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Appropriation (Parliamentary Departments) Bill 1995-96
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Appropriation (Parliamentary Departments) Bill 1995-96

Date Introduced: 9 May 1995
House: House of Representatives
Portfolio: Finance
Commencement: Royal Assent

Purpose

To appropriate $144,464,000 from the Consolidated Revenue Fund (CRF) for the recurrent and capital expenditure of the Parliamentary Departments during 1995-96.

Background

Since 1982, the appropriations for the Parliamentary Departments have been by a separate Bill. This followed the Government's consideration of the report of the Senate Select Committee on Parliament's Appropriations and Staffing tabled on 18 August 1981. The Government agreed to a separate Appropriation Bill for Parliamentary Departments and further agreed that an Appropriation Bill of this kind would not be treated as a Bill for the ordinary annual services of the Government. Each Parliamentary Appropriation Bill is intended to cover both recurrent and capital expenditure and recognises that detailed control by the Parliament over individual items in this area is not necessary.

Outline

The Public Service Act 1922 provides that the administration of the Parliament is conducted by five Parliamentary Departments - the Department of the House of Representatives, the Department of the Senate, the Department of the Parliamentary Library, the Department of the Parliamentary Reporting Staff and the Joint House Department.
The Department of the House of Representatives and the Department of the Senate are responsible for the provision of procedural, information and administrative services to Members and Senators respectively. The Department of the Parliamentary Library is responsible for the provision of library, reference and research services to Members and Senators. The Department of the Parliamentary Reporting Staff (DPRS) provides reporting, information technology, telecommunications and broadcasting services to the Parliament through Hansard, the Parliamentary Information Systems Office (PISO) and the Sound and Vision Office (SAVO). The Joint House Department performs building management, maintenance and catering functions associated with Parliament House.

The Appropriation (Parliamentary Departments) Bill 1995-96 (the Bill) appropriates money to each of the above mentioned Parliamentary Departments for 1995-96.

The $144 464 000 appropriated by the Bill is $9 652 000 more than the figure appropriated by the Appropriation (Parliamentary Departments) Act 1994-95 and Appropriation (Parliamentary Departments) Act (No. 2) 1994-95. On its face this represents approximately a 7% increase on the amount allocated for 1994-95.

The $144 464 000 appropriated for the Parliamentary Departments represents a small fraction of the total amount allocated in Appropriation Bill (No. 1) 1995-96 ($31 689 392 000).

The majority of funds appropriated by the Bill go to the Joint House Department, $40 010 000, of which $37 462 000 is allocated to the running costs of that Department. The second highest amount allocated, $39 696 000, goes to the Department of the Parliamentary Reporting Staff.

**Main Provisions**

The Minister for Finance will be authorised to issue $144 464 000 from the CRF for the purposes specified in the Schedule to the Bill during 1995-96 (clause 3).

Clause 4 allows the Minister, based on the determinations of the Presiding Officers, to draw additional funds from the CRF for increases in salaries and payments during the year ending 30 June 1996. Amounts issued must be reported to the Parliament.

Clause 7 allows the President or Speaker, separately, to make advances up to $300 000 for expenditure to cover unforseen, erroneously omitted or understated circumstances in the appropriations proposed by the Bill in relation to the Senate and the House of Representatives respectively. The President and Speaker can also
make a joint advance, up to $1 million, to cover urgent and unforeseen circumstances in relation to the Department of the Parliamentary Reporting Staff, the Parliamentary Library and the Joint House Department.

Part 2 of the Bill (Clauses 9-11) provides for the application of certain provisions of the proposed Financial Management and Accountability Act relating to appropriations. The Financial Management and Accountability Bill 1994 is currently before the Parliament. For a comprehensive analysis of that Bill the reader is referred to Digest No. 184 of 1994 (available on the PDBS).

Remarks

(a) Accounting changes

Changes to government accounting practices may create the impression that agencies and other bodies, including the Parliamentary Departments, will receive increased appropriations in 1995-96. In fact, overall funding available to meet agency running costs is to be reduced.

The $144 464 000 appropriated by this Bill is $9 652 000 more than the figure appropriated by the Appropriation (Parliamentary Departments) Act 1994-95 and Appropriation (Parliamentary Departments) Act (No. 2) 1994-95. As already noted, this appears to represent an approximately 7 percent increase on the amount allocated for 1994-95. The figures, however, mask significant reductions in funding for the Parliamentary Departments.

