

**REPORT OF THE FOURTH  
TRIENNIAL PARLIAMENTARY  
APPROPRIATIONS REVIEW**

**June 2010**



## INDEX

1.	<b>SUMMARY</b> .....	1
	<b>Background</b> .....	1
	<b>Principles for parliamentary funding</b> .....	2
	<b>Parliamentary Service</b> .....	2
	<b>Funding entitlements</b> .....	3
	<b>Office of the Clerk</b> .....	5
	<b>The way ahead</b> .....	5
2.	<b>RECOMMENDATIONS</b> .....	7
	<b>Administrative and support services</b> .....	7
	<b>Funding of MPs' staffing entitlements</b> .....	7
	<b>Parliamentary Service</b> .....	7
	<b>Funding entitlements: general</b> .....	8
	<b>Travel entitlements</b> .....	8
	<b>Wellington accommodation entitlement</b> .....	8
	<b>Individual member support</b> .....	9
	<b>Office of the Clerk</b> .....	9
	<b>Transition period</b> .....	10
3.	<b>TERMS OF REFERENCE</b> .....	11
	<b>Statutory terms of reference</b> .....	11
	<b>Agreed terms of reference: Parliamentary Service</b> .....	12
	<b>The adequacy of funding levels for Parliament and MPs</b> .....	13
	<b>Agreed terms of reference: Office of the Clerk</b> .....	13
4.	<b>REPORT STRUCTURE</b> .....	14
	<b>Overview</b> .....	14
5.	<b>CONTEXT</b> .....	16
	<b>Introduction</b> .....	16
	<b>The review process</b> .....	16
	<b>Principles for parliamentary funding</b> .....	17
6.	<b>BACKGROUND</b> .....	20
	<b>The parliamentary precincts</b> .....	20
	<b>Parliamentary Service</b> .....	20
	<b>Office of the Clerk</b> .....	21
	<b>Overall trends in expenditure</b> .....	21
7.	<b>ADMINISTRATIVE AND SUPPORT SERVICES</b> .....	26
	<b>Introduction</b> .....	26
	<b>An overview of the appropriations</b> .....	26
	<b>Expenditure trends</b> .....	26
	<b>Key issues</b> .....	28
	<b>Shared services</b> .....	29
	<b>Funding of MPs' staffing entitlements</b> .....	34

	<b>Employment relationship .....</b>	<b>36</b>
	<b>Parliament buildings.....</b>	<b>38</b>
	<b>Security .....</b>	<b>39</b>
	<b>Administration of MPs' entitlements.....</b>	<b>39</b>
	<b>Performance indicators .....</b>	<b>41</b>
	<b>The classification of expenditure .....</b>	<b>41</b>
<b>8.</b>	<b>FUNDING ENTITLEMENTS FOR PARLIAMENTARY PURPOSES.....</b>	<b>42</b>
	<b>Introduction.....</b>	<b>42</b>
	<b>Overview of the current regime.....</b>	<b>42</b>
	<b>Concerns with the current regime.....</b>	<b>45</b>
	<b>Our preferred approach.....</b>	<b>47</b>
	<b>Non-departmental expenditure trends.....</b>	<b>48</b>
	<b>Travel expenditure.....</b>	<b>49</b>
	<b>International travel entitlements.....</b>	<b>50</b>
	<b>Domestic travel entitlements.....</b>	<b>54</b>
	<b>Former MPs' travel entitlements .....</b>	<b>58</b>
	<b>Wellington accommodation entitlement .....</b>	<b>60</b>
	<b>Party and Member Support entitlements.....</b>	<b>68</b>
<b>9.</b>	<b>OFFICE OF THE CLERK APPROPRIATIONS .....</b>	<b>75</b>
	<b>Introduction.....</b>	<b>75</b>
	<b>Overview .....</b>	<b>75</b>
	<b>Trends in expenditure .....</b>	<b>75</b>
	<b>Trends in the quantity and quality of outputs .....</b>	<b>77</b>
	<b>Technological change and staff capability.....</b>	<b>81</b>
	<b>Inter-parliamentary travel and professional development.....</b>	<b>83</b>
<b>10.</b>	<b>IMPLEMENTATION AND TRANSITIONAL ARRANGEMENTS</b>	<b>84</b>
<b>11.</b>	<b>CONCLUSIONS .....</b>	<b>85</b>
<b>12.</b>	<b>APPENDICES .....</b>	<b>86</b>
	<b>Appendix one – The Fourth Appropriations Review Committee .....</b>	<b>86</b>
	<b>Appendix two – Discussions held and submissions received.....</b>	<b>87</b>
	<b>Appendix three – Trends in Parliamentary Service expenditure.....</b>	<b>91</b>
	<b>Appendix four – The 25 largest electorates .....</b>	<b>94</b>

## 1. SUMMARY

### Background

- 1.1 The Parliamentary Appropriations Review Committee is tasked under the Parliamentary Service Act 2000 with reviewing the amounts of the appropriations for services provided to Parliament and members of Parliament (MPs) and the funding entitlements for parliamentary purposes. The terms of reference for our review are provided in section 3 of this report.
- 1.2 There are three groups of appropriations relevant to our review:
  - the Parliamentary Service departmental appropriations of around \$65m. These appropriations cover the Parliamentary Service's day to day activities including running and maintaining the parliamentary precincts and employment of MPs' support staff both within and outside Parliament;
  - the Parliamentary Service non-departmental appropriations of around \$55m. These appropriations cover the funding entitlements for Parliament and include MPs' salaries, allowances and entitlements, including funding of MPs' out-of-Parliament offices; and
  - the Office of the Clerk of the House of Representatives (Office of the Clerk) appropriations of around \$19m. These appropriations cover the provision of secretariat services to the House and services related to inter-parliamentary relations.
- 1.3 There has been continuing growth in expenditure in these three areas over much of the last two decades, with total spending increasing from \$54m in 1991 to almost \$140m by 2009. Over the last five years (from 2004 to 2009), Parliamentary Service departmental expenditure has increased in real terms (ie, over and above the rate of inflation) by 5.9% per annum (p.a.) and expenditure by the Office of the Clerk has increased in real terms by 6.7% p.a., while non-departmental spending has declined in real terms by 1.5% p.a. Over the 18 years since 1991, the number of staff employed has increased from 4.2 per MP to 6 per MP.
- 1.4 Our review has been undertaken in an environment of economic downturn where a key focus in the public sector is a drive for better value for money.
- 1.5 We are concerned that the rate of growth in expenditure by the Parliamentary Service departmental and the Office of the Clerk in recent years exceeds by a wide margin the rate of growth in the economy (which has averaged 1.4% p.a. in real terms over the five years to 2009). Our view is that this trend is not sustainable and needs to be checked.

## **Principles for parliamentary funding**

- 1.6 The principles applied in the use of publicly funded resources by MPs are as provided in the Speaker's Directions.<sup>1</sup> The key principles in our view are those of accountability, transparency, value for money, adequacy and simplicity.

## **Parliamentary Service**

- 1.7 There are five separate agencies operating in the parliamentary precincts: the Parliamentary Service; the Office of the Clerk; the Executive Government Support branch of the Department of Internal Affairs; the Department of Prime Minister and Cabinet; and the Parliamentary Counsel Office. The combined size of all five agencies within the precincts equates to a medium to large government agency.
- 1.8 We accept, at a high level, that the doctrine of separation of powers between the legislative, executive and judicial arms of government has an important place in our constitution. However, the principle is not undermined when it comes to sharing in the delivery of operational services. The five agencies already share, to varying degrees, many operational services such as security and cleaning services. On the other hand, some services are provided quite separately. The key area where there is scope for efficiency gains from further sharing of services is in the area of information and communication technology (ICT).
- 1.9 The potential benefits from further sharing of services across the parliamentary precincts include a more seamless and customer-centric provision of services, cost reductions through the avoidance of duplication, and longer term efficiencies from standardised processes and technologies which lead to increased service quality.
- 1.10 In relation to the current arrangements for MPs' staffing entitlements (administered by the Parliamentary Service), we consider the total costs of an MP's out-of-Parliament offices should be funded from one budget covering both the MP's staff and non-staff costs. MPs would then be free to decide how to allocate funds, including the number and skill set of staff. A further logical step would be to include the funding for an MP's entitlement to an executive assistant in Parliament and some communications funding

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1 Speaker's Directions 2008, clause 1.5. Citations of the Speaker's Directions in this document are a reference to the Directions and Specifications for Services and Funding Entitlements for the House of Representatives, its Members, Former Members, and Certain Electoral Candidates 2008. See [www.parliament.nz/NR/rdonlyres/2702AD08-B1D3-4B95-9B91-4857328234DF/116227/DirectionsConsolidatedOct093.pdf](http://www.parliament.nz/NR/rdonlyres/2702AD08-B1D3-4B95-9B91-4857328234DF/116227/DirectionsConsolidatedOct093.pdf) That document is both a direction by the Speaker to the Parliamentary Service to provide services to and administer funding entitlements for MPs and certain electoral candidates under the Parliamentary Service Act 2000 and a specification of services for MPs, former MPs and their families provided for under section 20A and section 25 of the Civil List Act 1979.

within the same budget. We also conclude that there may be significant advantages - for both MPs and their staff - for the party or MP to be the employer of his/her support staff. We suggest that this proposal be tested as a pilot on a voluntary basis.

- 1.11 It was brought to our attention that parts of the parliamentary building complex are in need of repairs. It would be highly undesirable if necessary maintenance of a heritage landmark such as the parliamentary building complex was overlooked.

### **Funding entitlements**

- 1.12 Our terms of reference require us to consider the amounts appropriated for funding entitlements for parliamentary purposes. These entitlements include funding for MPs and parties, MPs' travel and accommodation entitlements and the provision of benefits or privileges to former MPs.
- 1.13 Our starting point in reviewing the funding entitlements in place for MPs is that, like any worker, MPs' legitimate business expenses should be treated as a business cost and MPs' personal expenses should be a personal cost, and that public office should be adequately remunerated but not encourage MPs to rearrange their affairs for private profit.
- 1.14 A key aspect of our review is to ensure that Parliament and MPs are adequately funded. However, given the current fiscal and economic circumstances we do not see a case for increasing the size of the appropriations for funding entitlements. Rather, there is considerable scope to change the way the entitlements are funded to enhance the effective performance of parties and MPs.
- 1.15 The current regime for MPs' allowances and entitlements does not fit well with the principles in the Speaker's Directions. The regime lacks transparency and accountability. The Remuneration Authority takes into account the aggregate amount of spending by MPs and their spouses/partners on domestic and international travel when determining MPs' salaries. However, the amount of travel an individual MP or their spouse can undertake is uncapped, meaning an individual MP can effectively determine part of their own remuneration. Moreover, the regime often mixes private benefit with the reimbursement of parliamentary business expenses within the same entitlement. As a result, it is often not possible to discern whether an MP's claim under the regime is remunerative in nature or relates to an expense incurred in carrying out his or her job as an MP. This makes it difficult for the committee to review whether the relevant funding is set at appropriate levels. In the nature of things, the committee found it difficult to form a view on the adequacy of uncapped spending entitlements.
- 1.16 MPs should consider whether it is appropriate for them to continue to be involved in determining the benefits they receive. At present, MPs' cash remuneration is determined by an independent body, the Remuneration Authority, but MPs' entitlements and allowances are determined largely by the Speaker on the advice and recommendation of the Parliamentary Service Commission. By way of contrast, an increasing number of Parliaments with

whom the New Zealand Parliament might be compared have moved or are moving to have the allowances and entitlements of MPs determined by an independent body.

- 1.17 We see no good reason to retain the international travel rebate in its current form. None of the other jurisdictions we examined provide international travel entitlements for MPs or their spouses/partners for personal purposes. Our preferred approach is that the rebate be discontinued and that MPs' salaries be adjusted to reflect the remunerative component of this entitlement. The parliamentary business expense component of the entitlement could be used to set up a fund for travel for MPs' professional development. If the remunerative aspects of travel entitlements were incorporated into MPs' salaries, there would be an approximate 10% increase in MPs' salaries (on average) but no change in MPs' total remuneration (as the subsidies for private travel would be discontinued).
- 1.18 We do not propose any immediate change to MPs' entitlement to unlimited domestic air travel, primarily because the remunerative component, as assessed by the Inland Revenue Department (IRD), is very low (5%). It is likely that the cost of a system to recover the cost of personal travel from MPs would come close to or exceed the amount recovered. We consider that funding for spouses'/partners' and dependents' domestic travel should be limited to travel associated with parliamentary business. We also consider that any entitlements for travel on rail, ferry and bus should be limited to travel for or associated with parliamentary business.
- 1.19 We do not believe that new MPs should be able to claim public funding for out-of-Parliament offices or Wellington housing that they or an interested party owns. Ownership of these premises exposes the MP to the suspicion that they are seeking to achieve private benefit at the public expense. We emphasise that it is currently entirely legitimate for MPs to receive public funding for premises they or an interested party own and we consider that, as a transitional arrangement, funding for such premises should be grandfathered while the MP concerned continues in office.
- 1.20 In relation to MPs' Wellington accommodation allowance, we consider that:
- the current entitlement should be amended to define the allowable expenses that may be claimed as expenses incurred "in respect of accommodation" and that the definition be limited to rent and utilities. MPs would no longer be able to claim mortgage interest payments as an expense incurred "in respect of accommodation";
  - if MPs or interested parties continue to be allowed to claim public money for premises owned by themselves or interested parties, the cap on the entitlement should be lowered to 80% of the cap applying where the MP or interested party does not own the property; and
  - the definition of the Wellington commuting area (the area that defines whether MPs are entitled to claim Wellington accommodation expenses) should be extended from the current boundary south of Paekakariki to include the Kapiti Coast up to the Waikanae River.

- 1.21 In respect of the individual member's support entitlement (that is used primarily to fund MPs' out-of-Parliament offices) there is a strong case for the amount of that funding being determined by an independent regulator. We would expect that an independent regulator would review the current three-tier regime in light of the anomalies identified in our report. In our view, there is a good case for a reduction in the funding levels for the large and Maori electorates and for establishing an additional intermediate funding tier to recognise the extra demands placed on the largish electorates and electorates in the lowest socio-economic communities.

### **Office of the Clerk**

- 1.22 It is outside our terms of reference to undertake a comprehensive review of the funding levels of the Office of the Clerk. However, we consider that a regular review of the appropriations for the Office of the Clerk should be undertaken, independently of the Executive, similar to this review of the appropriations for the Parliamentary Service.
- 1.23 In regard to the level of investment of the Office of the Clerk, we consider that following a period of high investment, a period of consolidation is now called for. We do not consider an increase in funding for the Office of the Clerk's inter-parliamentary relations appropriation is appropriate in the current fiscal climate.

### **The way ahead**

- 1.24 This report has reviewed the amounts of the appropriations for parliamentary purposes. Given the growth in total parliamentary expenditure in recent years and the current tight fiscal and economic environment, we consider a period of consolidation in the aggregate level of appropriations for parliamentary purposes is appropriate.
- 1.25 While we do not favour an increase in total appropriations, there are nevertheless some areas where additional resources are likely to be justified, as noted above. However, we consider these areas of additional expenditure can be at least partially funded from offsetting savings within the existing funding regime.
- 1.26 In relation to the funding entitlements for Parliament, we think it highly desirable that the Speaker and Parliament take the lead in implementing the reforms identified in this report. We do not believe that piece-meal changes to the current regime will suffice.
- 1.27 A general election represents a natural watershed in the cycle of parliamentary life and there are advantages in linking the introduction of changes to the system of funding entitlements for MPs to the start of the next parliamentary term. Some legislative, budgetary and administrative changes would be required to implement our recommendations. While these will require some care, we do not think they will present any major obstacles to adopting our recommended changes.

1.28 The review committee believes the proposals recommended in this report represent a very significant step forward and, if implemented, would go far towards improving the effective performance of Parliament and MPs.

## **2. RECOMMENDATIONS**

### **Administrative and support services**

1. That an independent program manager be appointed by the five parliamentary agency CEOs (if necessary, by direction of the Speaker, the Attorney General and Prime Minister) with responsibility for and the necessary delegated authority and funding to deliver the ICT rationalisation program developed by Government Technology Services.

### **Funding of MPs' staffing entitlements**

2. That MPs' out-of-Parliament staffing entitlements be converted to a monetary value and the funding integrated with MPs' funding for out-of-Parliament non-staff expenditure.
3. That the funding for MPs' executive assistants and some communications entitlements also be integrated within the single budget recommended in recommendation two above.
4. That a pilot scheme be set up permitting MPs or recognised parties to directly employ MPs' support staff if they wish.
5. That consideration be given to broadening the class of family members for which restrictions on employment as an MP's support staff apply.

### **Parliamentary Service**

6. That the Parliamentary Service report to the Speaker as soon as possible on the costs of the necessary repairs to Parliament House and the Executive Wing to prevent further water damage.
7. That the already-purchased x-ray machine facility be installed at the Bowen House entrance without delay.
8. That the Parliamentary Service complete its work on an internal delegation policy as a matter of priority.
9. That the Parliamentary Service develop more comprehensive output and performance benchmarks for the 2011-13 Statement of Intent.
10. That the Parliamentary Service investigate, in consultation with the Treasury, the appropriate classification of expenditure between the departmental and non-departmental appropriations.

### **Funding entitlements: general**

11. That the remunerative aspects of MPs' entitlements be removed from the entitlements provided for in the Speaker's Directions so that the parliamentary business expenses of MPs can be identified for the purposes of the next appropriations review.
12. That entitlements and allowances for MPs be set by an independent body. This body could be an independent Officer of Parliament.

### **Travel entitlements**

13. That the rebate for private international travel by MPs and their spouses or partners be discontinued and a new entitlement be established allowing MPs to travel internationally for professional development purposes.
14. If recommendation 13 above is not accepted, that the Parliamentary Service collect information on the amount of private and parliamentary business travel undertaken through the current international travel rebate.
15. That domestic air travel for each spouse/partner and dependent (under the age of five) be limited to an appropriate number of return trips per annum. Those return trips could be anywhere in the country but should be associated with parliamentary business.
16. That entitlements for MPs to travel by rail, bus and ferry be restricted to travel for parliamentary business and their spouses/partners and dependents be restricted to travel associated with parliamentary business.

