2 million to \$2.5 million a year.

In our judgment, the estimate that we have deduced from the NCA report is far too high and the working group's figure is very conservative. In any event, both estimates apply to a more extensive amalgamation than is proposed in the review's preferred option.

Another potential source of relevant data is the PricewaterhouseCoopers's (PwC's) assessment of management and corporate functions within the parliamentary departments that was commissioned for this review.

The PwC assessment said that there are currently 148 full-time equivalent employees, with a salary cost of \$10 million, providing management and corporate functions to 1,367 employees across the five Parliamentary Departments. Of that \$10 million, around \$6 million is attributable to the service provision departments.

Allowing for the reduction in duplication at management levels and economies of scale at all levels of the organisation, including transactional processing, our judgment is 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.

There could be significant additional savings in rationalisation of HR and financial systems and process re-engineering. Experience in executive departments is that such savings can be very substantial over time.

Overall, our judgment is that long-term savings are likely to be of the order of \$5 million to \$10 million a year.

5.3 Potential rationalisation of delivery of parliamentary services

5.3.1 Introduction

Current service delivery arrangements to Parliamentarians are complex, with many services administered by executive, not parliamentary departments. There would seem to be some potential for cost efficiencies in this broader area of delivery of services to the Parliament, albeit there would be considerable sensitivities about any major changes in this area.

5.3.2 Current service delivery arrangements

Under the current Administrative Arrangements Order, the Finance and Administration portfolio has responsibility for the *Parliamentary Entitlements Act 1990* and *Regulations*, the *Parliamentary Allowances Act 1952*, the *Parliamentary Contributory Superannuation Act 1948*, the *Members of Parliament (Staff) Act 1984* and the *Financial Management and Accountability Act 1997*.

The Department of Finance and Administration (Finance) undertakes a considerable volume of administrative processing in relation to Parliamentarians' entitlements. In 2000–2001, Finance expected to process in the order of 40 000 personnel transactions, 30 000 accounts payments, and 25 000 service calls from Parliamentarians, former Parliamentarians and their staff. In 1999–2000, Finance made payments for entitlements in respect of serving Senators and Members, their spouses or nominees and dependants and former Senators and Members and their spouses.

The department provided annual superannuation statements and ad hoc advice for members of the Parliamentary superannuation fund, as well as paying and updating the superannuation pensions of more than 300 beneficiaries.

Finance also administers:

- Payment of Ministerial allowances;
- Provision of advice on entitlements to Senators, Members, Ministers, Office-holders and their respective staff, and the Special Minister of State;
- Personnel services for the staff of Senators, Members and Ministers employed under the MOP(S) Act, including recruitment, payroll, staff training and a range of human resource services;
- Electorate office accommodation, information technology and telecommunications services and support and other facilities for Parliamentarians;
- Travelling allowance and transport services for Senators, Members, Ministers and Parliamentary Office-holders, and their respective staff; and
- Entitlement processing and reporting for all Parliamentarians and their staff.

The Departments of the Senate and of the House of Representatives respectively are responsible for:

- Payment of Senators', Members' and Ministers' basic salaries and electorate allowance;
- Parliamentary Office-holders' additional salary;
- Provision of office, computing, telephone, security and other facilities and services for Senators and Members at Parliament House;
- Stamp allowance for use at Parliament House; newspapers, stationery and other requisites within Parliament House; and
- Management of COMCAR shuttle services.

The chamber departments also provide private plated vehicles and other car services, as relevant, for the Presiding Officers and their Deputies.

A clearer focus on the objectives of support for Parliamentarians would open to question the current separation of services provided within Parliament House from those provided to Parliamentarians elsewhere.

5.3.3 Potential for better alignment of responsibilities

Executive departments have always provided many of the services to Parliamentarians.

As early as 1912 the Prime Minister's Department was allocated responsibility for the 'Officers of Parliament' and also for the Parliamentary Allowances Act, Public Accounts and Public Works Committee Acts. In 1991, an Australian National Audit Office (ANAO) report noted that the Department of Administrative Services (DAS) was but one of several agencies responsible for the delivery of services to Parliamentarians and their staff. The Appendix to the report shows the division of responsibilities between the Parliamentary departments, DAS, Finance (superannuation benefits), Foreign Affairs and Trade (transport and communications assistance when overseas), and Industrial Relations (advice to staff on entitlements and the provision to staff of advocates for disputed terminations) at that time.