Included in the Government's 1995-96 Budget are across-the-board reductions in appropriations for the net running costs of budget funded agencies. ('Running costs' are the recurrent and minor capital costs incurred by departments and agencies in providing government services for which they are responsible.)

In 1995-96, most agencies are to have their running bases reduced by two percent. There are to be some exceptions to this general reduction in funding, as in the case of agencies with a running cost budget of less than $10 000 000. Running costs will also be adjusted for annual carryovers, borrowings and, most importantly in the present context, for the one percent annual efficiency dividend.

In most cases this three percent fall in available funds (the general two percent cut in running costs plus the annual one percent efficiency divided) is hidden by changed accounting arrangements for providing for the Commonwealth's (employer) contribution to public service superannuation schemes. Under present arrangements the Commonwealth's potential liabilities (excluding the three percent award-based super contribution) are largely unfunded.
From 1 July 1995, agencies subject to running cost controls will be required to make fortnightly payments to Commonwealth Superannuation Administration (ComSuper). The amounts payable will be equal to the notional cost to the Commonwealth of members of the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS) employed by each agency. As running cost agencies are to be supplemented for the costs of these payments in 1995-96, their appropriations have risen accordingly. These nominal increases serve only to cover ongoing liabilities and are not available to meet new or additional initiatives.

In simplified terms, the broad workings of these changes are illustrated by the following hypothetical example.

Say that a hypothetical Department of Urban Development (DUD) received an appropriation in 1994-95 of $100 million to cover running costs, comprising principally the salaries of its 1500 staff and other minor expenses associated with delivering various programs. In 1995-96 (all things being equal), DUD would have received an appropriation of $97 million resulting from the application of the 2 percent general cut in running costs in large agencies and the application of the 1 percent efficiency dividend. However, Appropriation Bill No.1 (1995-96) shows that DUD has been allocated $112.52 million. This is most likely due to the Department of Finance allocating DUD an extra 16 percent of 1995-96 running costs ($15.52 million) to allow DUD to fund its ComSuper liabilities. DUD then must, under new Commonwealth guidelines, pay these additional funds to ComSuper. The net effect of these changes is that DUD only has $97 million in 1995-96 to fund its running costs which in 1994-95 totalled $100 million.

(b) Implications of cuts

Disagreement over the actual size of the projected Budget surplus for 1995-96 and the means by which it is to be achieved should not obscure the fact that the proposed cuts to departmental and agency running costs are genuine. The Secretary to the Department of Finance, Mr Sedgwick, has been reported in the Canberra Times as making it plain that there is a strong presumption that no additional funds for running costs will be made available during the 1995-96 financial year for new initiatives or unexpected costs. To quote The Canberra Times report more fully:

Mr Sedgwick said the new financial policy - that agencies would be expected to absorb at least part of new policy running costs unless the minister brought forward a fully offset package - 'sounds pretty tough. It is! It is meant to be'.

The Parliamentary Departments are to be subjected to across-the-board reductions in funding for staffing and other normal operational expenses. These cuts to base
levels of funding are in the order of 3 percent in the next financial year with further reductions in running costs form part of the Forward Estimates for 1996-97.

Like similar across-the-board cuts to the running cost budgets of other bodies, the proposed reductions have the potential to lead to a diminution in services provided to agency clients. In this case, Members and Senators.

The nature as well as the scope of the cuts is also a cause for concern. One criticism is that the cuts are poorly targeted, another - particularly relevant to the Parliament - is that they are 'political'.

An underlying feature of the system for allocating funding for Commonwealth programs is that departments and agencies must justify their claims on the public purse against specified target outcomes on a program by program basis. Funds are allocated to managers on the basis of what they say they will do and what they claim they can achieve. Across-the-board reductions in running costs (by definition) are arbitrary in nature and do not allow for differential effects on individual projects, programs and agencies. Arbitrary cuts to ongoing programs after performance targets have been agreed seems contrary to the fundamental principles of program budgeting.

A further criticism of across-the-board cuts is that they tend to penalise efficient departments and agencies (those already making optimum use of their resources) more than those with a degree of 'fat' built into their operations.