### **Wellington accommodation entitlement**

17. That, for the purposes of the Wellington accommodation entitlement, MPs entering Parliament from the next general election not be able to claim public funding for premises owned by either an MP or an interested party. The funding for premises owned directly or indirectly by current MPs should be grand-parented while the MP continues in Parliament.
18. That the level of the Wellington accommodation entitlement remain capped at \$24,000 p.a.
19. That the Speaker's Directions be amended to define the expenses that may be claimed as expenses incurred "in respect of accommodation" and the definition be limited to rent and utilities.
20. If recommendation 17 is not accepted, that the cap on the entitlement where an MP either owns the property or is renting from an interested party be lowered to 80% of the cap that is otherwise in place. The present funding arrangements for premises owned directly or indirectly by current MPs should, however, be grand-parented while the MP continues in Parliament.
21. That the definition of the Wellington commuting area be extended to include the Kapiti Coast up to the Waikanae River.

### **Individual member support**

22. That the amount of the individual members' support entitlement be set by an independent regulator.
23. If an independent regulator is not given responsibility for determining the individual members' support entitlement, that:
  - a. a cross-party agreement on the appropriate funding regime be entered into;
  - b. the funding for the Maori/largest electorates be altered to \$87,588;
  - c. East Coast and Taranaki-King Country electorates be added to the Maori/large electorate tier of funding; and
  - d. an additional intermediate tier, receiving \$87,588 (but not an extra staff member), be established consisting of the Northland, Rangitikei and Wairarapa electorates and up to five electorates in the lowest socio-economic areas of the country.
24. That MPs entering Parliament from the next general election not be able to receive public funding for out-of-Parliament offices owned by an MP or an interested party. The funding for premises owned directly or indirectly by current MPs should be grand-parented while the MP continues in Parliament.
25. If recommendation 24 is not accepted, that funding for an MP's out-of-Parliament office owned by an MP or interested party be limited to 80% of the independently determined market rental for the property. The present funding arrangements for premises owned directly or indirectly by current MPs should, however, be grand-parented while the MP continues in Parliament.

### **Office of the Clerk**

26. That an independent review of the Office of the Clerk be commissioned to report on:
  - a. the adequacy of the level of funding for the Office of the Clerk;
  - b. the efficiency and cost-effectiveness of the Office of the Clerk's operations; and
  - c. the scope for out-sourcing the Office of the Clerk's non-advisory functions and of merging these functions with the Parliamentary Service.
27. That the Clerk of the House of Representatives Act 1988 be amended to require a triennial review of the appropriations for the Office of the Clerk similar to the appropriations review for the Parliamentary Service.

### **Transition period**

28. That the above recommendations for changes to the system of allowances and entitlements for MPs take effect from the start of the next parliamentary term.

### 3. TERMS OF REFERENCE

#### Statutory terms of reference

- 3.1 The statutory terms of reference for this review are found in the Parliamentary Service Act 2000. The Speaker<sup>2</sup> is required by the Act to convene an Appropriations Review Committee at least once during the term of each Parliament to review the amounts of money appropriated for services and funding entitlements for parliamentary purposes.<sup>3</sup>
- 3.2 The function of the committee (set out in section 20 of the Act) is to review the amounts of money appropriated by Parliament for the following purposes:
- administrative and support services provided to the House of Representatives and members of Parliament (section 20(1)(a)); and
  - funding entitlements for parliamentary purposes (section 20(1)(b)).
- 3.3 The phrase “funding entitlements for parliamentary purposes” is defined by the Parliamentary Service (Continuation of Interim Meaning of Funding for Parliamentary Purposes) Act 2009 as including funding for all or any of the following purposes:
- the performance by an MP of his or her role and functions as an MP;
  - the performance by a party of its role and function as a political party;
  - the provision of travel, accommodation and attendance services (as provided for in the Speaker’s Directions);
  - the provision of communications services (as provided for in the Speaker’s Directions);
  - the provision of services and resources to support electoral candidates (in accordance with the Speaker’s Directions); and
  - the provision of benefits or privileges for former MPs and members of their families.
- 3.4 Administrative and support services provided to the House of Representatives are funded through the Parliamentary Service departmental appropriations and the Office of the Clerk appropriations.<sup>4</sup> Funding

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2 The Speaker is deemed the Minister responsible for both Vote Parliamentary Service and Vote Office of the Clerk.

3 Parliamentary Service Act 2000, section 4.

4 On the face of it, our function appears to encompass appropriations for both the Parliamentary Service and the Office of the Clerk. The Office of the Clerk has, however, made it plain to us that in their view this is not the case and that any review by this committee of the Office of the Clerk is limited to the specific terms agreed with the Speaker.

entitlements for parliamentary purposes are funded through the Parliamentary Service non-departmental appropriations.<sup>5</sup>

3.5 In conducting the review, the committee is not limited to reviewing the quantity of the appropriations. The committee must also consider the context in which the funding is provided and the way in which it is provided so as to determine how MPs and Parliament can operate most effectively. In that respect the committee is obliged (under section 21 of the Act) to consider each of the following matters:<sup>6</sup>

“(a) the nature, quantity, and quality of administrative and support services required for the effective operation of the House of Representatives:

(b) the nature, quantity and quality of administrative services and support services that members of Parliament require for the effective performance of their functions:

(c) the funding that recognised parties and members of Parliament require for the effective performance of their respective functions:

(d) the scope for efficiency gains in the delivery of administrative services and support services to the House of Representatives and to members of Parliament:

(e) investments that may be necessary or desirable in order to further the aims of high quality representation by members of Parliament and high quality legislation:

(f) the need for fiscal responsibility.”

#### **Agreed terms of reference: Parliamentary Service**

3.6 The Speaker has elaborated on the statutory terms of reference by identifying two particular areas of focus for the committee:

- the levels of support funding that constituency and list members require for the effective performance of their respective functions; and
- the funding that members of Parliament require to meet Wellington accommodation expense costs.

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5 While MPs’ salaries and basic expense allowance are part of the non-departmental appropriation we have not addressed in this report the level of salaries for MPs because that is the responsibility of the Remuneration Authority. We note however that many of the current travel entitlements contain an element of remuneration and to that extent we cannot avoid considering those aspects of MPs’ effective remuneration.

6 Parliamentary Service Act 2000, section 21.

## **The adequacy of funding levels for Parliament and MPs**

3.7 Addressing the issue of the adequacy of funding for Parliament and MPs lies at the heart of this report. There is no simple or single way of answering the question of what is an adequate level of funding for Parliament and MPs. Rather, we have addressed the issue by having regard to a number of factors. These factors include:

- historical trends in parliamentary expenditure. If, for example, we found that funding has been declining steadily or sharply there would, all other things equal, be cause for concern about whether current funding levels are adequate. Conversely, if funding has been increasing over time, there is likely to be less cause for concern;
- the current economic and fiscal environment. The level of funding for parliamentary purposes, as for every other public purpose, has to have regard to the prevailing economic and fiscal circumstances;
- an assessment of specific areas of spending for parliamentary purposes. For these specific areas, we have examined where changes - either upwards or downwards - in the level of funding could and should be made to enhance the effective performance of Parliament and MPs; and
- changes in the structure of the funding regime. We have examined the way in which funding is allocated including the rules that relate to the use of the funding and considered whether improvements can be made in these factors so as to enhance the effective performance of Parliament and MPs. While the way in which funding is allocated can be the most controversial aspect of an appropriation, the adequacy of an appropriation cannot be addressed properly without considering these structural issues. If the way in which funding is allocated can be improved so as to enhance the effective performance of Parliament and MPs, then the adequacy of the funding levels will also be enhanced. Or to put it another way, if the way in which funding is allocated impedes Parliament and MPs from operating most effectively, then additional funding alone may not solve the problem.

### **Agreed terms of reference: Office of the Clerk**

3.8 The terms of reference for the Office of the Clerk are much narrower than those for the Parliamentary Service.

3.9 The Speaker and the Clerk of the House have reached an agreement to include the following additional areas of investigation in the review:

- the impact of technology (sic) change and maintaining staff capability on the level of the appropriation for output class secretariat services to the House of Representatives; and
- the nature, quality and quantity of services to members through the inter-parliamentary travel programme and the funding of members' professional development.

## 4. REPORT STRUCTURE

### Overview

- 4.1 This report is structured around the terms of reference relevant to our review (discussed in section 3 above). The context and background to the review are discussed in sections 5 and 6. The report is then divided into three substantive sections. The first two sections relate to the statutory functions of the committee to review the Parliamentary Service appropriations<sup>7</sup> for:
- administrative and support services provided to the House of Representatives and MPs (section 7); and
  - funding entitlements for parliamentary purposes (section 8).
- 4.2 The third substantive section (section 9) relates to the agreed terms of reference for the committee’s review of the appropriations for the Office of the Clerk.
- 4.3 The report does not canvas every aspect of the appropriations but details those aspects that have become a focus of this review.
- 4.4 The three groups of appropriations relevant to the review are:<sup>8</sup>
- a. the Parliamentary Service departmental<sup>9</sup> appropriations of around \$65m which provide funding for the administrative and support services provided to the House of Representatives and MPs (covered in section 7) including:
    - the Parliamentary Service’s day to day activities supporting the operation of Parliament; and
    - services to MPs including employment of MPs’ staff both within Parliament and at MPs’ out-of-Parliament offices;
  - b. the Parliamentary Service non-departmental<sup>10</sup> appropriations of around \$55m which provide funding for entitlements for parliamentary purposes (covered in section 8) including:
    - MPs’ salaries (including a basic expense allowance) as set by the Remuneration Authority; and

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7 An appropriation is an authority granted by Parliament to a Minister to incur expenses or capital expenditure for purposes within the scope of the appropriation.

8 The groups of appropriations listed exclude departmental and non-departmental capital expenditure in Vote Parliamentary Service and departmental capital expenditure in Vote Office of the Clerk.

9 So called because the expenses appropriated relate to the provision of services by a ‘department’, in this case, the Parliamentary Service. The Parliamentary Service is deemed to be a department under the Public Finance Act 1989.

10 Appropriations are referred to as being “non-departmental” when the expenses or capital expenditure are incurred for services purchased from providers outside the department (eg, air travel for MPs), payments to individuals or entities outside the department, or investment in assets owned by the Crown rather than the department.

- MPs' entitlements and allowances as provided for in the Speaker's Directions. The entitlements and allowances are a mix of personal remuneration and business expenses covering areas such as travel, accommodation, out-of-Parliament offices and communications; and
- c. the Office of the Clerk departmental appropriations of around \$19m (covered in section 9) which provide funding for:
- secretariat services to the House of Representatives; and
  - inter-parliamentary relations.

## 5. CONTEXT

### Introduction

- 5.1 This is the fourth report of an Appropriations Review Committee.<sup>11</sup> Our review has been undertaken in an environment of economic downturn where a key focus in the public sector is a drive for value for money and greater cost effectiveness.<sup>12</sup> We have had this context firmly in mind during our considerations.
- 5.2 The provision of administrative and support services across the public sector has been subject to close scrutiny. One feature of the drive for greater value for money has been an emphasis on increased sharing of services between government agencies. For example, under the Government's Procurement Reform Agenda "centres of expertise" will be established within lead agencies to negotiate all-of-government contracts in common-spend areas such as ICT purchases.
- 5.3 We are also conscious there has been a focus on remuneration and allowances for members of Parliament internationally. The theme common to recent overseas reviews is a need for a simple, clear and accountable regime with salaries and allowances/entitlements fixed neither by MPs themselves nor by the Executive but independently.<sup>13</sup>

### The review process

- 5.4 The process for the review is not prescribed other than a requirement for the committee to consult with the Parliamentary Service Commission (PSC) prior to finalising this report to the Speaker.
- 5.5 We have approached our enquiry by gathering information in a number of different ways including meetings with stakeholders, visiting the Parliamentary Service and the Office of the Clerk operations both on and (in the case of the Parliamentary Service) off the parliamentary precincts and gathering information from the Parliamentary Service and the Office of the Clerk about particular aspects of their operations relevant to the review. The committee has also sought out and reviewed information from other government entities and overseas jurisdictions where it was thought that may provide helpful comparisons.

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11 The committee's current membership and details of previous reports are set out at Appendix one.

12 We note that in this environment, MPs resolved to support a cross-party submission to the Remuneration Authority asking it to refrain from raising MPs' salaries during the 2009 review and commit to revisiting this issue in 2010. The Honourable John Carter (on behalf of the Minister of Labour), when introducing the Remuneration Authority Amendment Bill (to amend the Remuneration Act so that the Authority could have regard to the resolution), stated that "decisions on pay for politicians should not be made by politicians." The Bill was passed, amending the Remuneration Authority Act so that the Authority can take economic circumstances into account when determining MPs' salaries.

13 See, for example, [www.ipsa-home.org.uk](http://www.ipsa-home.org.uk) for the new United Kingdom MPs' expenses regime (operational from May 7<sup>th</sup>, 2010).

- 5.6 Every MP has been invited to meet with and/or make a submission to the committee. The committee has met with every person/organisation that has asked to meet the committee and has initiated meetings with a number of others. We have therefore engaged in wide-ranging discussions with relevant parties including Parliamentary Service management and staff, MPs, government departments and agencies who work with, for, or are provided services by the Parliamentary Service and a number of other key stakeholders. A complete list of the parties/organisations the committee has met with is set out at Appendix two.
- 5.7 Throughout the review process we have consulted with the PSC and we have received comments on the draft report from the PSC, the Parliamentary Service, the Office of the Clerk and various other parties.

### **Principles for parliamentary funding**

- 5.8 The principles to be applied in the use of publicly funded resources by MPs and parties are set out in the Speaker's Directions.<sup>14</sup>
- 5.9 We have also had regard to discussions with stakeholders, various Auditor General's reports<sup>15</sup> and the November 2009 report of the United Kingdom Committee on Standards in Public Life (the "Kelly report").<sup>16</sup>
- 5.10 The Speaker's Directions identify the following principles "that must be applied in the use of publicly funded resources by members and parties:
- a. The principle of accountability
    - Ultimately, members are personally responsible for the way they and parties use the public resources entrusted to them.
    - This personal responsibility cannot be avoided, even though delegations may exist for others to incur costs on a member's or party's behalf.
    - Records about a member's or party's use of public resources should be kept to facilitate scrutiny if required.
  - b. The principle of appropriateness
    - Expenditure must only be incurred in respect of parliamentary purposes.

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14 Speaker's Directions 2008, clause 1.5.

15 The Auditor-General has considered issues relating to MPs' remuneration on several occasions. The reports "Parliamentary salaries, allowances and other entitlements (2001)" and "Auditor-General's decision on parliamentary and ministerial accommodation entitlements (October 2009)" are particularly relevant to our discussion.

16 "MPs' expenses and allowances: Supporting Parliament, safeguarding the taxpayer", United Kingdom Committee on Standards in Public Life, November 2009 ([www.public-standards.govt.uk/library/MP\\_expenses\\_main\\_report.pdf](http://www.public-standards.govt.uk/library/MP_expenses_main_report.pdf)).

- c. The principle of openness
  - Members and parties must be open in the use of public resources and disclose any conflict of interest in utilising entitlements, whether that conflict is pecuniary, personal, familial, or as a result of any association.
- d. The principle of transparency
  - The reasons for, and the circumstances surrounding, the use of public resources by individual members or parties should be publicly available.
  - The process by which funds are expended should be publicly known.
- e. The principle of value for money
  - When using public resources entrusted to them to perform their official duties, members and parties must seek the appropriate value for money in the circumstances.
- f. The cost-effective principle
  - Wherever reasonably practicable, members should use the most cost-effective alternative available.”

5.11 Given the focus of our review we would add the principle of adequacy: that is, the adequacy of parliamentary funding for Parliament to carry out its role and for members to perform their roles. It is an important that Parliament and MPs are not unduly constrained by the Executive in carrying out their duties. Parliament as an institution needs to be adequately funded and MPs should be appropriately remunerated and not be out of pocket for the costs of performing their role.

5.12 In addition to the above principles there are four further considerations we view as particularly important in reviewing the funding entitlements for MPs:

- that any review of allowances and entitlements should start from the premise that like any worker, MPs’ parliamentary business expenses should be treated as a business cost and their personal expenses should be a personal cost;
- that rules and systems should be clear and understandable. As the Kelly report noted, “if it is difficult to explain an element of a system in terms which the general public will regard as reasonable, that is a powerful argument against it”;<sup>17</sup>

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<sup>17</sup> Ibid p.9.

- that MPs should not obtain personal financial advantage from public funds beyond their independently determined and publicly disclosed remuneration; and
- that MPs entered Parliament with an understanding as to the salary, allowances and entitlements associated with the job. It is appropriate that this understanding not be undermined without good reason.

5.13 The particular features of Parliament may mean there are on occasion good reasons to depart from the above general principles. But the principles provide our starting point and any departure from them has to be based on a sound and coherent rationale.

5.14 There will to some extent inevitably be tensions between the above principles and tradeoffs that have to be made. In particular, there is a balance to be struck between the House's hard-won privilege to determine its own operations and the public interest in openness, transparency and value for money in the expenditure of public money.

## **6. BACKGROUND**

### **The parliamentary precincts**

- 6.1 What is considered to be ‘Parliament’ by the general public is in fact five separate agencies that operate within the parliamentary precincts and that have distinct roles and responsibilities. These five agencies are:
- i. the Parliamentary Service (discussed in more detail below), responsible for administrative and support services to the House of Representatives and MPs and the provision of services to the other agencies set out below;
  - ii. the Office of the Clerk of the House of Representatives (the Office of the Clerk), the legislature’s secretariat (discussed in more detail below);
  - iii. Executive Government Support (EGS), part of the Department of Internal Affairs. EGS provides support services to Ministers including administrative, accounting, personnel, information technology, facilities management, residential property, advisory services and media and communications. EGS employs staff in ministerial offices and looks after the Beehive website. It also administers travel and accommodation services for Ministers;
  - iv. the Parliamentary Counsel Office (PCO), responsible for drafting most of New Zealand’s legislation and publishing Acts of Parliament, Statutory Regulations, Bills and Supplementary Order Papers; and
  - v. the Department of Prime Minister and Cabinet (DPMC), responsible for supporting the conduct of Executive Government by the Governor General, the Prime Minister and members of the Cabinet.
- 6.2 Our review focuses on two of those agencies – the Parliamentary Service and the Office of the Clerk. They are the two agencies constituted to support Parliament and MPs, whereas EGS, PCO and DPMC are departments of the Executive (or a division thereof). We have considered the services provided by the Parliamentary Service and the Office of the Clerk (and the appropriations for those agencies) in the context of the services provided across the entire parliamentary precincts by all five agencies.