While Parliament has often asserted the principle that 'Parliament must be master of its own household' (Senate Select Committee 1921) the Executive has been unwilling to cede this authority.

In 1980, the Senate appointed a Select Committee to inquire into and report upon Parliament's control of its own appropriations and staffing and related matters. The major thrust of the 1981 report of the Senate Select Committee on Parliament's Appropriations and Staffing was a separate Parliamentary Appropriations Bill. However, the Committee also proposed that the President arrange for discussion to be held with the appropriate Executive departments to review those functions that were currently administered by them, and subsequently to plan the transfer of functions suitable for administration by the Senate.

The Committee had ascertained that the Appropriations which related "directly and indirectly to the operation of the Houses of Parliament and the parliamentary activities of their Members shows that, for the year 1980-81, approximately 39% of the estimated expenditure falls into the category of moneys under the control the Presiding Officers and the remaining 61% into the category of moneys under the control of Executive departments". (Senate Select Committee 1981)

A resolution in the Senate on 26 November 1981 supported the transfer of functions administered by the Executive to the Parliamentary departments. It was proposed that responsibility for electorate office accommodation, furnishings and office equipment; payment and entitlements of the member's staff; stationery, postal and telephone services; travel for members and their families; visits overseas and Parliamentary delegations would be transferred. But in March 1983 there had been a change of Government and Cabinet decided in April 1984 that the transfers should not proceed.

In fact, very little was transferred. The Senate gained responsibility from the Department of Administrative Services (DAS) for the Inter-Parliamentary Union; distribution of the Commonwealth Record to Senators; electorate medallions and, from PM&C, hospitality to schoolchildren. The House gained responsibility for the Commonwealth Parliamentary Association from DAS.

5.3.4 Consideration of the issues

Many arguments for Parliament to be master of its own household centre on gaining independence from the Executive.

Notwithstanding the ongoing debate, the Executive has seen the funds allocated in support of the Parliament as within its provenance to determine subject, of course, to Parliamentary approval of the appropriations. It has, however, moved since 1982 to have separate appropriations to those of the ordinary annual services to the Government, and to allow flexibility to the Presiding Officers in their allocation of appropriations.

The logical implication would seem to be that Parliament should have primary responsibility for delivery of services to Parliamentarians, within the funds allocated, while the Executive should have responsibility for services to Ministers.

The continuing fragmentation and complexity of delivery of services to Parliamentarians also seems to run counter to the broad thrust of public sector reform in Australia and overseas in recent decades. That thrust involves focussing on the objectives of particular programs, and allowing considerable flexibility in exchange for stronger accountability for results.

This approach, under program budgeting in the 1980's and early 1990's and under the more recent outcomes/outputs framework, is not consistent with the arbitrary distinction now operating amongst services for Parliamentarians.

Some complexities in service delivery

The printing entitlements of Senators and Members are significantly different. Senators' printing requirements are authorised by the Department of the Senate and generally provided in-house. However, Members are able to arrange their printing externally and their entitlements are administered by the Department of Finance and Administration.

Auspic is paid a retainer by JHD to maintain a permanent presence in Parliament House, staffed by officers of the Department of Prime Minister and Cabinet, and provides services in Parliament House, which are paid for by Finance.

Parliamentary departments administer overseas travel by Senators and Members in respect of the Commonwealth Parliamentary Association and Inter-Parliamentary Union. Other international travel is subject to a program determined annually by the Prime Minister, is arranged by the Parliamentary Relations Office and then passed to Finance for final processing and payment.

The Presiding Officers each have four Members of Parliament Staff (MOPS) Act staff; three of whom are paid by the respective chamber departments, but who operate on the MOPS Act staff Certified Agreement.

5.3.5 Conclusion

There may well be a willingness within executive government to consider rationalisation of responsibilities, at least at the margin. In our judgment, rationalisation of the administration of the parliament could provide a foundation for Parliament to seek to take more direct responsibility for provision of services to Senators and Members.

Information and Communications Technology

DPRS provides information technology and telecommunications infrastructure services and support to Senators and Members in Parliament House. The Department of Finance and Administration (Finance) is responsible for services to Senators' and

Members' electorate offices. ICT support in electorate offices is outsourced to Computer Sciences Corporation (CSC).

The hardware used in electorate offices is sourced from different manufacturers to that used in Parliament House. Although they are sourced from the same manufacturer, different models of notebook computers (with different docking stations) are used in Parliament House and in electorate offices.

