

INQUIRY INTO BUDGET PROCESS FOR INDEPENDENT OVERSIGHT BODIES AND THE PARLIAMENT OF NEW SOUTH WALES

Organisation: Parliament of New South Wales (Department of the LC and
DPS)

Date Received: 22 October 2020



Second Submission to the Inquiry into Budget process for independent oversight bodies and the Parliament of New South Wales

Made of behalf of the Department of the Legislative Council and Department of
Parliamentary Services of the Parliament of New South Wales

21 October 2020

Contents

1. Introductory Comments on the Scope of this Submission	3
2. Update to Submission Made in December 2019 and Subsequent Hearing Evidence	3
3. Update on the Treasury/Legislature Budget Review	4

1. Introductory Comments on the Scope of this Submission

In recognition of the comity between the Houses of Parliament in NSW, this submission has been prepared from the perspectives of the Department of the Legislature Council and Department of Parliamentary Services. Whilst there are references to the Parliament of NSW, which includes the Legislative Assembly, the submission does not purport to represent the views of the Department of the Legislative Assembly and does not address its specific funding needs.

2. Update to Submission Made in December 2019 and Subsequent Hearing Evidence

There has been significant improvement in the Parliament's budget position since its initial submission and the December 2019 hearing of the Public Accountability Committee.

On page 9 of Parliament's initial submission reference was made to its requirement, like NSW government agencies, to fit into the outcome budgeting framework that covers the entire State Budget spend. This is now in process of changing to the Parliament's own strategic planning and reporting framework with reporting of performance being confined to the annual reports of the operational departments instead of to the Expenditure Review Committee (ERC) of Cabinet.

The impact of the application of efficiency dividends on the Parliament was described on page 11 of the Parliament's initial submission. On February 27 February 2020, the Parliament was advised by the Treasurer that the application of efficiency dividends and additional budget savings to 2019-20 was deferred. Furthermore, the Parliament's request for the reversal of efficiency dividends applied to the 2020-21 and 2021-22 financial years was approved by ERC on 28 May 2020. However, it should be noted that these approvals do not yet represent a formal exemption from efficiency dividends and other savings measures being applied to the Parliament in the future, although it is reflected in the Parliament's forward estimates.

On page 12 of Parliament's initial submission the issue of the shortfall in funding for Special Constables is highlighted and the impact on the Parliament's budget for 2019-20 and forward years. Full funding for Special Constables was approved by ERC on 28 May 2020 for the 2020-21 financial year only with funding for forward years to be subject to budget processes in those years.

Additional funding has been approved by ERC for 2020-21 and some of the forward years for the other following recurrent budget risks outlined in Table 1 page 12:

- Unfunded Members' staff separations through to 2022-23;
- Additional Ministerial, Parliamentary Secretary and Committee Chair appointments since the 2019 election through to 2022-23; and
- Additional Legislative Council Estimate Committee hearings, additional inquiries and extended sitting times through to 2022-23.

For the capital risks outlined in Table 2 on page 13, the following additional funding has been approved by ERC for 2020-21:

- Replacement of the broadcasting system to be completed by 2022-23;
- Replacement of outdated business systems to be completed by 2022-23;

- Replacement of Information and Communication Technology hardware by 2022-23; and
- Funding to complete the replacement of the membrane for the Tower Block at Parliament House (part of the building and plant and equipment asset risks).

The Parliament has also received specific funding support to deal with the impact of COVID-19 on its revenue from Parliamentary Catering and other costs incurred such as additional cleaning and establishment of the Parliament as a COVID-19 safe workplace. The precise dollar values of these budget enhancements will be detailed when the State Budget is handed down on 17 November.

Nevertheless, there are significant risks highlighted in Table 1 and 2 that have not been addressed or have only been addressed over the short term. The budget process still relies wholly on the Executive to approve funding.

3. Update on the Treasury/Legislature Budget Review

The Treasury/Legislature Budget Review (the Review) commenced in November 2019 with jointly agreed Terms of Reference. The objectives of the review were to:

1. Understand the role and purpose of the NSW Parliament and how its strategic objectives align with the NSW Parliament's role under the *Constitution Act 1902*;
2. Map the activities and programs undertaken by the Parliament to deliver the objectives identified in (1) and identify the controllable and uncontrollable costs associated with each program;
3. Review any opportunity to enhance the efficiency and effectiveness of the delivery of programs identified in (2), including areas where the previous cuts (including efficiency dividends) have created unacceptable risks to the operation of the Parliament;
4. Assess the adequacy of current and forecast funding levels for the NSW Parliament given the controllable and uncontrollable costs and the results of (3); and
5. Develop an updated Budget statement for the NSW Parliament that defines its purpose, including program KPIs, to assess performance against the strategic objectives set in (1).

The Review was conducted jointly by Treasury officers working with the Director Financial Services from the Parliament. A Steering Committee comprising the NSW Treasury Deputy Secretary Policy and Budget Group, Clerks of both Houses and the Chief Executive of DPS provided oversight of the Review.

Senior managers from all operational areas of the Parliament were interviewed and input from Members sought through the Public Accountability Committee of the Legislative Council and the Standing Orders and Procedure Committee of the Legislative Assembly.

A draft report was finalised in March 2020 and draft findings and recommendations developed. At this point, the impact of COVID-19 hit and officers working on the Review were diverted to other priorities. The current status is that Treasury senior management are still considering the findings and recommendations. There is a close linkage between the recommendations of the Review and

those contained in the report of the Public Accountability Committee *Budget process for independent oversight bodies and the Parliament of New South Wales: First report*. The report just tabled by the Auditor-General, *The effectiveness of the financial arrangements and management practices in four integrity agencies* may also influence the design of an independent budget process for the Parliament. The release of this report now should enable finalisation of Treasury's consideration of the draft findings and recommendations from the Review and its completion.

We are pleased to advise that the review has been a constructive process, which although not yet finished, has already contributed to the improved budget outcomes for the Parliament outlined above. These include:

- Replacement of the Parliament's State Outcome – Effective Parliament and Accountable Government - with its own strategic framework encompassing a Strategic Plan, priorities, outcomes and KPIs in recognition of the separation of powers between the Legislature and the Executive;
- Removal of the efficiency dividend over the forward estimates (but not a systemic commitment to its removal in an ongoing sense);
- Funding of the Digital Parliament and Audiovisual proposals in the 2020-21 budget cycle;
- Funding of most of the uncontrollable and non-discretionary Parameter and Technical Adjustment proposals put forward for the 2020-21 budget cycle including for Special Constables, Members' staff separations, additional Ministerial, Parliamentary Secretary and Committee Chair appointments and additional Legislative Council Estimate Committee hearings, additional inquiries and extended sitting times.

As soon as the review comes to a conclusion, we would be pleased to provide the committee with the executive summary of any content of interest in relation to the Department of the Legislative Council or the Department of Parliamentary Services.