### **Parliamentary Service**

- 6.3 The Parliamentary Service was established by the Parliamentary Service Act 1985 and continues under the provisions of the Parliamentary Service Act 2000. It is deemed to be a government department under the Public Finance Act 1989.

- 6.4 The primary function of the Parliamentary Service is to provide administrative and support services to the House of Representatives and members of Parliament<sup>18</sup> pursuant to directions provided by the Speaker<sup>19</sup> and administer funding entitlements for parliamentary purposes. The Parliamentary Service may (with the approval of the Speaker) also provide administrative and support services to any officer of the House of Representatives or Parliament, any office of Parliament and any department or other instrument of the Crown.<sup>20</sup>
- 6.5 The Parliamentary Service is the largest of the five agencies situated within the parliamentary precincts. In addition to approximately 400 staff located at Parliament, it employs around 180 staff to provide support to MPs in their out-of-Parliament offices.<sup>21</sup>

### **Office of the Clerk**

- 6.6 The Clerk of the House of Representatives Act 1988 established the Office of the Clerk as an Office of the House of Representatives.<sup>22</sup> The Clerk of the House is the principal officer of the Office of the Clerk and has responsibility for the provision of specialist advice on parliamentary procedure and parliamentary law, and administrative services to the Speaker and MPs in the performance of their duties as members of the House. The Clerk of the House also provides advice on inter-parliamentary relations to the Speaker and MPs. The Office of the Clerk employs approximately 125 staff at Parliament.

### **Overall trends in expenditure**

- 6.7 The table overleaf provides the trends in expenditure for votes Parliamentary Service and Office of the Clerk over the period from 1991 to 2009. The period 1991 to 2009 has been chosen to provide a long-term perspective that covers both the pre and post-MMP periods.
- 6.8 All expenditure figures in this report have been adjusted for inflation (converting to \$2009) so as to provide the real underlying trends.<sup>23</sup>
- 6.9 Over the eighteen year period (in \$2009):
- Parliamentary Service departmental expenditure has increased from \$42.9m to \$65.4m;
  - Parliamentary Service non-departmental expenditure (including spending on MPs' salaries, allowances and entitlements) has increased from \$26.4m to \$55.4m; and

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18 Parliamentary Service Act 2000, section 7.

19 Ibid, section 8.

20 Ibid, section 9.

21 Approximate numbers are for full-time-equivalent staff numbers.

22 Clerk of the House of Representatives Act 1988, section 14.

23 We use the Consumer Price Index (CPI) as the measure of inflation. Over the period from 1991 to 2009, the CPI has increased on average by 2.2% p.a.

- expenditure by the Office of the Clerk has increased from \$10.6m to \$19.2m.

6.10 The sum of the two votes (the Parliamentary Service and the Office of the Clerk) has increased from \$79.9m to \$139.9m.

Parliamentary real expenditure (2009 \$m)				
	1991	2001	2004	2009
Parliamentary Service departmental expenditure	42.9	45.7	49.0	65.4
Non-departmental expenditure	26.4	51.9	59.7	55.4
Office of the Clerk expenditure	10.6	14.6	13.9	19.2
<b>Total parliamentary expenditure</b>	<b>79.9</b>	<b>112.2</b>	<b>122.6</b>	<b>139.9</b>

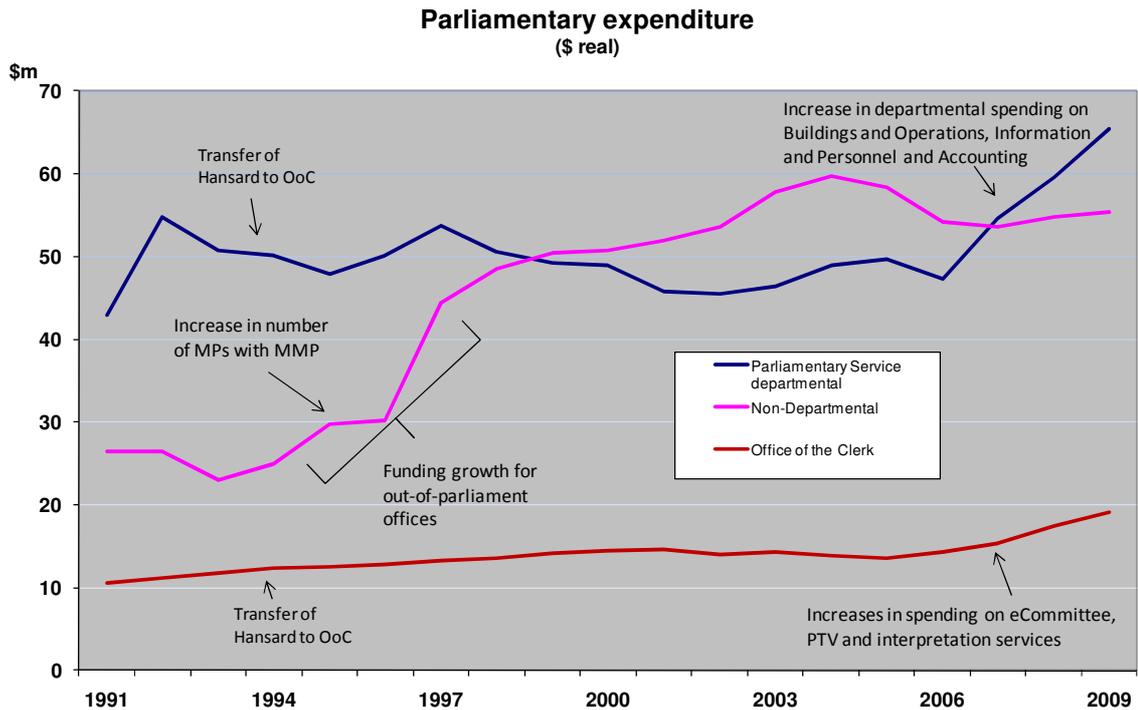
6.11 The real growth rates in parliamentary spending have been:

- 2.4% p.a. in Parliamentary Service departmental spending over the period 1991 to 2009 and 5.9% p.a. over the last five years;
- 4.2% p.a. in Parliamentary Service non-departmental spending over the period 1991 to 2009, with a 1.5% p.a. decline over the last five years; and
- 3.4% p.a. in Vote Office of the Clerk spending over the period 1991 to 2009 and 6.7% p.a. over the last five years.

6.12 In total, parliamentary spending in inflation-adjusted terms has increased by 75% over the last eighteen years (refer the table below).

Growth in parliamentary real expenditure (%)			
	Total growth (1991 to 2009)	Growth per annum (1991 to 2009)	Growth per annum (2004 to 2009)
Parliamentary Service departmental expenditure	52.3%	2.4%	5.9%
Non-departmental expenditure	109.9%	4.2%	-1.5%
Office of the Clerk expenditure	81.5%	3.4%	6.7%
<b>Total parliamentary expenditure</b>	<b>75.2%</b>	<b>3.2%</b>	<b>2.7%</b>

6.13 The graph overleaf illustrates the trends in the three groups of appropriations (the appropriations for Parliamentary Service departmental and non-departmental and the Office of the Clerk) in real terms over the last eighteen years.



6.14 The primary factors driving the growth in parliamentary expenditure include:

- the introduction of MMP in 1996, the consequent increase in the number of MPs (by around 20%) and the greater complexity that has resulted for select committees and the House;
- increased entitlements for spending on out-of-Parliament offices;
- increased spending on core parliamentary services including security (following increased concerns about terrorist activities in the wake of the events of 11 September 2001) and new and upgraded parliamentary information services for the Parliamentary Library.

6.15 The recent increase in expenditure in the Office of the Clerk appropriations relates to a number of new services provided by Office of the Clerk including the introduction of a television broadcast of Parliament and e-Committee services for select committees.

6.16 Some costs, for example communications and air-fare travel costs, have come down over the period.

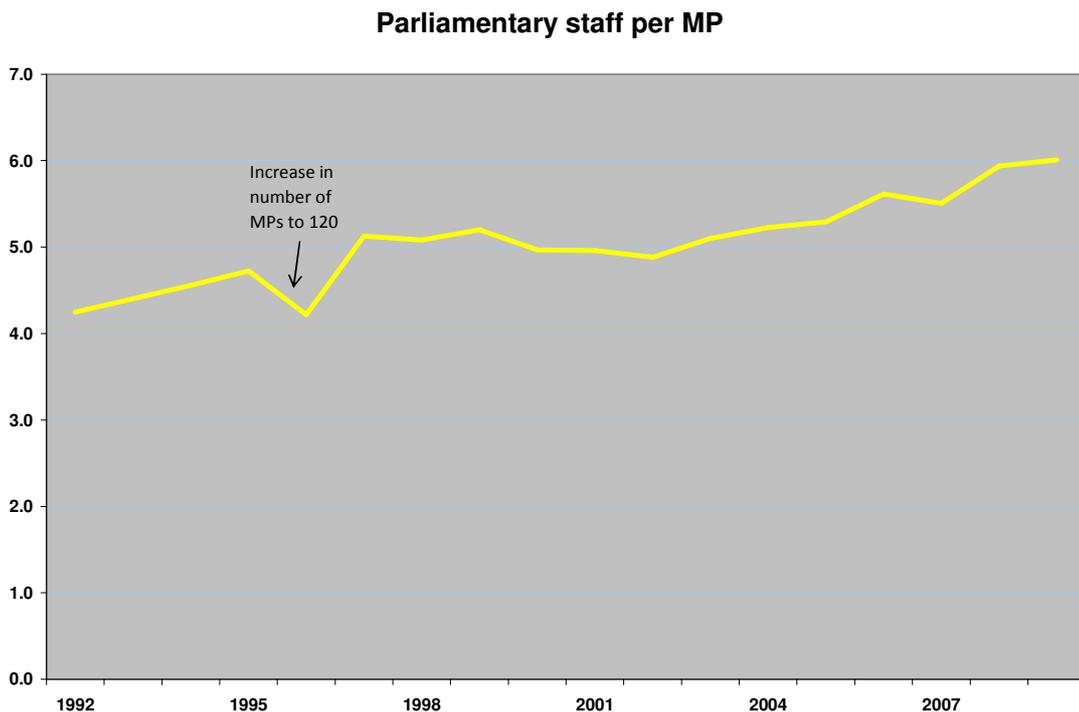
6.17 We note that the rate of increase of expenditure controlled by MPs (non-departmental expenditure) has slowed down as compared to the Parliamentary Service (departmental expenditure).

6.18 The table below provides the trends in staff numbers employed by the Parliamentary Service and the Office of the Clerk. Total staff numbers have increased since 1992 from 416 to 733.

Parliamentary staff <sup>(1)</sup>				
	1992	2001	2004	2009
Parliamentary Service staff	369	509	526	608
Office of the Clerk <sup>(2) (3)</sup>	47	86	101	125
Total parliamentary staff	416	595	627	733
Parliamentary staff per MP	4.2	5.0	5.2	6.0

1. Numbers for PS are full-time equivalent, while numbers for OoC are total number of staff employed.
2. The increase in staff numbers for the OoC in the early 1990s largely reflects the transfer of responsibility for Hansard from the PS to the OoC.
3. Figures for the OoC for 1992 to 1995 and 1997 to 1998 are interpolated.

6.19 The graph below provides the trend in total parliamentary staff per MP. Over the period the number of staff per MP has increased from 4.2 to 6.



6.20 Without more information on trends in the quantity and quality of the outputs of the Parliamentary Service and the Office of the Clerk, it is not possible for us to conclude definitively whether the increase in overall parliamentary expenditure is a “good” thing – reflecting, for example, increases in value-added services – or a “bad” thing – reflecting, for example, declines in productivity. In our report we attempt to address whether the expenditure has been effective but recognise it is very difficult

to make that assessment. We are, however, concerned that the rate of growth in expenditure by the Parliamentary Service departmental and the Office of the Clerk in recent years exceeds by a wide margin the rate of growth in the economy. Our view is that this trend is not sustainable and needs to be checked.

6.21 Further information on historical trends in Parliamentary Service expenditure is provided in Appendix three.

## **7. ADMINISTRATIVE AND SUPPORT SERVICES**

### **Introduction**

- 7.1 This section of the report considers the administrative and support services provided by the Parliamentary Service to the House of Representatives and MPs. These services are funded through the Parliamentary Service departmental appropriations. The terms of reference require the committee to look at the nature, quantity and quality of the administrative and support services required for the effective operation of the House of Representatives and that MPs require for the effective performance of their functions. We provide first, an overview of the current funding regime and then set out our key findings.

### **An overview of the appropriations**

- 7.2 The departmental appropriations that fund the Parliamentary Service's administrative and support services include funding for the following appropriations:
- Services to Members (\$17.2m in 2008/09): principally the employment of support staff for MPs (both in Parliament and in their out-of-Parliament offices);
  - Parliamentary Information Services (\$13.2m in 2008/09): the Parliamentary Library and library services and computing and telecommunications services;
  - Building and Operations Management (\$27.4m in 2008/09): the cost of operating and maintaining the parliamentary buildings including security costs and depreciation on the fit-out of leasehold property (including Bowen House);
  - Policy Advice (\$0.9m in 2008/09): the provision of policy advice relating to MPs' entitlements and allowances, advice to the PSC and the Speaker and the costs associated with the Appropriations Review Committee; and
  - Personnel and Accounting Services (\$6.7m in 2008/09).

### **Expenditure trends**

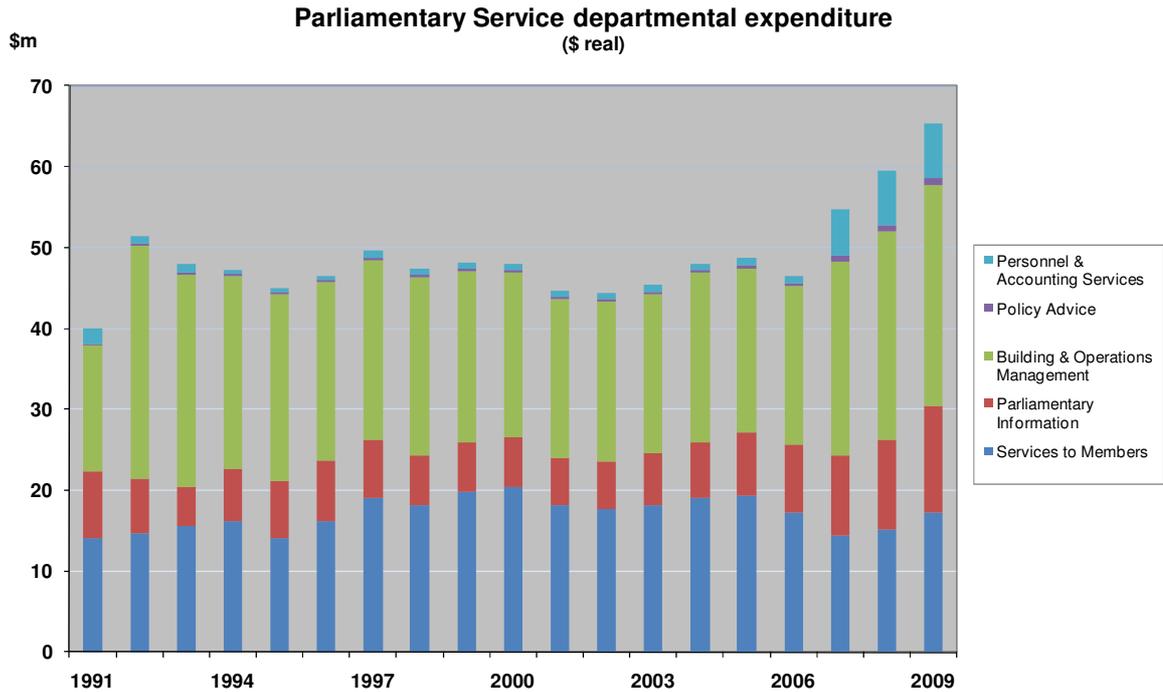
- 7.3 The table overleaf looks at the trends in expenditure on administrative and support services by the Parliamentary Service over the period 1991 to 2009. Those services are funded by the departmental appropriations. The figures are provided in real (inflation-adjusted) terms.

7.4 In summary, over the eighteen years, spending (in \$2009) on:

- Services to Members has increased from \$14.1m to \$18.2m in 2001, largely reflecting the increase in the number of MPs with the introduction of MMP. Expenditure in this area has declined in real terms over the last five years;
- Information Services has increased from \$8.2m to \$13.2m;
- Buildings and Operations Management has increased from \$15.6m to \$27.4m; and
- Personnel and Accounting Services have increased from \$1.9m to \$6.7m (reflecting in part an accounting reclassification).

<b>Parliamentary Service departmental expenditure (2009 \$m)</b>				
<b>Output class</b>	<b>1991</b>	<b>2001</b>	<b>2004</b>	<b>2009</b>
Services to Members	14.1	18.2	19.1	17.2
Catering Services	3.0	1.1	1.0	0.0
Parliamentary Information	8.2	5.8	6.8	13.2
Building & Operations Management	15.6	19.5	21.0	27.4
Policy Advice	0.2	0.3	0.4	0.9
Personnel & Accounting Services	1.9	0.8	0.8	6.7
<b>Total expenditure</b>	<b>42.9</b>	<b>45.7</b>	<b>49.0</b>	<b>65.4</b>

7.5 In total, expenditure by the Parliamentary Service (departmental) has increased by around 50% in real terms over the last eighteen years. The rate of increase in expenditure has picked up markedly in the last three years (refer the graph overleaf). Spending has increased by around 6% p.a. on average in real terms for each of the last five years.



7.6 Further information on the historical trends in the Parliamentary Service departmental expenditure is provided in Appendix three.

### Key issues

7.7 During our review we met with key stakeholders and reviewed stakeholder surveys. While there was a general level of satisfaction with the services provided by the Parliamentary Service, we have identified seven issues. In summary the issues we have identified are:

- i. the scope for increased use for shared services across the five agencies that operate within the parliamentary precincts, in particular with regard to information and communications technology (ICT) services;
- ii. the scope for changes to MPs' staffing entitlements to increase the flexibility of funding and employment arrangements;
- iii. the need for increased spending on maintaining parliamentary buildings;
- iv. security issues;
- v. the administration of MPs' entitlements;
- vi. the scope for more comprehensive performance indicators for the Parliamentary Service; and
- vii. the classification of expenditure between the departmental and non-departmental appropriations.