Senators and Members and their staff can be easily confused about who they should call to report a problem or request a service.

Finance and DPRS are currently investigating the possibility of DPRS assuming responsibility for ICT services and support to electorate offices.

5.4 Printing

Printing is a major parliamentary activity that is undertaken differently in different departments. In order to investigate the potential for this activity to be undertaken more cost-effectively, the review commissioned an expert, Mr Noel Crichton, to review departmental printing activities.

Mr Crichton advised that the machinery and equipment installed and used in the House of Representatives Department would not be suitable to cater for the demand for printed material placed upon the Senate Department; and the non-impact printing units used in the Department of the Parliamentary Library are more suited to the work they are producing than those used by the House of Representatives Department. He also advised that the arrangements to outsource printing of the Hansard were appropriate and counselled against bringing this function in house.

Mr Crichton strongly recommended against any other drastic change in the outsourcing of printing operations.

6 *Implementation*

Review recommendations would entail change with implications for all parliamentary departments.

The task of implementing change such as creation of a shared-services centre or amalgamation of departments would be substantial. Experience within executive departments suggests that:

- Once a decision has been taken to effect structural change, the change should be implemented quickly. The most successful approach has been to put the new structures in place immediately and then subsequently address details of organisational arrangements within the restructured organisations; and
- The implementation process is sufficiently urgent, complex and time consuming that it is best managed by a dedicated implementation team.

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

If the preferred option of amalgamating the three service-provision departments is adopted, we would recommend moving swiftly to that arrangement, rather than in a staged way starting with the more modest option. Management of the change would be enhanced by early appointment of the Departmental Secretary, who could then champion the initiative and move swiftly to address implementation issues.

There would be value in regular meetings of parliamentary departmental heads through the period of change, not least to enable issues to be addressed before they become problems. The frequency of such meetings is a matter of judgement, but one possibility is that brief monthly meetings could be held to discuss emerging issues, with quarterly meetings to discuss more strategic issues.

There could also be value in the Parliamentary Service Commissioner participating (perhaps as chair) in the quarterly strategic meetings. Brief meetings with the Presiding Officers following the strategic meetings could facilitate the provision of any necessary guidance on significant issues.

In our judgment, simultaneously amalgamating the three service-provision departments and creating a shared-services centre would stretch the management and corporate areas of the parliamentary departments. We would see the prudent approach being to amalgamate departments first. Allowing for the necessary parliamentary processes and given our preference for the change to be implemented quickly, we would expect that an amalgamated department could be fully operational by 1 July 2003.

Implementation of a shared-services centre could be considered at that point.

7 Conclusion

Review recommendations could deliver improvement in the cost-effectiveness of the management and corporate functions in the Parliament.

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 a 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 productivity improvements needed to support future Certified Agreements for parliamentary staff.

Attachment: Major Security Incidents at Parliament House

1992 - Disaffected man crashed a four-wheel drive through the main front ceremonial doors, causing extensive damage. The vehicle came to rest in the Great Hall. He stated on interview that he intended to bring a firearm into the building and 'kill a politician', but on seeing the access control measures in place realised that this would not be possible - hence he drove the vehicle at the front of the building on impulse. He was arrested and charged. The court awarded compensation for the damage.

Mid-1990's - timber logging trucks undertook a blockade of the building by parking nose to tail in Parliament Drive for a week on several occasions, effectively blockading the building to all but pedestrian traffic.

Mid-1990's - disaffected protesters built a 'Trojan horse' in the grassed area in front of the building that remained in place for three months, before being forcibly removed by police. While not disruptive it became a major source of irritation and media attention.

Mid-1990 - a disaffected man deliberately drove a rented motor vehicle into the ceremonial pool in front of the building as a sign of protest. No damage.

1999 - a disaffected man firebombed the main front ceremonial doors as a sign of protest. He was arrested by the APS and handed to the police for prosecution. Minor damage and compensation awarded.

2000 - four protestors gained access to the glass roof of the Great Veranda and conducted a protest with banners and spray paint, causing severe damage to the marble facade. They were apprehended and charged before the court with criminal damage, being found guilty and ordered to pay compensation.

2000 - a man died after falling from the roof of the building into a courtyard below. The coroner returned a verdict of death by suicide.

2001 - a disaffected man self-immolated in an apparent act of protest under the Great Veranda in front of the building, causing severe burns to his body, resulting in his death 3 months later.