Claimed benefits of across-the-board cuts include predictability, simplicity in administration and avoiding the need for the Department of Finance to become involved in the detail of agency management as is required where tailored cuts are pursued. In the case of the Parliamentary Departments, there is also the argument that these bodies should either set an example or else be treated no differently to the rest of the public sector.

Across-the-board cuts may impact more severely on smaller agencies and programs with discrete budgets. These small agencies are necessarily more constrained in adjusting to such arbitrary changes. Indeed, this argument appears to be implicitly recognised by the Government's decision to reduce running costs of agencies with a running cost budget of less than $10 000 000 by one (not two) percent.

For the purposes of the present round of reductions, the Parliamentary Departments have not been treated as small agencies, ie because their running costs in each case exceed $10 000 000. Hence, the Parliamentary Departments will be expected to bear the full two percent general cut in running costs and provide for the one percent efficiency dividend.
Net savings will have to be found either through internal efficiencies or through the reduction of services. In some cases it may be difficult to secure sufficient savings from internal efficiency measures to operate within these new constraints.

As the Parliamentary Departments have different operational and resourcing requirements, responses to the proposed cuts to running costs will vary.

Staff of the Parliamentary Library and DPRS have been advised that belt tightening will be necessary but this should not (all things being equal) involve any reduction in client services in the present financial year. In the case of the Chamber Departments, it apparently has not been possible to guarantee current client service levels.

On 4 May 1995, the Clerk of the Senate issued a Information Bulletin to all Senate Staff stating that the Department's budget shortfall:

... will result in a reduction in the staffing and administrative expenditure of the department, which will in turn result in a lower level of service to Senators. The department will try to minimise the impact on Senators of the reductions it has to make, but will not be able to avoid such an impact.2

Given inherent tensions between the Executive Government and the Senate, it is unsurprising that some have seen the proposed cuts to the Senate's vote as political. Senator Ellison, the Chair of the Senate Standing Committee on Legal and Constitutional Affairs, is reported as having said that '... the cuts would severely hamper the effectiveness of the [committee system].3 Senator Eric Abetz issued a Media Release claiming that '... the savage cuts are nothing more than another arrogant attack by the Prime Minister on the Senate.'4

Whether the proposed reductions are in fact politically motivated or a reflection of other budgetary goals is beyond the scope of this Digest. It is possible, however, that the Department of Finance and the Government will be fortified in any efforts to impose tighter fiscal discipline on the Parliamentary Departments whilst there persists a (perhaps misplaced) popular perception that the Parliament could do more than it has done to restrain its own expenditures.5

The difficulty of countering such perceptions should not be underestimated and may explain the fact that for 1995-96 the real cut to the running cost bases of the Parliamentary Departments exceeds the average cut by portfolio for other parts of the APS.6 Indeed, whatever the merits of such external criticism, the proposed reductions in parliamentary running cost appropriations foreshadowed for the next four financial years are substantial.7

In this context, it may also be remarked that the costs and diseconomies of scale inherent in maintaining five separate departmental structures has been the subject
of at least one parliamentary inquiry and some media comment over a number of
years. Efforts have been made in recent times to address these concerns. Legislation
currently before the Senate provides for the amalgamation of two Parliamentary
Departments. This Bill, the Public Service (Parliamentary Departments)
Amendment Bill 1993, was passed by the House of Representatives on 8 February
1994. It is claimed that the passage of that legislation would allow for significant
cost savings without any net reduction of services to Members and Senators.

Endnotes

5. Alan Ramsay, 'Money well spent - for the fortunate', Sydney Morning Herald,
7. ibid, pp. 3-35 and 3-39.
8. Advisory Committee on Proposed Creation of a Department of Parliamentary
Information and Reporting Services, Report to the Presiding Officers, 26
March 1993, esp pp. 40-44. Christine Wallace, 'Coalition trips on micro
reform', Australian Financial Review, 10 May 1994. Narelle Hooper,
9. The then Minister for Finance, Hon Ralph Willis, provided the Presiding
Officers with an assurance that once running cost bases were established for
the Department of Parliamentary Library and the Department of the
Parliamentary Reporting Staff, total appropriations for the two
[amalgamated] departments would be maintained in real terms. Refer Bills
Digest Service, Digest No. 1994, Public Service (Parliamentary Departments)
Amendment Bill 1993, pp. 2-3.

R. Bennett (06 2772430)
Ian Ireland (06 2772438)
Bills Digest Service
Parliamentary Research Service

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