## Shared services

- 7.8 A person walking up Molesworth Street, Wellington sees what they believe to be the New Zealand Parliament. However, there is not so much one Parliament as five separate agencies operating in the parliamentary precincts,<sup>24</sup> namely:
- i. the Parliamentary Service;
  - ii. the Office of the Clerk;
  - iii. Executive Government Support;
  - iv. the Department of Prime Minister and Cabinet; and
  - v. the Parliamentary Counsel Office.
- 7.9 The combined size of all the agencies within the precincts equates to a medium to large government agency. Considering rationalisation initiatives exclusively from an individual agency perspective is unlikely to deliver the same benefits as leveraging shared services across the entire precincts.
- 7.10 We have been reminded by more than one agency of constitutional matters, in particular the doctrine of separation of powers between the legislative, executive and judicial arms of government. We accept, at a high level, that this doctrine has an important place in our constitution. However, no violence is done to the principle when it comes to sharing in the delivery of operational services (accepting that different agencies are likely to have different needs and priorities).
- 7.11 The five agencies already share many operational services. For example, the Parliamentary Service provides building management, security, cleaning and some common aspects of the ICT framework to all five agencies. On the other hand, some services are provided quite separately. For example, while the Parliamentary Service and EGS are moving to establish a common ICT support and service desk, the other three agencies provide these services separately. Similarly, although the Parliamentary Service, the Parliamentary Counsel Office and the Office of the Clerk share finance and payroll services, the other two agencies have their own in-house finance and payroll services.

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24 The parliamentary precincts comprises: The Parliamentary Library, the House of Representatives and the Executive Wing (the Beehive) fronting onto Molesworth Street, Bowen House fronting onto Lambton Quay and connected to the previously mentioned buildings by a pedestrian tunnel under Bowen Street, and the mezzanine floor of No 1 The Terrace (the Treasury building) also occupied by the Office of the Clerk. In addition the Parliamentary Counsel Office is housed in No 2 The Terrace (the Reserve Bank building).

7.12 The table below summarises the current allocation of responsibilities for administrative services across the five agencies within the precincts.

<b>The current allocation of responsibilities for administrative services</b>					
<b>Administrative services provided by the agencies that support Parliament</b>	<b>Parliamentary Service (PS)</b>	<b>Office of the Clerk (OoC)</b>	<b>Executive Government Support (EGS)<sup>25</sup></b>	<b>Department of the Prime Minister &amp; Cabinet (DPMC)</b>	<b>Parliamentary Counsel Office (PCO)</b>
<b>Building Management</b>	PS				
<b>Security<sup>26</sup></b>	PS				
<b>Cleaning</b>	PS				
<b>Human Resources</b>	PS	OoC	EGS	DPMC	PCO
<b>Payroll</b>	PS		EGS	DPMC	PS
<b>Finance</b>	PS		EGS	DPMC	PS
<b>Telephones</b>	PS				
<b>Legal</b>	OoC		EGS	DPMC	PCO
<b>ICT</b>					
<b>Parliamentary Core Network</b>	PS				
<b>PSSE<sup>27</sup> (email)</b>	PS				
<b>PSSE (anti-virus, firewall and spam)</b>	PS		EGS	PS	
<b>Computer rooms</b>	PS			PS/DPMC <sup>28</sup>	PS/PCO
<b>Service Desk and ICT support</b>	PS/EGS	OoC	PS/EGS	DPMC	PCO
<b>Website and Parliament TV</b>	PS/OoC		N/A		
<b>Disaster Recovery</b>	PS	PS/OoC	PS	DPMC	PS

<sup>25</sup> Part of the Department of Internal Affairs.

<sup>26</sup> In addition, DPMC staff provide a liaison role on matters of security with the security agencies and members of the Executive are supported by the Diplomatic Protection Squad. The PCO and DPMC also have separate security for their offices in the Reserve Bank building.

<sup>27</sup> Parliamentary Shared Services Environment.

<sup>28</sup> DPMC and the PCO have shared space in the PS computer rooms (that houses the servers and network connections) but also maintain their own computer rooms.

- 7.13 As the previous table shows, there is already a considerable degree of sharing of services across the different agencies.
- 7.14 There are three principal reasons for further potential sharing of services across the parliamentary precincts. These reasons are:
- i. a better quality, seamless and more customer-centric provision of services;
  - ii. efficiency gains through the avoidance of duplication; and
  - iii. longer term efficiency gains from standardised processes and technologies leading to increased service quality.
- 7.15 The key area where there is scope for efficiency gains from further sharing of services is ICT, as discussed below.

#### *ICT Services*

- 7.16 ICT assets and services are currently provided to the precincts agencies via each agency's separate ICT functions. Within the precincts there is some sharing of ICT services. However, the majority of services (for example, standard desktop computing services and management of network infrastructure) are provisioned and managed by each agency, resulting in separate and distinct systems.
- 7.17 Following the previous Appropriations Review, PricewaterhouseCoopers (PwC) was commissioned to explore the opportunity of rationalising ICT services on the precincts.<sup>29</sup>
- 7.18 PwC identified a number of problems with the current “balkanised” provision of ICT services across the precincts. For example, PwC noted:
- there are seven different networks supported by the five separate ICT departments across the parliamentary precincts;
  - there are 213 servers across the seven different networks providing common capability (eg, file and print) in identical locations; and
  - there are 12 different operating systems (including Microsoft Server, LINUX, UNIX, and Open Enterprise Server) and nine different versions of Microsoft Server.
- 7.19 PwC noted that because of the overlaps and complexity in the system, the total cost of ownership is high as each agency procures and maintains expensive infrastructure components.
- 7.20 Existing differences in technologies and infrastructures between Executive Government Support and the Parliamentary Service make it extremely inefficient to transfer data (eg, individual information) between agencies when there is a change of government or when people move between each group. This means that people have to learn a new system when they move between the Executive and Parliament. Their data must also be transferred

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29 “Parliamentary Precincts ICT Review”, PricewaterhouseCoopers, August 2009.

between the systems. This process provides a poor end-user experience and portrays inefficient provision of ICT services in general. We understand that both agencies are working on efficiencies in that area as a matter of priority.

*The Blackberry incident*

A well-publicised example of the lack of co-ordination of ICT services across the parliamentary precincts is the 'Blackberry' incident. During the change of Government after the 2008 general election, Ministers and MPs had to return their mobile phones to their former providers (EGS or the Parliamentary Service) and have new phones issued by their new provider. During this changeover process, many MPs and Ministers lost important personal data.

We understand that changeover processes have been reviewed so that this type of issue will not arise in future. It is, however, an illustration of the separate 'silos' that operate within what appears to the general public to be one entity, Parliament.

7.21 Following the completion of the PwC report, Government Technology Services (GTS)<sup>30</sup> was invited to set out a list of achievable and rational goals for rationalisation of ICT services on the parliamentary precincts, an indication of achievable tasks and target dates for milestones, and the process to govern the initiatives.

7.22 The programme of work recommended by GTS<sup>31</sup> consists of 4 work-streams:

- developing a precincts-wide information security architecture that provides stakeholders confidence that their data is secure within a shared or rationalised ICT environment;
- developing and adopting a "Service Model" for all services delivered within the precincts so that all ICT services are quantified, and quality expectations can be set and measured;
- completing the Joint Service Delivery (JSD) project between the Parliamentary Service and EGS so that movement between Parliament and the Executive is seamless. By the end of 2010 it is expected that there will be a single help desk and the two networks will be joined; and
- developing a joint disaster-recovery infrastructure.

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30 The ICT group within the Department of Internal Affairs.

31 "Parliamentary Precinct ICT Rationalisation", Government Technology Services, undated.

- 7.23 We note that both the PwC report and the subsequent GTS report were based on the principle that suggested projects/initiatives were “opt-in”. Each agency took the view that it was important to be able to pick and choose the initiatives that held benefit for them. In that sense the work programme recommended by GTS was not “agreed” by all agencies.
- 7.24 Progress to date on the four work-streams identified by GTS, as advised by the relevant agencies, is as follows:
- developing a precincts-wide information security architecture – this has not been addressed as a separate project. The five agencies have agreed to adopt the DIA ICT security policies with minor changes. It is expected that the JSD will provide a focus for the development of a precincts wide security architecture;
  - developing and adopting a "Service Model" for all services delivered – the work carried out for the JSD project has laid the foundation for this activity. The JSD has defined services in an information technology infrastructure library (ITIL) manner covering both the service and the service expectation or SLA for the delivery. This work will provide the foundation for a precincts-wide service catalogue;
  - completing the JSD project – the contract for the JSD has been signed (March 2010) and work is currently underway to transition to the new vendor. The ‘single-service desk’ became fully operational on 1st June 2010; and
  - developing a joint disaster-recovery infrastructure – the Parliamentary Service is currently running a precincts-wide project to determine the IT disaster-recovery requirements of the precincts agencies. DPMC has opted to purchase and develop its own disaster-recovery solution. EGS and the PCO are expected to utilise the Parliamentary Service solution when it becomes available in the second half of the year. The Office of the Clerk will cooperate with the running of the service, but prefers to develop its own technical solution because it considers the proposed solution exposes the Office to too high a level of risk.
- 7.25 Encouraging progress has been made with the JSD project to date. Progress on the remaining three projects is not so encouraging. The precincts-wide information security architecture and the Service Model projects have not yet progressed beyond the development stage. The joint disaster-recovery infrastructure project appears to be falling well short of the objective of adopting a “joint” approach to disaster-recovery.
- 7.26 GTS identified a lack of willingness to co-operate by the various agencies as a potential issue and recommended that an independent programme manager be appointed (taking direction from the five Chief Executives on the parliamentary precincts) with a specific mandate to progress the projects. We agree with the GTS proposal. Without an independent programme manager with responsibility for achieving rationalisation of ICT services across the precincts and with the necessary delegated authorities from the five CEOs, it is likely to be more difficult to get key decisions made in a

timely and consistent fashion and accountability for execution of the programme will be difficult. Progress to date tends to support our conclusion in that regard. From our investigations we are not persuaded that such a governance arrangement will be willingly entered into by all parties or that the necessary funding for the programme manager will be made available. Achieving the necessary momentum for change may require direction from the Speaker, the Attorney General and the Prime Minister.

- 7.27 In the longer term, our view is that the Parliamentary Service is ultimately the entity that should have responsibility and accountability for implementing shared infrastructure. Therefore, while we are concerned that the necessary momentum be achieved to accomplish the outcomes identified by GTS, we accept that the long term solution lies with the General Manager of the Parliamentary Service.

#### **Recommendation 1**

That an independent program manager be appointed by the five parliamentary agency CEOs (if necessary, by direction of the Speaker, the Attorney General and Prime Minister) with responsibility for and the necessary delegated authority and funding to deliver the ICT rationalisation program developed by Government Technology Services.

#### **Funding of MPs' staffing entitlements**

- 7.28 MPs have an entitlement to a fixed number of full-time-equivalent (FTE) administrative support staff in their Parliament and out-of-Parliament offices. Each MP is entitled to one FTE executive assistant in their parliamentary office<sup>32</sup> as well as between one and three out-of-Parliament FTE support staff.<sup>33</sup> MPs for Maori and large electorates are entitled to three FTE out-of-Parliament staff members, other constituent MPs are entitled to two FTE out-of-Parliament staff members and list MPs are entitled to one FTE out-of-Parliament staff member. There is also an entitlement to relief services to cover staff for sick leave and annual leave.<sup>34</sup>
- 7.29 Support staff are employed by the Parliamentary Service and the funding is met from the departmental Services to Members appropriation.<sup>35</sup> There is some flexibility so that MPs can transfer their entitlement to an executive assistant between Parliament and an out-of-Parliament office and vice versa.<sup>36</sup> MPs can also transfer their entitlement to other MPs or the leader's office.
- 7.30 The funding for MPs' out-of-Parliament offices, including the funding for support staff, is split between different appropriations:

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32 Speaker's Directions 2008, clause 4.20.

33 Ibid, clause 4.15.

34 Ibid, clause 4.15, 4.21.

35 Ibid, clause 4.17, 4.20.

36 Ibid, clause 4.19, 4.23.

- office rental, furniture, equipment and stationery costs are met by MPs through their party's non-departmental Party and Member Support appropriation (discussed in section 8 below); and
- costs of out-of-Parliament support staff are met from the departmental Services to Members appropriation, and there are strict rules around the number of FTEs allowed and their levels of pay.

7.31 We have the following concerns about the current funding arrangements for MPs' staffing entitlements:

- because the funding for MPs' out-of-Parliament offices is provided through two separate groups of appropriations - one for non-staff-related costs and one for staff-related costs - there is a reduced incentive for MPs to use staff efficiently and there is less flexibility for MPs to allocate resources in a way that suits their individual operations; and
- the funding and employment responsibility for MPs' staff entitlements (both within Parliament and for MPs' out-of-Parliament offices) sits with the Parliamentary Service but the practical day-to-day employer/employee relationship is between the MP and the relevant staff member.

7.32 Although MPs have some flexibility in how they use their staffing entitlements, funding the non-staff related costs and staff related costs together would create more flexibility. For example, some MPs may wish to spend less on an office and have more staff assisting them while other MPs may prefer the opposite arrangement. Likewise, MPs may prefer to pay more for a higher skilled staff member and have less staff overall while others may prefer to have a larger number of lower skilled staff.

7.33 An entitlement to a particular number of FTE staff also reduces the incentive for MPs to use their staff efficiently. Staff are employed to the level of the entitlement because of the entitlement and not necessarily because they are required.

7.34 A solution to the concerns identified above would be to fund MPs' out-of-Parliament offices from one budget. The one budget would cover both staff and non-staff costs. MPs would then be free to decide how to allocate the funds, including the number and skill set of staff. A further logical step would be to include the funding for MPs' entitlement to an executive assistant in Parliament within the same budget. Consideration should also be given to whether part or all of MPs' communications entitlements<sup>37</sup> should be incorporated into this funding.

7.35 We note that MPs already have considerable flexibility over the use of their non-staff funding. Allowing MPs to control their staff budget would provide MPs with greater flexibility to engage staff with the skill-sets and working

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37 MPs have entitlements to a number of landlines, internet services, a mobile phone and hands-free kit (Speaker's Directions 2008, Part 3, Subpart 7).

arrangements that suit their requirements and enable them to more effectively perform their functions as MPs.

### **Recommendation 2**

That MPs' out-of-Parliament staffing entitlements be converted to a monetary value and the funding integrated with MPs' funding for out-of-Parliament non-staff expenditure.

### **Recommendation 3**

That the funding for MPs' executive assistants and some communications entitlements also be integrated within the single budget recommended in recommendation two above.

## **Employment relationship**

- 7.36 As noted above, MPs' office staff, both in Parliament and in MPs' out-of-Parliament offices, are selected by MPs but employed by the Parliamentary Service. Day-to-day management of the staff is undertaken by MPs but the Parliamentary Service, as the employer, has responsibility for any employment issues that arise. Staff are technically apolitical public servants but in reality many naturally see themselves as promoters of a particular political party and MP. This is particularly the case under MMP which is a political party driven form of parliamentary system.
- 7.37 The Parliamentary Service provides training and development opportunities for staff, but this is not always welcomed by MPs. Some MPs seem to see the Parliamentary Service involvement as the employer of 'their' staff as an interruption rather than a service. On the other hand, the Parliamentary Service takes seriously its responsibilities as an employer, a relationship that is difficult to manage at a distance particularly with staff being managed by someone else on a day-to-day basis.
- 7.38 The current triangular employment arrangement is problematic whichever way it is viewed. The Parliamentary Service is unable to manage the day to day tasks of staff, yet is responsible both to the employee as his or her employer and to the MP as the 'provider' of support staff. MPs have a reduced incentive to manage the staff relationship well – as they have no legal or fiscal responsibility for any employment issues that might arise.
- 7.39 A solution to the issues identified above is to enable MPs or parties (if they wish) to become the employer of support staff (including events-based staff). MPs would also be responsible for professional development of their staff like any good employer. MPs could, and most likely would, engage the Parliamentary Service to provide payroll and other necessary human

resources related support. We note that in the United Kingdom MPs are the employers of their support staff.<sup>38</sup>

- 7.40 If such a course of action were to be adopted significant changes would be involved. Either an MP or the party would have to employ their staff directly with all the attendant personal liabilities and responsibilities or a legal entity would need to be created for this purpose. Decisions would need to be made on how responsibilities for personnel management and human resources services would be allocated, including responsibility for such issues as health and safety and other legal compliance issues, security and payroll services. We would expect that the Parliamentary Service could be contracted to provide many of these services.
- 7.41 We conclude that notwithstanding these issues there may be significant advantages for both MPs and their staff, for the party or MP to become the employer of their support staff. We suggest that this be tested initially as a pilot, on a voluntary basis, and if successful the scheme could be offered to all MPs. We believe interested MPs should be involved in the development of the pilot scheme from the beginning, including scoping of the legislative and financial changes required.

#### **Recommendation 4**

That a pilot scheme be set up permitting MPs or recognised parties to directly employ MPs' support staff if they wish.

- 7.42 In considering employment relationships we note that the Speaker's Directions do not allow for the employment of MPs' spouses, partners or dependents as MPs' support staff.<sup>39</sup> Beyond this, however, other family members - eg, the parents and siblings of an MP - can be employed.
- 7.43 We consider that employment by MPs of family members is inconsistent with modern employment practice. Using public funds to employ family members leaves MPs open to the suspicion that their family is benefiting inappropriately from their public office. In the United Kingdom House of Commons the employment of family members is being phased out. The employment of family members with public funds has also been banned in the United States House of Representatives and the German Bundestag. The European Parliament and the National Assembly of Wales are currently phasing it out.

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38 In Australia, the MP is the employer of his/her staff but the Federal Government, not the MP, is liable in the event of any employment disputes.

39 See Speaker's Directions 2008, clause 4.13. We note that the Directions are somewhat ambiguous about whether or not this restriction extends to parliamentary support staff, who are dealt with in a separate sub-part of the Directions.

- 7.44 We consider the credibility of Parliament would be enhanced by broadening the class of prohibited person to include, for example, the parents and siblings of MPs.

**Recommendation 5**

That consideration be given to broadening the class of family members for which restrictions on employment as an MP's support staff apply.

**Parliament buildings<sup>40</sup>**

- 7.45 As part of our review, it was brought to our attention that parts of the parliamentary building complex are in need of repairs. The buildings are important symbols of the constitutional bodies they house.
- 7.46 We are advised by the Parliamentary Service that current levels of funding are insufficient. Two particular problems are:
- water leaking into Parliament House causing efflorescence (the formation of a white crystalline deposit on the surface due to the evaporation and crystallisation of the alkaline salts which may be contained in the building materials); and
  - leaks to the Executive Wing (the Beehive) roof which is in turn causing damage to windows on the 10th floor of the building.
- 7.47 We understand the problem is such that if the work is further delayed there is a risk of major leaks and potential damage to the buildings.
- 7.48 We note that in times of fiscal constraint there is often a tendency to under-invest in the maintenance of assets. Our view is that it would be highly undesirable if such a short term view was taken for a heritage landmark such as the parliamentary building complex. At present the cost of repairs is unknown – the Parliamentary Service should determine the extent of repairs required and prepare a business case to obtain the necessary funding.

**Recommendation 6**

That the Parliamentary Service report to the Speaker as soon as possible on the costs of the necessary repairs to Parliament House and the Executive Wing to prevent further water damage.

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40 In Australia, the MP is the employer of his/her staff but the Federal Government, not the MP, is liable in the event of any employment disputes.

## Security

- 7.49 A review of parliamentary security services has been completed. This review made 22 recommendations to improve the efficiency of the delivery of security services.
- 7.50 One of the key recommendations, which has now been implemented, was to change the way that services are provided from having staff at fixed posts to roving patrols. The report also suggested that the Parliamentary Service had excess security staff. The Parliamentary Service has considered the report and security officer numbers have been reduced from 72 to 64 staff. Additionally, an x-ray screening facility is to be introduced at Bowen House and studies are underway to determine whether further staff savings can be made to operate the screening facility within existing staffing.
- 7.51 We are of the view that the already-purchased x-ray machine facility should be installed at the Bowen House entrance without further delay.

### **Recommendation 7**

That the already-purchased x-ray machine facility be installed at the Bowen House entrance without delay.

## Administration of MPs' entitlements

- 7.52 We note that the Speaker's Assurance Committee, as recommended by the 2007 appropriations review, is in place. The purpose of the committee is to provide independent assurance and assistance to the Speaker on the operations of the Parliamentary Service. To fulfil this purpose, the committee has oversight of the Parliamentary Service's risk management and control frameworks, internal audit, legislative compliance monitoring and reporting process, external audit and external accountability requirements. We understand the committee is working well in helping identify and manage risks the Service faces.
- 7.53 As part of the internal audit plan for the 2009 year (reviewed and monitored by the Speaker's Assurance Committee), Deloitte undertook a review of the Parliamentary Service's administration of MPs' entitlements.<sup>41</sup> Deloitte found key controls around the administration of the payment of MPs' entitlements to be "partially effective". Strengths were noted in the areas of reporting and the recording of decisions about the interpretation of the Speaker's Directions. A number of weaknesses were noted around delegated financial authority for administration by the Parliamentary Service of MPs' entitlements. We note there was no suggestion of any inappropriate behaviour by MPs.

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41 "Parliamentary Service Administration of Member Entitlements Audit Report", Deloitte, March 2009.

7.54 Weaknesses in the controls around delegated authorities identified by Deloitte included:

- the delegations register held by the Parliamentary Service was found to be out of date and there was no regular substantive review as required by documented policy and procedures;
- one case was identified where a financial delegation was exercised without the approval of the General Manager;
- MPs' invoices were paid without being signed by an appropriate delegated financial authority; and
- there was a lack of evidence of checks on invoices or batches.

7.55 The Parliamentary Service has responded to the recommendations in the audit with various changes in practice and the provision of training to MPs and their support staff. Most of the recommended changes have been implemented and systems are in place to ensure that appropriate checks are made. Work on the delegation policy (relating to procedures and processes to ensure these type of issues do not arise in the future) is being undertaken but is not yet complete. We encourage the Parliamentary Service to complete the work as soon as possible.

**Recommendation 8**

That the Parliamentary Service complete its work on an internal delegation policy as a matter of priority.

7.56 We note the Office of the Auditor General has recently released a report that considered expense claims by a Minister under both the ministerial and MP expense regimes.<sup>42</sup> In that report the Auditor General concludes that expenditure in respect of that Minister was outside the entitlements provided for in the Speaker's Directions and that the Parliamentary Service was administering the relevant entitlement incorrectly for all MPs. The report further notes that the Parliamentary Service advised the Auditor General that since 2007 it had been providing incorrect advice to MPs that their children under five are entitled to unlimited travel between any locations in New Zealand. We note the Parliamentary Service has undertaken to review its processes to determine whether incorrect advice has been given in respect of any other entitlements.

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42 "Auditor-General's inquiry into certain types of expenditure in Vote Ministerial Services", March 2010.

## **Performance indicators**

- 7.57 We note with approval that Parliamentary Service management has identified as a matter of priority the development of more comprehensive output and performance benchmarks. The introduction of these measures would assist future review committees.

### **Recommendation 9**

That the Parliamentary Service develop more comprehensive output and performance benchmarks for the 2011-13 Statement of Intent.

## **The classification of expenditure**

- 7.58 Our understanding is that departmental appropriations (including those for capital expenditure) are for services to be provided by the Parliamentary Service where the General Manager has discretion over how the required services are to be provided, whereas non-departmental appropriations are for services the Speaker, on the advice of the Parliamentary Service Commission, has decided are to be provided by persons other than the Parliamentary Service.
- 7.59 We found that certain aspects of the current classification of expenditure between the departmental and non-departmental appropriations were difficult to understand and could be improved. For example, the majority of the costs relating to the direct support of MPs provided by agencies other than the Parliamentary Service is included within the non-departmental appropriations, but some such costs (eg, telecommunications, postage and stationery costs, and the depreciation of security upgrades on out-of-Parliament offices) that the Parliamentary Service is unable to attribute to specific members or parties within the precincts are met within departmental appropriations.
- 7.60 We consider that whether the expenses are appropriately classified should be investigated by the Parliamentary Service, in consultation with the Treasury, with a view to regularising the appropriations.

### **Recommendation 10**

That the Parliamentary Service investigate, in consultation with the Treasury, the appropriate classification of expenditure between the departmental and non-departmental appropriations.

## **8. FUNDING ENTITLEMENTS FOR PARLIAMENTARY PURPOSES**

### **Introduction**

- 8.1 This section of the report considers the amounts of the funding entitlements for parliamentary purposes. The statutory terms of reference require the committee to look at the adequacy of these funding entitlements and to consider the funding that parties and MPs require for the effective performance of their respective functions.
- 8.2 As discussed in section 3 above, there is no simple or single means of addressing the issue of the adequacy of the funding entitlements. Rather, addressing the issue requires us to have regard to a number of factors including the historical trends in expenditure, the current economic and fiscal environment, the merits of increasing or decreasing specific funding entitlements and the structure of the funding entitlements.
- 8.3 We provide first, an overview of the current regime. Second, we consider the trends in expenditure for the various funding entitlements. Third, we consider each of the main funding entitlements where a change in the level or structure of the entitlement is likely to enhance the adequacy of the entitlement and the effective performance of parties and MPs.

### **Overview of the current regime**

- 8.4 As noted in paragraph 3.3 above, the phrase “funding entitlements for parliamentary purposes” is defined in the Parliamentary Service (Continuation of Interim Meaning of Funding for Parliamentary Purposes) Act 2009.
- 8.5 The definition encompasses the various entitlements contained within the Speaker’s Directions. The entitlements are funded through the Parliamentary Service non-departmental appropriations. These appropriations include funding for:
- MPs’ salaries and the basic expense allowance<sup>43</sup> (\$17.3m in 2008/09);<sup>44</sup>
  - MPs’ communications (\$1.7m in 2008/09);
  - MPs’ and former MPs’ travel, including travel for spouses/partners and dependents (\$10.8m in 2008/09);
  - Party and Member Support (\$14.9m in 2008/09): primarily the funding of MPs’ out-of-Parliament offices, including depreciation on

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43 The basic expense allowance is a cash payment of \$14,800 per annum. This is paid to all MPs and is intended to cover out-of-pocket expenses such as memberships, sponsorship and fees, koha, donations and raffle tickets, gifts and prizes, flowers (including wreaths), passport photos, briefcases and luggage, meals and some entertainment expenses.

44 Including an employer subsidy on MPs’ superannuation contributions.

equipment and fittings for MPs' offices (for example, office alterations to meet security requirements);<sup>45</sup> and

- Depreciation (\$10.8m in 2008/09) on the parliamentary buildings, furniture, antiques and art collection and the library collection.
- 8.6 MPs' salaries and the basic expense allowance are determined by the Remuneration Authority.<sup>46</sup> It is neither appropriate nor necessary for this committee to review the level of MPs' salaries and the basic expense allowance because the Remuneration Authority has a statutory obligation to determine them.
- 8.7 The next three appropriations listed in paragraph 8.5 above fund the MPs' and former MPs' entitlements as set out in the Speaker's Directions. We note that the MPs' and former MPs' travel appropriation is intrinsically linked to MPs' remuneration because there are aspects of the travel entitlements that are remunerative and are taken into account by the Remuneration Authority when setting MPs' salaries. For that reason it is impossible to review the amount of this appropriation (having regard to the terms of reference and the factors we are obliged to consider) without understanding the remunerative component of the various entitlements that are funded through the appropriation.
- 8.8 The table overleaf sets out the approach taken by the Remuneration Authority in determining MPs' salaries between 2003 and 2008 (the 2009 determination has not changed from the 2008 determination). The Authority's approach involves an averaging exercise because individual MPs have different entitlements (for example, first term MPs do not qualify for any international travel rebates) and access those entitlements in varying amounts. To the extent that average figures are taken into account, the Remuneration Authority considers salary in the context of a "notional" remuneration package.

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45 There is a separate Party and Member Support appropriation for each party represented in the House.

46 For the latest Remuneration Authority determination of salary and allowances see Parliamentary Salaries and Allowances Determination 2009, 2009/340 at [http://www.legislation.govt.nz/regulation/public/2009/0340/latest/DLM2508218.html?search=ts\\_all%40regulation\\_Parliamentary+Salaries+and+Allowances+Determination+2009\\_resel&p=1&sr=1](http://www.legislation.govt.nz/regulation/public/2009/0340/latest/DLM2508218.html?search=ts_all%40regulation_Parliamentary+Salaries+and+Allowances+Determination+2009_resel&p=1&sr=1)

MP's remuneration, 2003-2008 (\$)						
	2003	2004	2005	2006	2007	2008
Salary	110,000	113,000	118,000	122,500	126,200	131,000
Superannuation <sup>47</sup>	22,000	22,600	23,600	24,500	25,240	26,200
MPs' domestic air travel (5%)	1,161	1,076	1,192	1,265	1,384	1,176
Spouses' domestic air travel (45%)	2,508	2,858	3,220	3,785	3,690	3,449
MPs' and spouses' international air travel (100%)	4,383	4,142	4,839	7,464	9,882	9,646
<b>Total</b>	140,052	144,036	150,851	159,514	166,396	171,471

Nb: the percentages in the table above for the listed entitlements is a reference to the IRD's assessment of the remunerative component of those particular entitlements for tax purposes.

- 8.9 We note that the IRD assessment is an estimate of the remunerative extent of aspect of the various entitlements for tax purposes. It is not based on any current data and has not been reviewed for a number of years. Information about whether a particular entitlement is accessed for private purposes (ie, it is remunerative in nature) or for parliamentary business is not collected. This makes it difficult for the committee to review the amounts appropriated for particular purposes. For example, in considering whether appropriations for domestic travel are at levels that MPs require for the effective performance of their functions, the committee is unable to discern the degree to which that appropriation is spent in association with parliamentary business (as opposed to that for private travel).
- 8.10 The communications, travel, and party and member support entitlements are provided for in the Speaker's Directions as either an entitlement to funding for particular services or a rebate on personal spending. As explained in more detail below, parts of the communications and travel appropriations are un-capped – so MPs' spending in these areas is in theory unlimited.<sup>48</sup>
- 8.11 The Parliamentary Service administers the Speaker's Directions including the payment of MPs' entitlements and allowances. We have discussed the administration of MPs' entitlements and allowances in section 7 above.

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47 All MPs are entitled to superannuation at the rate of 20% of salary. This amount represents the "employer" contribution and is paid directly to MPs' superannuation scheme provider.

48 If spending exceeds the amount appropriated, a supplementary estimate bid is necessary.

## Concerns with the current regime

- 8.12 There are two basic and related problems with the current regime for MPs' funding entitlements:
- the regime often mixes private benefit (effectively remuneration) with the reimbursement of parliamentary business<sup>49</sup> expenses within the same entitlement (for example, the international travel rebate entitlement); and
  - while on the face of it MPs' remuneration is determined by the Remuneration Authority, in reality a component of MPs' remuneration is determined by the Speaker through the entitlements provided for in the Speaker's Directions (the entitlements are then taken into account to a greater or lesser extent by the Remuneration Authority).<sup>50</sup>
- 8.13 The inclusion of the remunerative aspects of the entitlements in the Speaker's Directions is effectively enabled by the Parliamentary Service (Continuation of Interim Meaning of Funding for Parliamentary Purposes) Act 2009. That Act defines the phrase "funding entitlements for parliamentary purposes" to include the funding entitlements contained in the Speaker's Directions, notwithstanding that the remunerative aspects of those entitlements could not be considered to be "for parliamentary purposes" on any ordinary construction of the phrase.
- 8.14 The current mixing of private and business expenses in MPs' entitlements means:
- where an entitlement can be claimed for both private use and parliamentary business purposes, it is not possible to discern whether

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49 Under the Speaker's Directions, clause 2.4, "parliamentary business" means "the undertaking of any task or function that a member could reasonably be expected to carry out in his or her capacity as a member of Parliament, or a party could reasonably be expected to carry out in its capacity as a party, and that complements the business of the House of Representatives". We have used the phrase "parliamentary business" in this context throughout this report.

50 The remuneration package for MPs is determined in part by the Remuneration Authority and in part by the Speaker. Section 16 of the Civil List Act 1979 provides for MPs' salaries and allowances to be fixed by the Remuneration Authority. The allowances and entitlements regime set out in the Speaker's Directions are the result of a complicated overlap between various provisions of the Civil List Act 1979, (particularly, section 20A which provides for the Speaker to determine MPs' travel, accommodation, attendance and communications services) and the provisions of the Parliamentary Service Act 2000 (particularly, section 7 which provides for the directions by the Speaker as to the payment of funding entitlements for parliamentary purposes and the administration of those entitlements). We do not purport to explain the inter-relationship between the Civil List Act 1979 and the Parliamentary Service Act 2000 in detail. The relationship is sufficiently complex to require three pages of explanation in the Schedule to the Speaker's Directions.

an MP's claim under the regime is remunerative in nature or relates to an expense incurred carrying out his or her job as an MP; and

- the ability of MPs to claim uncapped entitlements that confer a private benefit (eg, international air travel) means MPs can effectively determine part of their own remuneration.

- 8.15 As a result of the complicated mixing of private and parliamentary business expenses in the entitlements, the regime lacks transparency and accountability. It also means that it is very difficult for the committee to carry out its statutory function of review because the committee is unable to identify which proportion of spending relates to parliamentary business and which relates to remuneration.
- 8.16 The mixing of private benefit and parliamentary business expenses in MPs' funding entitlements can be traced back to the period of high inflation in New Zealand in the 1970s and early 1980s. During that period of high inflation, restraint in salary increases was required and alternative ways were found to compensate MPs, including through the granting and extension of various funding entitlements.
- 8.17 We note that we are not the first to identify this issue, it has been raised by the Auditor General in 2001<sup>51</sup> and prior to that during a review of the Parliamentary Service Act 1985 – as reported in the 'Rodger report'.<sup>52</sup> The last Appropriations Review report also discussed MPs' travel entitlements and queried their ongoing relevance.<sup>53</sup>
- 8.18 The recently introduced quarterly disclosure of each MP's travel expenses provides some information about an MP's total spending.<sup>54</sup> It is, however, not clear under the current disclosure regime which disclosed amounts relate to parliamentary business expenses and which amounts form part of an MP's remuneration. It is therefore not surprising that commentary on spending disclosure can be quite unfair to many MPs.
- 8.19 For example, the disclosure sets out a total figure for air travel paid by the Parliamentary Service for each MP. That single figure includes both the entitlement to an international travel rebate for the MP and their spouse/partner and domestic travel for the MP and their spouse/partner and any children. So, some of the amounts disclosed are part of the MP's remuneration and some of the amounts are parliamentary business expenses: a distinction that does not seem to be clearly understood by the general public (and understandably so given the complexity of the regime).

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51 Parliamentary Salaries, Allowances and Other Entitlements: Final Report, July 2001. See [www.oag.govt.nz/2001/salaries/docs/salaries.pdf](http://www.oag.govt.nz/2001/salaries/docs/salaries.pdf)

52 "Report of the Review Team on a Review of the Parliamentary Service Act to the Parliamentary Service Commission", February 1999. See [www.parliament.nz/NR/rdonlyres/06810A81-B090-49C6-9648-49EE800A38DB/21395/4\\_Review\\_of\\_PS\\_Act17219991.pdf](http://www.parliament.nz/NR/rdonlyres/06810A81-B090-49C6-9648-49EE800A38DB/21395/4_Review_of_PS_Act17219991.pdf)

53 "Parliamentary Appropriations: Report of the Committee on the Third Triennial Review", March 2007, p.42.

54 See [www.parliament.nz/en-NZ/MMP/MPs/Expenses](http://www.parliament.nz/en-NZ/MMP/MPs/Expenses)

## **Our preferred approach**

- 8.20 Our preferred approach is for the remunerative aspects of MPs' entitlements to be removed from the entitlements provided for in the Speaker's Directions as much as possible, with the value of those benefits added to MPs' salaries. This would render MPs' total remuneration transparent and would provide subsequent review committees with clearer information about how appropriations were being spent so that it could better consider (as it is required to) whether appropriations provided adequate funding for the effective operation of the House of Representatives and MPs.
- 8.21 We see this restructuring of the funding entitlements as a logical and indeed inevitable consequence of the decision to disclose MPs' expenses – which decision we applaud.

### **Recommendation 11**

That the remunerative aspects of MPs' entitlements be removed from the entitlements provided for in the Speaker's Directions so that the parliamentary business expenses of MPs can be identified for the purposes of the next appropriations review.

#### *Who should decide MPs' allowances and entitlements?*

- 8.22 At present the Remuneration Authority determines salaries and the basic expense allowance, but the remainder of the entitlements are determined by the Speaker. While the Speaker's Directions records the entitlements, in reality the various entitlements have their origins as much in the decisions of Cabinet and the views of MPs as the decision of the Speaker.
- 8.23 We have looked at a number of other jurisdictions to see how MPs' allowances and entitlements are set. None of the jurisdictions we reviewed appear to have entitlements or allowances determined by the Speaker. In Australia, entitlements for the Australian Federal Parliament are set by the Remuneration Tribunal,<sup>55</sup> and in the United Kingdom the Independent Parliamentary Standards Authority (IPSA) has recently been established. One of the IPSA's key functions is to prepare and implement an allowance scheme for the House of Commons, that came into effect after the 2010 general election.
- 8.24 A review of other public office holders within New Zealand (judges, Crown entity boards, statutory officers of Parliament) shows that those entities do not set their own remuneration and at most have a peripheral involvement in the setting of their allowances and entitlements.
- 8.25 We accept Parliament's right to control its own operations and we are attracted to the approach recently introduced in the United Kingdom. It has

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55 We note that there has been a review of the entitlements regime in Australia, the results of which are due to be announced shortly.

long since been settled that no one ought to be judge in their own case. Similarly, it is not appropriate or necessary that MPs fix their own allowances and entitlements. No-one would expect the Speaker to determine MPs' remuneration. Having the Speaker determine MPs' entitlements with an element of personal benefit de facto has the same result. What is important in order to ensure Parliament retains control of its own operations is that the Government (be it Ministers or Cabinet) does not fix MPs' allowances and entitlements. We therefore suggest that an independent body be given responsibility for MPs' allowances and entitlements. That independent body could be an independent Officer of Parliament.

### **Recommendation 12**

That entitlements and allowances for MPs be set by an independent body. This body could be an independent Officer of Parliament.

#### *Should Parliament be subject to the Official Information Act?*

- 8.26 In the course of our review the subject of the Official Information Act 1982 (OIA) to the Parliamentary Service and Office of the Clerk arose in the context of promoting more accountability and transparency in regard to the public funds expended through the appropriations subject to this review. We note that the Rodger report<sup>56</sup> has previously recommended applying the OIA to the Parliamentary Service.
- 8.27 We understand the Law Commission is investigating the application of the OIA to Parliament.

#### **Non-departmental expenditure trends**

- 8.28 We now examine each of the non-departmental entitlements in turn. First, however, we provide an overview of the trends in expenditure for these entitlements and other elements of non-departmental expenditure.
- 8.29 The table overleaf looks at the trends in expenditure in the major components of the Parliamentary Service non-departmental expenditure over the period 1991 to 2009. The figures are provided in real (inflation-adjusted) terms. In summary, over the eighteen years, spending on:
- Salaries and Allowances has increased from \$11.1m to \$17.3m. The increase is partly due to the increase in the number of MPs with the introduction of MMP in 1996. Since 2001 expenditure has been relatively flat;
  - Communications has declined from \$8.7m to \$1.7m;

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56 "Report of Review Team on A Review of the Parliamentary Service Act to the Parliamentary Service Commission", February 1999.

- Travel has increased from \$6.7m to \$10.8m; and
- Party and Member Support - a new appropriation that was established following the introduction of MMP to provide increased support for constituency and list MPs doing out-of-Parliament work – rose sharply from \$4.5m in 1996 to \$15.4m in 2001 and has been relatively stable since; and
- Depreciation has fluctuated somewhat over the period but has trended upwards from \$2.2m in 1995 to \$10.8m in 2009.

Non-departmental real expenditure (2009 \$m)				
	1991	2001	2004	2009
Salaries and Allowances	11.1	16.4	16.5	17.3
Communications	8.7	4.1	4.2	1.7
Travel	6.7	9.5	9.1	10.8
Party and Member Support	0.0	15.4	16.2	14.9
Depreciation	0.0	6.5	13.8	10.8
<b>Total</b>	<b>26.4</b>	<b>51.9</b>	<b>59.7</b>	<b>55.4</b>

### Travel expenditure

8.30 The Travel of Members and Others appropriation funds MPs' entitlements for air and ground travel and accommodation.

8.31 The table below details the trends in expenditure in the Travel of Members and Others appropriation between 2000 and 2009. The figures are provided in real (inflation-adjusted) terms.

Travel expenditure				
	2009 \$m		Change from 2000 to 2009	
	2000	2009	2009 \$m	%
MP domestic air	3.7	2.9	-0.7	-20%
Spouse and dependent domestic air	0.9	0.9	0.0	1%
MP international travel	0.2	0.3	0.1	71%
Spouse international travel	0.1	0.3	0.2	145%
Taxis, rental cars and other surface travel	1.3	1.4	0.1	9%
Mileage	0.2	0.7	0.5	216%
Non Wellington accommodation	0.2	0.2	0.0	14%
Wellington accommodation	1.4	1.4	0.0	3%
Former Member travel	1.1	1.5	0.4	35%
Other (incl FBT)	0.9	1.1	0.2	27%
<b>Total</b>	<b>10.0</b>	<b>10.8</b>	<b>0.8</b>	<b>9%</b>

8.32 Points to note on trends in the components of travel expenditure are:

- total expenditure on travel has increased over the nine years by a relatively small amount (by \$0.8m or 9%);
- spending by MPs on domestic air travel has declined (by \$0.7m or 20%) over the period, with the decline in airfares;
- the most significant areas of growth in expenditure have been the increases in claims for mileage allowances for the use of a private car for parliamentary business (up by \$0.5m or 216%) and for former members' international travel (up by \$0.4m or 35%);
- spending on MPs' and spouses' international travel has also increased significantly in percentage terms but from relatively low levels; and
- spending on Wellington accommodation and non-Wellington accommodation has remained stable in real terms over the period.

8.33 Further information on the historical trends in the Parliamentary Service non-departmental expenditure is set out in Appendix three.

### **International travel entitlements**

#### *Introduction*

8.34 Public funding for current MPs' international travel is funded through three different types of appropriations:<sup>57</sup>

- parliamentary business travel is funded through the Parliamentary Service non-departmental Party and Member Support appropriations for each political party;
- inter-parliamentary travel is funded through the Office of the Clerk's Inter-parliamentary Relations appropriation; and
- a rebate entitlement for international travel which is part of MPs' remuneration is funded through the Parliamentary Service non-departmental Travel of Members and Others appropriation.

8.35 We note that the table setting out travel expenditure at paragraph 8.31 above only includes the third of the appropriations listed above: ie, expenditure on the rebate entitlement through the Parliamentary Service non-departmental Travel of Members and Others appropriation.

#### *The current regime*

##### *Parliamentary business travel*

8.36 International travel by MPs on parliamentary business<sup>58</sup> may be funded from the Party and Member Support appropriations as a charge against the

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57 There are other avenues for travel by MPs funded through other appropriations: eg, Vote Defence Force.

58 As defined in the Speaker's Directions 2008, clause 2.4.

leadership funding.<sup>59</sup> Such travel requires approval by both the MP's party leader and the Speaker.

- 8.37 The amount spent on parliamentary business travel through the leadership funding varies considerably from year to year. Over the past five years spending has ranged from around \$35,000 to \$207,000 p.a. (total figures across all political parties). Most of this spending has been by opposition parties as governments can fund ministerial travel separately.
- 8.38 There is also a separate and specific entitlement for the Leader of the Opposition to incur up to \$50,000 on official international travel each year.<sup>60</sup>

*Inter-parliamentary travel*

- 8.39 Inter-parliamentary travel is the second category of publicly funded international travel. It is administered by the Office of the Clerk (and funded through Vote Office of the Clerk) and is described in more detail in section 9 below. In the last financial year around \$1m was spend on inter-parliamentary travel.

*The rebate entitlement for privately funded travel*

- 8.40 The third category of publicly funded international travel is an entitlement to a rebate on international travel costs. This is a reimbursement for privately funded international travel and can be either remunerative in nature (when the travel is undertaken for private purposes) or a partial reimbursement for a parliamentary business expense. The rebate does not require prior approval: providing the relevant criteria are met an MP is entitled to the rebate. The entitlement is unlimited in amount and funding is met from the non-departmental Travel of Members and Others appropriation.
- 8.41 MPs and their spouses/partners are entitled to a rebate on personally incurred expenditure for any international travel unless the travel was incurred for private business purposes.<sup>61</sup> The rebate increases according to the number of terms served by the MP. After one term an MP (and spouse or partner) is entitled to a 25% rebate, after two terms a 50% rebate, after three terms a 75% rebate and after four or more a 90% rebate.
- 8.42 In the last financial year, around \$0.6m was spent on the rebate for MPs' and their spouses'/partners' international travel.<sup>62</sup>

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59 Ibid, clause 3.10.

60 Speaker's Directions 2008, clause 3.12. We note the funding for this travel has remained unchanged since 1991.

61 Ibid, clauses 3.13 and 3.14. An amendment to the spouse/partner access to this entitlement is currently being considered. The proposal is to amend clause 3.14 of the Speaker's Directions so that spouses/partners are ineligible for the rebate when they travel independently of the MP.

62 We note that out of 122 MPs, approximately 40 MPs are not entitled to any rebate because they are first-term MPs.

- 8.43 The recent introduction of a quarterly disclosure regime by the Speaker has opened MPs' use of this entitlement to the rigours of public scrutiny,<sup>63</sup> a discipline that will undoubtedly impact on MPs' decisions to access the rebate entitlement.<sup>64</sup>
- 8.44 The history of the rebate entitlement suggests that it was introduced as a means of effectively increasing MPs' remuneration while at the same time maintaining a restraint on salary increases. As with many compromise solutions, the effects have been far reaching and probably unintended. In this case, the no-doubt unforeseen effect has been that MPs who have served more than one term in Parliament are able to determine part of their own remuneration with limited accountability and transparency.<sup>65</sup>

*International travel entitlements in other jurisdictions*

- 8.45 As part of our investigation we looked at the arrangements in place for international travel in Australia (Federal), Canada (Federal), the United Kingdom (House of Commons and House of Lords) and Ireland. None of these jurisdictions provide international travel entitlements for MPs or their spouses/partners for personal purposes. Provision of international travel for MPs in these other jurisdictions are limited to travel for parliamentary business and are funded either as part of a parliamentary delegation or as part of a professional development programme.

*Concerns with the current regime*

- 8.46 We think that professional development is an important factor in ensuring that MPs are able to perform their functions effectively. However, we have a number of concerns about the way the current international travel rebate entitlement is structured. In particular:
- the rebate entitlement is confusing. It can be either remunerative, if the travel is undertaken for private purposes, or a partial reimbursement of parliamentary business expenses, depending on the nature of the travel undertaken;
  - the structure of the rebate entitlement means that MPs who have served more than one term in Parliament have a degree of control over the amount of their own effective remuneration (because the subsidised travel can be private in nature);
  - spouses'/partners' travel is unlikely in most cases to be other than remunerative in nature;

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63 Although, as noted above, access to the international travel rebate is disclosed within a total "travel" disclosure that includes domestic travel and parliamentary business travel.

64 We note that while disclosure is likely to impact on individual MP's travel decisions, the disclosure figures do not yet clearly indicate that there has been a downturn in total expenditure. What may happen following disclosure is that high spenders adjust their behaviour downward and low spenders adjust their behaviour upwards.

65 Provided an MP is able to meet the costs of travel not met by the rebate (ie, the partial contribution to the airfares and other travel-related costs such as accommodation).

- the rebate entitlement is a blunt and inefficient mechanism for recognising an MP's length of service; and
- the entitlement does not sit comfortably with the principles set out in the Speaker's Directions. The entitlement lacks transparency and accountability. It is also not simple or easily understood. The opacity of this entitlement obscures the fact that the rebate is taken into account by the Remuneration Authority (through an averaging process) when MPs' salaries are determined (and fringe-benefit tax paid).

***Preferred approach***

- 8.47 Our preferred approach is that the international travel rebate (including the rebate for spouses'/partners' travel) be discontinued and that MPs' salaries be adjusted to reflect the remunerative component of this entitlement. This would be a more transparent and accountable approach as well as being simpler.
- 8.48 The remaining aspect of the rebate entitlement is the component that relates to expenses incurred on parliamentary business. Because we do not know how often the rebate entitlement is used for parliamentary business travel it is difficult to form a view on whether any additional funding for parliamentary business travel is necessary.
- 8.49 We suggest that once information has been obtained about the extent of private and parliamentary business travel undertaken through the rebate entitlement, that parliamentary business travel be re-housed. The business expense component of the entitlement should be used to set up a fund for MPs' professional development. The fund could also include funds for MPs' parliamentary business travel currently allocated through the Party and Member Support appropriations.
- 8.50 One way of ensuring individual MPs had control over the purpose of any particular parliamentary business-related trip would be to provide MPs with an entitlement to a set number of professional development trips per parliamentary term. This entitlement would recognise the importance of international travel in MPs' professional development. Such an entitlement would be more in line with international practice and at the same time recognise New Zealand's remoteness and the impacts that developments in other countries have on New Zealand. This entitlement would be personal to each MP and not be at the disposal of their party.
- 8.51 The advantages of adopting the approach proposed above are:
- it allows explicitly for MPs' professional development;
  - it is transparent;
  - individual MPs are able to determine their own parliamentary-business related use of the entitlement within a cap; and
  - MPs would no longer be able to determine an aspect of their own remuneration.

### **Recommendation 13**

That the rebate for private international travel by MPs and their spouses or partners be discontinued and a new entitlement be established allowing MPs to travel internationally for professional development purposes.

- 8.52 If the above recommendation is not accepted we consider that it is essential that at the very least information be collected about the extent of private and parliamentary business travel undertaken through the rebate entitlement so that future Review Committees are able to better assess the adequacy of current funding levels to enable MPs to effectively perform their parliamentary functions.

### **Recommendation 14**

If recommendation 13 above is not accepted, that the Parliamentary Service collect information on the amount of private and parliamentary business travel undertaken through the current international travel rebate.

## **Domestic travel entitlements**

### *Introduction*

- 8.53 The Speaker's Directions provide various domestic travel entitlements that are funded from the non-departmental Travel of Members and Others appropriation.<sup>66</sup> The entitlements encompass travel by air, rail, bus, ferry, taxi and rental car. Some of the entitlements have a remunerative component, while some are purely reimbursement for parliamentary business expenses.

### *The current regime*

#### *MPs' domestic travel entitlements*

- 8.54 MPs are entitled to unlimited domestic air, rail, ferry and (non-urban) bus travel.<sup>67</sup> These entitlements are unlimited in amount and not restricted to parliamentary business, so they can be used for private travel.
- 8.55 MPs are also entitled to unlimited use of taxis and rental cars when travelling on parliamentary business.<sup>68</sup> Rental cars may also be used for travel between Wellington and an MP's primary place of residence if it is the only appropriate or the cheapest means of travel.<sup>69</sup> MPs may also be

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66 Speaker's Directions 2008, clause 3.6.

67 Ibid, clauses 3.7 and 3.20.

68 Ibid, clauses 3.15 and 3.18.

69 Ibid, clause 3.18.

reimbursed for mileage when using a private car on parliamentary business.<sup>70</sup>

- 8.56 In the 2009 financial year, MPs spent around \$2.9m on domestic air travel, (a decline of 20% in real terms since 2000) and around \$1.4m on taxis, car rental and other surface travel (up 9% in real terms since 2000).

*Entitlements for MPs' spouses/partners and dependents*

- 8.57 An MP's spouse/partner is also entitled to unlimited domestic air travel, with the only exclusion being travel undertaken for private business purposes.<sup>71</sup>
- 8.58 There is also an entitlement for travel for an MP's dependent children. The entitlement for children under five is unlimited if the child is accompanied by the MP or his/her spouse or partner.<sup>72</sup> Children aged between five and eighteen are entitled to four return trips per year.<sup>73</sup> The entitlement is for travel between the child's primary place of residence and Wellington to join the MP on parliamentary business. The Speaker may approve travel via an alternative route where the cost is the same or less than travel between the primary place of residence and Wellington.
- 8.59 An MP's spouse or partner is also entitled to limited use of taxis,<sup>74</sup> and unlimited rail, ferry and (non-urban) bus travel.<sup>75</sup>
- 8.60 In the 2009 financial year, the amount spent on spouse/partner and dependent travel was around \$0.9m (spending has increased 1% in real terms since 2000). An analysis of the use of the spouse/partner entitlement shows that the average number of return trips in 2009 was eleven. Less than 10% of spouses/partners undertook nearly 30% of all return trips.

*Domestic travel entitlements in other jurisdictions*

- 8.61 Other countries we considered provide domestic travel entitlements for MPs and their spouses/partners and dependents. The entitlements in those jurisdictions vary but in a general sense there are two main differences:
- funding for MPs' travel is limited to travel for parliamentary business purposes (ie, there is no remunerative element to the entitlement); and
  - entitlements for a spouse/partner and dependents are all subject to a cap on spending.

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70 Ibid, clause 3.19.

71 Ibid, clauses 3.7, 3.8, 3.9, 3.20.

72 Ibid, clause 3.28A.

73 Ibid, clause 3.28.

74 Ibid, clause 3.16. Minor changes to this rule are currently being considered. The proposed changes clarify "reasonable use" of taxis and do not extend the use beyond costs associated with accompanying an MP on parliamentary business.

75 We note that the Speaker's Directions do not explicitly constrain this entitlement to exclude travel for private business purposes.

### *Concerns with the current regime*

- 8.62 As with the international travel rebate entitlement, our concerns are that the domestic travel entitlements are:
- a confusing mix of remuneration and reimbursement of parliamentary business expenses;
  - another area where MPs have a degree of direct control over an aspect of their remuneration; and
  - mostly not subject to a cap on spending.
- 8.63 Almost all of the current entitlements for domestic travel contain an element of remuneration. The IRD has assessed the amount of private use (and therefore the remunerative aspect) of the various entitlements as follows:
- MPs' domestic air travel – 5%;
  - spouses' or partners' domestic air travel – 45%;
  - MPs' children's domestic air travel – 100%;
  - rail and bus travel – 100%;
  - MPs' and spouses' or partners' taxi travel – 0% (as long as limited to parliamentary business);
  - MPs' rental cars and reimbursement for mileage – 0%; and
  - ferry travel (costs would be incurred on parliamentary business) – 0%.<sup>76</sup>

### *Preferred approach*

#### *MPs' domestic air travel*

- 8.64 We have considered whether it would be appropriate to make any changes to MPs' domestic air travel entitlement. We do not propose any change, primarily because the remunerative component is currently assessed as being very low and we do not have access to any information that indicates the contrary.
- 8.65 Although there appears to be some personal benefit to MPs (the IRD has assessed the personal benefit of this entitlement at 5%), we think it is unlikely to be cost efficient to separate out the remunerative and expense components of this entitlement. Expenditure on MPs' domestic air travel last year was \$2.9m. The personal travel component of this (using the IRD figure of 5%) is \$145,000. It is likely that the cost of a system to recover the cost of personal travel from MPs would come close to or exceed the amount recovered.

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<sup>76</sup> It is not clear why the IRD has assessed ferry travel costs as being incurred on parliamentary business when the entitlement is not limited to parliamentary business travel.

- 8.66 We have also considered whether there should be some limit on the amount of travel available to MPs under this entitlement. We recognise that this entitlement is the primary means of funding travel for MPs between their electorates and Parliament and around New Zealand in pursuit of their parliamentary duties.
- 8.67 Although other jurisdictions often have a limit or cap on air travel, we recognise that in New Zealand, air travel is really the only cost-efficient means of travelling around the country, a situation that is different to some other jurisdictions with larger and less spread out populations. For those reasons we do not propose to recommend any limit or cap on this entitlement.

*Air travel entitlements for spouses/partners and dependents*

- 8.68 The current travel entitlements for MPs' spouses/partners and dependents trace their roots to the days when MPs were required to be in Wellington close to full-time between May and December. Sitting practices have evolved and now most MPs can limit their over-night stays in Wellington to two nights per week over most of the 32 weeks that Parliament sits. Importantly, the parliamentary sitting calendar now consistently provides a recess in each of the (now four) school holidays. Therefore it appears to us that the present travel entitlements for spouses/partners and dependents ought to be revised.
- 8.69 However it is important that candidates are not discouraged from standing for Parliament because of the impact of separation from their families. We think there are a number of situations for which a "good employer" would normally pay for an employee's spouse and dependents under five to be with the employee: for example, when it is considered appropriate for the spouse to accompany the MP on parliamentary business (whether in Wellington or not) and when an MP would otherwise be separated from his/her family for extended periods.
- 8.70 We doubt, however, that a "good employer" would be prepared to meet the expense of an unlimited number of trips for spouses/partners or dependents. The domestic air travel entitlements for MPs' spouses/partners and any dependent children under five are unlimited. We note that in the early 1970s, when MPs were required to spend more nights a week in Wellington, the spouse/partner entitlement was limited to 12 return trips to Wellington.
- 8.71 We consider that there should be limits on all spouse/partner and dependent domestic travel entitlements. We suggest that the number of flights for spouse/partners and dependents under the age of five be capped at a number appropriate to the life of MPs and their families in modern times. Travel for dependents over the age of five should remain limited to four flights per annum. Such travel need not be restricted to Wellington. There should also be provision for approval of additional travel on compassionate grounds.

### **Recommendation 15**

That domestic air travel for each spouse/partner and dependent (under the age of five) be limited to an appropriate number of return trips per annum. Those return trips could be anywhere in the country but should be associated with parliamentary business.

#### *Rail, bus and ferry travel entitlements*

- 8.72 The rail, bus and ferry entitlements are very seldom used by MPs or their spouses/partners or dependents and the sums spent on these entitlements are small. In the last nine years a total of \$13,000 has been incurred under these entitlements, although around \$8,000 of that amount was incurred in the last financial year.
- 8.73 We consider that these entitlements should be limited to travel for parliamentary purposes. Given the small amounts involved we do not expect the value of any personal benefit to MPs would make any appreciable difference to MPs' salary determination.

### **Recommendation 16**

That entitlements for MPs to travel by rail, bus and ferry be restricted to travel for parliamentary business and their spouses/partners and dependents be restricted to travel associated with parliamentary business.

#### **Former MPs' travel entitlements**

##### *Introduction*

- 8.74 As a long-serving former MP Sir Douglas Kidd is entitled to travel benefits under the Speaker's Directions. Sir Douglas has therefore stood aside from consideration of this part of the report and the views expressed and accompanying recommendations are those of Philip Barry.
- 8.75 Only former MPs who were elected prior to 1999 have ongoing travel entitlements. The entitlements are for both international and domestic travel.
- 8.76 Former MPs' travel entitlements are funded by the Vote Parliamentary Service: Travel of Members and Others appropriation.<sup>77</sup> As detailed in the table at paragraph 8.31 above, the amount spent on former MPs' travel is currently around \$1.5m p.a. Since 2000 the amount spent has increased in real (inflation-adjusted) terms by \$0.4m or 35%.

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<sup>77</sup> Speaker's Directions 2008, clause 3.6.

### *The current regime*

#### *Air travel*

- 8.77 Former MPs who were serving MPs before the 1999 election are entitled to claim rebates for personally incurred non-business related expenses for domestic and international air travel. MPs who entered Parliament after the 1999 election are not eligible for any travel entitlement on retirement from Parliament.
- 8.78 The international travel entitlement is limited to a total amount per annum equivalent to the rebate that an MP would be entitled to if he or she had flown business class between Auckland and London.<sup>78</sup> The domestic travel entitlement is limited to a rebate on 12 return air trips per annum.<sup>79</sup>
- 8.79 The amount of the air-travel rebate is calculated as a percentage of the expense, the percentage being determined by the number of terms the former MP served. The rebate applies after two terms of service for MPs who have served as a Speaker or Minister (as a 50% rebate) and after three terms of service for all MPs (as a 60% rebate). Thereafter the rebate increases on a sliding scale – after four terms of service an MP is entitled to a 75% rebate and after five or more terms of service an MP is entitled to a 90% rebate.
- 8.80 The MP's spouse or partner (who is their spouse/partner at the time of retirement) is entitled to the same rebate for international and domestic air and ground travel as an MP. That entitlement continues to apply after the death of the MP but ceases on separation of the spouse/partner and the MP.<sup>80</sup>
- 8.81 In 2003, the decision was made to freeze the rebates at the levels achieved at the end of the 2002 – 2005 parliamentary term. However, in 2008 the Speaker amended the Directions to lift this freeze effective from 1 November 2008 (on the basis that inadequate consultation had been conducted with affected parties when the freeze was imposed in 2003).<sup>81</sup>

#### *Domestic rail, road and ferry travel*

- 8.82 Former MPs may also qualify for an entitlement to unlimited domestic rail, road and ferry travel. The entitlement is available to MPs who have three terms of service or an aggregate of ten years' service. The entitlement is for inter-city rail travel, inter-island ferry travel (unlike serving MPs the entitlement does not include the carriage of a car) and inter-city bus travel. It does not include any suburban travel.<sup>82</sup>

#### *The numbers of former MPs who qualify for the travel entitlements*

- 8.83 In total, 120 former MPs and 137 spouses or partners currently qualify for former MPs' entitlements. There are also 32 serving MPs (those who

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78 Ibid, clauses 6.14, 6.16, 6.19.

79 Ibid, clause 6.15.

80 Ibid, clause 6.18.

81 We note that the Speaker is currently undertaking consultation on the reintroduction of a freeze on the accrual of higher rebates.

82 Speaker's Directions 2008, clause 6.17.

entered Parliament before 1999) who, along with their spouse or partner, will qualify for this entitlement when they leave Parliament. Thirteen of those MPs are still accruing higher rebates. The maximum rebates will be reached by all qualifying MPs by the 2014 election (assuming the MPs remain in office until that time).

#### *Other jurisdictions*

- 8.84 In comparison to New Zealand, none of the countries we investigated provide subsidised domestic or international travel for former MPs (with the exception of Australia which provides subsidised domestic travel for former Federal MPs).

#### *Concerns with the current regime*

- 8.85 There would be concerns if the former MPs' travel entitlements were ongoing – ie, if new MPs were able to accrue travel benefits following their retirement from Parliament. As noted above, none of the countries we investigated provide such an entitlement (except for Australia in regard to domestic travel) and the entitlement is an unusual form of delayed remuneration. However, no MP who has been elected since 1999 is eligible for the entitlement. Nor are new MPs likely to have any expectation that these entitlements are part of their remuneration 'package'. Conversely, MPs who were elected prior to 1999 entered Parliament on the understanding that they would receive these entitlements. There is no compelling reason to change that expectation and, consistent with our discussion on the principles of parliamentary funding in section 5 above, these entitlements should, in the absence of a good reason to the contrary, be left to run their natural course.

#### *Our preferred approach*

- 8.86 It appears somewhat anomalous that former MPs' entitlements are provided for in the Speaker's Directions. These entitlements might be more appropriately housed in the Civil List Act 1979 along with the provisions for the payment of an annuity for former Prime Ministers and their spouses/partners and provisions for payments to the spouses/partners or the dependent children of MPs who die in office. Re-housing these entitlements in legislation would have the effect of reducing the likelihood of a revival of the entitlements on the one hand and further changes to them on the other.

### **Wellington accommodation entitlement**

#### *Introduction*

- 8.87 MPs are required to be in Wellington for a significant part of the year, yet most do not live in Wellington. It is generally accepted that someone who is required to travel for their work will have the reasonable cost of accommodation while they are away from home met by their employer. For that reason it is appropriate that MPs in a similar situation are reimbursed for the reasonable accommodation expenses they incur in order to carry out their duties at Parliament.

### *The current regime*

#### *MPs' entitlement*

- 8.88 MPs are eligible for reimbursement of Wellington accommodation expenses if their primary place of residence is outside the Wellington commuting area - defined as including the cities of Wellington, Lower Hutt, Upper Hutt and Porirua.<sup>83</sup>
- 8.89 At present MPs may claim up to \$24,000 p.a. reimbursement for actual and reasonable expenses relating to accommodation in Wellington.<sup>84</sup>
- 8.90 The Parliamentary Service's practice has been to allow reimbursement for rent, mortgage interest payments (where an MP owns the premises), rates, utility accounts, cleaning and hotel or private accommodation. Maximum amounts payable for accommodation for one night are set at \$160 for a hotel and \$50 for private accommodation.

#### *Ministers' allowance*

- 8.91 In contrast to MPs, Ministers are entitled to a flat-rate allowance for Wellington accommodation expenses (where they are not provided with a Ministerial residence). This entitlement has been recently amended in the face of public scrutiny of the definition of "primary place of residence". Under the previous entitlement a Minister was able to claim accommodation expenses while in Wellington.
- 8.92 The new allowance in place for Ministers provides for an accommodation allowance of either \$30,000 or \$37,500 p.a.<sup>85</sup> Provided they are not allocated an official residence or choose to stay in a hotel while in Wellington, Ministers are entitled to be paid an accommodation allowance. If a Minister chooses to stay in a hotel, he or she is entitled to reimbursement of actual and reasonable expenses up to a limit of \$37,500 (at a maximum rate of \$200 per night).<sup>86</sup>
- 8.93 The allowance is intended to cover market rent and a contribution to, but not full reimbursement of, other property-related expenses such as utilities, cleaning and gardening services.

#### *Current proposals for amendment to MPs' Wellington accommodation entitlement*

- 8.94 The MPs' Wellington accommodation entitlement is currently under review by the Speaker and PSC in light of the issues that have arisen concerning the

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83 The Wellington accommodation allowance is funded by the Vote Parliamentary Service Travel of Members and Others appropriation: see Speaker's Directions 2008, clause 3.6.

84 Ibid, clause 3.30.

85 The \$30,000 per annum figure is a transitional amount for those Ministers who continue to live in the Wellington residence they previously claimed actual and reasonable expenses for while an MP and lived in at the time of their appointment as a Minister.

86 See Executive Travel, Accommodation, Attendance, and Communications Services Determination (No2) 2009, Part 4.

definition of “primary place of residence”<sup>87</sup> and the fact that there are now quite different entitlements/allowances in place for MPs and Ministers. It is proposed that the entitlement is split into different entitlements depending on whether or not the MP has an interest in the rented property:

- if the MP has a direct or indirect interest in the property, he/she will be entitled to a flat-rate allowance; and
- if the MP does not have a direct or indirect interest in the property, he/she will be entitled to claim for actual and reasonable expenses up to a capped amount.

8.95 The maximum amount of the proposed allowance has not been finalised. Our view, however, is that it should be less than the cap on “actual and reasonable” rent by a factor related to the benefit received by an interested party of what is effectively a guaranteed and stable tenancy.

#### *Current payments under the entitlement*

8.96 The average rent for those MPs who claim rental accommodation under the current entitlement is around \$20,600 p.a.<sup>88</sup> Of the 59 MPs who have currently entered into rental agreements, 27 MPs have claimed the capped amount of \$24,000 (or very close to it). A further 19 MPs stay in hotels at an average annual cost of around \$11,800.

8.97 We note that the total spending (in real terms) on Wellington accommodation has been stable since 2000 at around \$1.4m p.a.

#### *Concerns with the current regime*

8.98 We have the following concerns with the Wellington accommodation entitlement:

- the Speaker’s Directions do not clearly express what accommodation expenses (additional to rent) fall within the entitlement;
- allowing MPs to claim rental expenses incurred as a result of rental agreements with interested parties can be perceived as providing an MP with a private benefit;
- allowing mortgage interest to be claimed as an accommodation expense under the existing entitlement can be perceived as providing an MP with a private benefit (for example a capital gain on the value of the property concerned);
- the Wellington commuting area does not reflect a reasonable commuting area; and
- the proposed amendment to include an accommodation allowance in circumstances where MPs rent from ‘interested parties’ could be open to criticism that it enables MPs to obtain a private benefit.

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87 See “Auditor General’s Decision on Parliamentary and Ministerial Accommodation Entitlements”, 28 October 2009.

88 As at March 2010.

*The expenses that may be claimed as accommodation expenses*

- 8.99 As noted above, the type of expenses that may be claimed as accommodation expenses are not clearly defined in the Speaker's Directions. The type of expenses the Parliamentary Service accept as falling within the definition of accommodation expenses are, however, set out in an annexure to the claims form. Our view is that these allowable expenses should be clearly set out in the Directions rather than the claims form. As it stands the claims form is more prescriptive than the directions and could be interpreted as the Parliamentary Service limiting the entitlement.
- 8.100 A clear and simple approach would be to limit accommodation expenses to private or hotel accommodation or, where staying in rented accommodation, to rent and utilities.

*Rental agreements with interested parties*

- 8.101 MPs are currently allowed to claim for rent from interested parties such as a family trust.<sup>89</sup> Allowing claims in those circumstances creates at the least a public perception of a private benefit accruing to the MP concerned because of the potential for capital gains on the value of the rental property.

*Mortgage interest payments*

- 8.102 MPs are currently allowed to claim interest on mortgages for property they own as an accommodation expense (the Speaker's Directions prohibit claims for the principal of any mortgage or expenditure on capital improvements to premises).
- 8.103 We have considerable difficulty with allowing claims for mortgage interest:
- first, as discussed above, we do not believe MPs should be able to claim public funding in respect of accommodation they or an interested party own;
  - second, if MPs are able to claim public funding in respect of accommodation that they or an interested party own, the claim should be based on the rent that the premises would expect to receive in the market (subject to a cap, as discussed below). How the premises are financed (ie, the mix of mortgage funding and investor funding that is used to purchase the property) is irrelevant when it comes to determining the fair, market-based rental for the property; and
  - third, the reimbursement of mortgage interest allows an MP to gain an asset at the taxpayers' expense. This personal benefit is exacerbated in circumstances where the property is rented from a loss attributing

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89 By interested party we mean someone in a relationship of sufficient closeness that a member of the public would perceive a benefit arising to an MP as a result of the payment of rent. We anticipate this would include other MPs so that an MP could not rent a property from another MP.

qualifying company (LAQC) where the MP is a shareholder because the MP can then offset losses on that property against other income, effectively reducing his or her income for tax purposes.

- 8.104 We note that we hold the above view in common with the United Kingdom Committee on Standards in Public Life. That committee recently recommended that MPs in the United Kingdom should no longer be reimbursed for the cost of mortgage interest payments.<sup>90</sup>

*MPs' accommodation expenses – allowance or reimbursement?*

- 8.105 We have considered whether the accommodation entitlement for MPs should be an allowance or remain a reimbursement for actual and reasonable expenses up to a capped amount. There are advantages and disadvantages to each approach.
- 8.106 A flat-rate allowance allows a degree of flexibility to recognise MPs' varying personal arrangements and is a simple and easily understandable regime. Like the Ministers' allowance, the MPs' allowance could be set at a rate that is less than the "reasonable" costs of appropriate accommodation to avoid the criticism that recipients of the allowance are receiving any private benefit. An allowance regime is also likely to be less costly to administer than the current reimbursement approach.
- 8.107 A flat-rate allowance could, however, be seen as a less accountable approach. Because an allowance is effectively a proxy for actual and reasonable expenses there is potential for MPs to obtain what could be perceived by the general public as a personal benefit if an MP reduced his or her actual expenses to less than the allowance. We accept that this perception is more apparent than real because an MP's choice about how to spend the allowance does not alter the fact that in principle they are entitled to have reasonable Wellington accommodation costs met.
- 8.108 Further, a system of reimbursement for MPs' actual and reasonable accommodation expenses is likely to be more complex and costly to administer than an allowance.
- 8.109 Nevertheless, on balance our view is that a reimbursement scheme for actual and reasonable expenses up to a capped amount is a more transparent and accountable approach and any higher administrative costs are an appropriate cost to ensure there is no private benefit accruing to MPs.

*The appropriate cap on actual and reasonable expenses*

- 8.110 The cap on actual and reasonable expenses is currently \$24,000 per annum. During the course of our investigations we have not received any comment on the amount of the cap. In those circumstances and in view of

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90 "MPs' expenses and allowances: Supporting Parliament, safeguarding the taxpayer", United Kingdom Committee on Standards in Public Life, November 2009, p.42 ([www.public-standards.govt.nz/library/MP\\_expenses\\_main\\_report.pdf](http://www.public-standards.govt.nz/library/MP_expenses_main_report.pdf)).

the current fiscal and economic situation, we do not see any need for a change to the cap.

*The Wellington commuting area*

- 8.111 As part of our review, we have looked at the definition of the “Wellington commuting area” - the area that defines whether MPs are entitled to claim accommodation expenses.
- 8.112 The Wellington commuting area is currently defined as the cities of Wellington, Lower Hutt, Upper Hutt and Porirua.<sup>91</sup> The northern end of the current boundary on the Kapiti coast side is between Pukerua Bay and Paekakariki.
- 8.113 In our review of the boundaries, we have started from the premise that a commute of around an hour is quite common in the business world. We also note an hour’s travel is the measure for reimbursement of expenses for MPs travelling on parliamentary business outside Wellington.<sup>92</sup>
- 8.114 Set out below are the commuting distances and estimated travel times relevant to the Wellington commuting area:

Commuting distances and estimated travel times				
Wellington to:				
	Upper Hutt	Porirua	Paraparaumu	Waikanae
Distance	33km	21km	50km	58km
Travel time - train <sup>(1)</sup>	45 mins	21 mins	55 mins	<sup>(2)</sup>
Travel time - car <sup>(3)</sup>	37 mins	21 mins	48 mins	57 mins

Notes:

1. From Tranz Metro timetable – non-express service.
2. New commuter services on a double-track electrified line are expected to commence later in 2010 – with an estimated travel time of 62 minutes.<sup>93</sup>
3. Google Earth estimated driving times. In practice driving times will vary considerably depending on the time of day and day of the year especially on State Highway 1.

- 8.115 The point to note from the above table is that Waikanae is around one hour’s drive from Wellington. However, travel times vary considerably and we consider it appropriate to take a conservative approach to reviewing the boundary and conclude the boundary should be moved north to the Waikanae river (ie, marginally south of Waikanae).

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91 Speaker’s Directions, clause 2.4.

92 Ibid, clause 3.29 which deals with non-Wellington accommodation. Clause 3.29(2) provides for reimbursement of accommodation expenses if an MP is at least one hour’s travel or 80 kilometres from his or her primary place of residence. See also the Kelly report, p. 48 which refers to a Welsh report concluding that an hour’s commute is reasonable and proposes something similar for the House of Commons.

93 In addition to upgraded rail-commuter services soon to be extended to Waikanae, there are various roading upgrades planned for the Wellington Northern Corridor that may reduce driving times from Wellington to the Kapiti Coast. See [www.ontrack.govt.nz/ourprojects](http://www.ontrack.govt.nz/ourprojects)

***Preferred approach***

- 8.116 We consider that new MPs should not be able to claim public funding in respect of accommodation they or an interested party own: ie, they should only be able to claim for accommodation rented from a third party.<sup>94</sup> Funding entitlements should be grand-parented for those MPs who have existing arrangements to own directly or indirectly their Wellington accommodation.

**Recommendation 17**

That, for the purposes of the Wellington accommodation entitlement, MPs entering Parliament from the next general election not be able to claim public funding for premises owned by either an MP or an interested party. The funding for premises owned directly or indirectly by current MPs should be grand-parented while the MP continues in Parliament.

- 8.117 The accommodation expenses claimable for rented accommodation should remain capped at \$24,000. The entitlement should be amended to define the expenses that may be claimed as expenses incurred “in respect of accommodation” as rent and utilities only (eg, rates and/or cleaning are no longer legitimate expenses).

**Recommendation 18**

That the level of the Wellington accommodation entitlement remain capped at \$24,000 p.a.

**Recommendation 19**

That the Speaker’s Directions be amended to define the expenses that may be claimed as expenses incurred “in respect of accommodation” and the definition be limited to rent and utilities.

- 8.118 If our recommendation that MPs should no longer be able to claim public funding for premises owned by an MP or interested party is not accepted, then the cap on the entitlement in those circumstances should be lowered to 80% of the \$24,000 cap (ie, to \$19,200). The 80% reduction is the same

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<sup>94</sup> MPs can instead claim hotel accommodation. The discussion in this section deals only with rental accommodation.

reduction as the Ministerial allowance in these circumstances. The intention of the reduced amount of the cap is to:

- (a) acknowledge the benefit to an MP or interested party of what is effectively a guaranteed stable tenancy; and
- (b) provide a high degree of assurance that there is no element of private profit being obtained from public office.

8.119 Instead of reimbursement for mortgage interest or other expenses, the reimbursement would be calculated on the basis of a registered valuer's assessment of a fair market rental (up to the cap of \$19,200).

**Recommendation 20**

If recommendation 17 is not accepted, that the cap on the entitlement where an MP either owns the property or is renting from an interested party be lowered to 80% of the cap that is otherwise in place. The present funding arrangements for premises owned directly or indirectly by current MPs should, however, be grand-parented while the MP continues in Parliament.

8.120 Appropriate transitional arrangements should be put in place. For an MP or related party to have invested in Wellington accommodation on which the MP claims the Wellington accommodation entitlement is quite proper. For that reason, if our proposal to change the rules in the future is accepted, the existing regime for those who are currently claiming on such an investment should be grandfathered while the MP continues in office.

8.121 In addition, the definition of the Wellington commuting area should be extended to include the Kapiti Coast up to the Waikanae River.

**Recommendation 21**

That the definition of the Wellington commuting area be extended to include the Kapiti Coast up to the Waikanae River.

## **Party and Member Support entitlements**

### ***Introduction***

- 8.122 MPs and political parties receive funding and entitlements for various resources to enable them to carry out their parliamentary responsibilities. They receive funding directly from the non-departmental Party and Member Support appropriation<sup>95</sup> and their staffing and other entitlements are funded through the departmental Services to Members appropriation.
- 8.123 This section of the report discusses the Party and Member Support appropriations. The entitlements funded under the appropriation include leadership funding, party and group funding and individual members' support funding for out-of-Parliament offices. MPs' staffing and other entitlements funded through the departmental appropriations are discussed above in section 7 of this report.

### ***The current regime***

#### *Leader's office and party and group funding*

- 8.124 To fund the party's leader's office each party is allocated \$100,000 (excluding GST) p.a. plus \$64,321 (excluding GST) p.a. for each non-Executive member of the caucus.<sup>96</sup>
- 8.125 In addition, party and group funding is allocated at a rate of \$22,000 (excluding GST) p.a. per caucus member to fund the whip's office and research.<sup>97</sup>

#### *Individual members' support funding*

- 8.126 Individual members' support funding is allocated to each MP. The payment of an individual support allocation came into being following the introduction of MMP at the 1996 election and was originally a two-tier system differentiating between constituent MPs and list MPs.
- 8.127 The current amount of funding varies depending on whether the MP is a constituency or list MP and if a constituency MP, the nature and size of the electorate.
- 8.128 Since 2009, MPs in all but one of the Maori electorates<sup>98</sup> and large general electorates (more than 20,000km<sup>2</sup> in area) receive \$105,192 individual funding, other constituent MPs receive \$64,260 and list MPs receive \$40,932.<sup>99</sup> Previously, all constituent MPs received the same amount.
- 8.129 The current three-tier system was put in place in 2009. Prior to the 2008 election, a sub-committee of the Parliamentary Service Commission investigated the need for increased individual members' support funding

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95 Speaker's Directions 2008, clause 4.3.

96 Ibid, clause 4.5.

97 Ibid, clause 4.7.

98 Tamaki Makaurua, a small Maori electorate concentrated around the Auckland isthmus.

99 See Appendix four which lists the 25 largest electorates and indicates which electorates qualify for extra funding as Maori and large electorates.

for Maori and large electorates in addition to an increase in staffing (that had been recommended by the Third Appropriations Review Committee).<sup>100</sup> The sub-committee's recommendation was that an additional \$23,328 in individual funding was appropriate. After the election, a Relationship and Confidence and Supply Agreement was entered into between the National Party and the Maori Party dated 16 November 2008.<sup>101</sup> That agreement records the parties' agreement to implement a recommendation of the Third Appropriations Review Committee to increase staffing entitlements for Maori and large electorates. However, Cabinet subsequently also approved additional funding of \$40,932 for each Maori and large electorate and the Speaker's Directions were amended accordingly.

- 8.130 MPs have some discretion in their use of individual support funding. MPs generally use this funding to set up and operate an out-of-Parliament office, although receipt of funding is not contingent on setting up an office and a number of list MPs choose not to.
- 8.131 As noted above, staff entitlements for out-of-Parliament offices are provided through the Services to Members departmental appropriation. Expenses incurred by MPs travelling around electorates on parliamentary business are met through the travel entitlements. The costs associated with MPs' out-of-Parliament offices that are met from this entitlement include rent, office equipment and general office running costs, the preparation of communications for distribution in the area and advertising MPs' availability and depreciation on equipment and fittings for MPs' out-of-Parliament offices.

*Office rental expenses*

- 8.132 The most significant expense met from individual members' support funding is the cost of renting office premises. MPs' practices regarding rental of out-of-Parliament office premises vary widely. A considerable number of MPs have more than one office (the most being five offices), some MPs share offices and others (seven out of 52 list MPs) do not set up an out-of-Parliament office.<sup>102</sup>
- 8.133 Our view is that while the individual members' support funding is to support individual MPs, it serves the important function (through the operation of out-of-Parliament offices) of providing the public with access to their MP and so the ability to participate in the democratic process. We note that determination of the funding levels assumes MPs would set up an out-of-Parliament office but there is no requirement to do so. We would expect that electorate MPs will open an office in their electorates, however we note that seven list MPs have not opened offices. We would be

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100 "Parliamentary Appropriations: Report of the Committee on the Third Triennial Review", March 2007, p.92.

101 See [www.parliament.nz/NR/rdonlyres/0300A59A-A076-470C-B347-C31C96890794/94916/NationalMaori\\_Party\\_agreement20094.pdf](http://www.parliament.nz/NR/rdonlyres/0300A59A-A076-470C-B347-C31C96890794/94916/NationalMaori_Party_agreement20094.pdf)

102 Based on January 2010 data.

concerned if the number of MPs not opening offices was to increase significantly.

- 8.134 In reviewing the three levels of individual members' support funding, we considered the respective functions of electorate and list MPs and concluded that there is not a case for increasing list MPs' funding commensurate to that of electorate MPs. The electoral system in New Zealand is not a pure proportional system: it is a mixed member proportional system with two distinct types of MP. Electorate MPs have well-settled responsibilities to represent their constituents. List MPs do not have the same responsibility and therefore have more choice as to the deployment of their resources.
- 8.135 A review of the current annual rental expenses for each of the three tiers of funding shows:
- the average total rental paid by MPs who receive the Maori/large individual members' support funding is \$24,791 p.a. (ie, 24% of the electorate funding of \$105,192). The top three total rental costs are \$39,413, \$38,731 and \$31,528;
  - the average total rental paid by other electorate MPs is \$23,812 p.a. (ie, 37% of the individual members' support funding of \$64,260). The top three total rental costs are \$44,200, \$42,300 and \$39,352; and
  - the average total rental paid by list MPs is \$19,705 p.a. (ie, 48% of the individual members' support funding of \$40,932). The top three total rental costs are \$44,745, \$31,635 and \$28,125.
- 8.136 There is a considerable degree of flexibility in the way the Party and Member support funding can be used. MPs are able to transfer their individual funding to another MP and a party can pool and reallocate entitlements transferred to it by MPs.<sup>103</sup> The agreement of the Parliamentary Service is required for a transfer or reallocation that may have an effect on the Parliamentary Service's employees or lease agreements.<sup>104</sup> This flexibility extends to enabling shared offices (typically involving an electorate and list MP of the same party) and hub offices (typically for a number of list MPs of the same party).
- 8.137 In total, the Party and Member Support appropriations increased sharply after the introduction of MMP. Since 2001, the appropriations have, in total, remained relatively stable at around \$15m in real (\$2009) terms.

***Concerns with the current regime***

- 8.138 We have a number concerns with the current regime for funding individual members' support.
- 8.139 The Maori/large electorate funding of \$105,192 seems out of line with that received by other MPs, especially given that office accommodation tends

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103 Speaker's Directions 2008, clause 4.9.

104 Ibid, clause 4.10.

to be relatively inexpensive in larger electorates. The average total rental costs for MPs who fall within the Maori/large electorate tier of funding and MPs who fall within the other electorate tier of funding are very similar, yet the Maori/large electorates receive an additional \$40,932 of funding. In that regard, the Parliamentary Service Commission's sub-committee recommendation that the Maori/large electorates receive \$23,328 more than other electorates (ie \$87,588 in total) appears a more appropriate amount of additional individual members' support funding for Maori/large electorates.

- 8.140 If the size of the electorate is the major determinant of the cost of servicing the electorate, then there are some other anomalies in the current regime. We do not understand how, at least, the East Coast and Taranaki-King Country electorates do not receive the Maori and large electorate level of funding given that these two electorates are both larger in size than the Maori seat of Hauraki-Waikato which does receive the extra funding.<sup>105</sup>
- 8.141 We are not, however, convinced that size is the only key determinant of the cost of servicing an electorate. MPs' travel costs will increase with the size of the electorate but, as noted above, MPs' travel costs are already funded separately. Further, communications costs have declined even as communications technology has helped overcome distance. Office rent is the major out-of-Parliament cost faced by MPs but these tend to be higher in urban areas as opposed to large rural electorates. The shape and topography of the electorate, distribution of the population and roading patterns have at least as much impact on an MP's ability to service an electorate as the size of the electorate. By these measures, Northland, Rangitikei and Wairarapa would have as strong a case for some additional funding but not necessarily an additional staffing entitlement.
- 8.142 It appears to us that the cost of servicing constituents in the lowest socio-economic electorates is higher than other electorates because of the high level of demand for social welfare, housing and immigration related issues. We believe that Porirua and Mangere are two such electorates that deserve additional assistance to address this demand. Such electorates have at least as strong a case for some additional funding as Northland, Rangitikei and Wairarapa.
- 8.143 More fundamentally, we are concerned that the current system for determining funding for individual members' support is open to ongoing change with the formation of successive governments. There are few, if any, checks and balances in the current system on the level of funding for individual members' support. As a result, there is a real risk that expenditure in this area will be ratcheted up with successive elections. At worst, the current funding regime allows for the prospect of a party buying its way into office. In our view there is a strong case for funding of this entitlement to come under the control of an independent regulator. We

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105 See Appendix four.

note that prior to 2003, what was the ‘constituency’ allowance was determined independently.<sup>106</sup>

- 8.144 A further issue arises where MPs or interested parties own MP’s out-of-Parliament offices. Allowing MPs to spend public funds on expenses associated with a property owned by an MP or an interested party can be perceived as providing an MP with a private benefit. In that regard, ownership of out-of-Parliament offices raises the same issues as ownership of housing for which the Wellington accommodation entitlement is claimed.
- 8.145 We have been made aware of the difficulty of renting suitable accommodation in a number of situations. Obtaining ground-floor premises that can be easily adapted to meet the health and safety requirements for staff in an affordable way is a real challenge in many areas. The rental market in, for instance, some smaller rural and suburban locations can be small to almost non-existent. Being able to purchase the premises provides MPs with office options that in some areas may not otherwise exist. We are urged to allow MPs (to quote one MP) “to be free to service constituents in the best way they see how”.
- 8.146 However, the number of MPs who have purchased their premises is very small. Accordingly, provided that the funding arrangements for MPs who have purchased their premises are grandparented, we do not see any great problem from holding to the principle we have laid down.

***Preferred approach***

- 8.147 In summary, we conclude that there is a strong case for the amount of the individual members’ support entitlement being determined by an independent regulator.

**Recommendation 22**

That the amount of the individual members’ support entitlement be set by an independent regulator.

- 8.148 If our recommendation for an independent regulator is not adopted, it will be essential that a cross-party agreement about the funding of individual members’ support be entered into.
- 8.149 We also consider, as discussed in section 7 above, that there is a good case for integrating the funding for MPs’ out-of-Parliament staff entitlements with their funding for other out-of-Parliament expenditure. If the funding

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106 Funding levels for the constituency allowance were determined by the Higher Salaries Commission (the precursor to the Remuneration Authority) in conjunction with the Representation Commission which categorised electorates into different funding levels from A to G.

was integrated, MPs would have more flexibility to meet the varying needs and characteristics of their individual electorates.

- 8.150 Even when the funding is fully integrated we think there are issues with the current three-tier funding levels that need to be addressed. We consider that the Maori/large electorate funding is out of line with that received by other MPs and believe that the PSC sub-committee recommendation of an additional \$23,328 is more appropriate than the additional \$40,932 of funding that they receive. We note that this group is now also entitled to an additional out-of-Parliament staff member. We also think this group should be expanded to include the East Coast and Taranaki-King Country as they are larger than the Hauraki-Waikato electorate.
- 8.151 We also consider there is a case for an additional tier of funding between the existing categories of general electorates and Maori and large electorates. That additional tier would consist of Northland, Rangitikei and Wairarapa and the electorates in the lowest socio-economic areas with a demonstrated exceptional demand for electorate-related services. Exactly where the line is drawn in terms of how many electorates are included in this additional tier is inevitably somewhat arbitrary. If our proposal that the Maori/large electorate funding be reduced to \$87,588<sup>107</sup> is accepted, and this new tier of electorates receive the same \$87,588 (but not an additional staff member) this would free up funds to allow up to five low-socio economic electorates to receive additional funding. In our view, two of these electorates would be Porirua and Mangere.

### **Recommendation 23**

If an independent regulator is not given responsibility for determining the individual members' support entitlement, that:

- a. a cross-party agreement on the appropriate funding regime be entered into;
- b. the funding for the Maori/largest electorates be altered to \$87,588;
- c. East Coast and Taranaki-King Country electorates be added to the Maori/large electorate tier of funding; and
- d. that an additional intermediate tier, receiving \$87,588 (but not an extra staff member), be established consisting of the Northland, Rangitikei and Wairarapa electorates and up to five electorates in the lowest socio-economic areas of the country.

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107 That is, the \$64,260 received by general electorates plus an additional \$23,328 previously recommended by the PSC sub-committee.

- 8.152 Consistent with our approach to MPs owning housing for which the Wellington accommodation allowance is paid, we consider the member and party support entitlement should be amended so that new MPs are unable to receive public funding for expenses associated with out-of-Parliament offices owned by an MP or interested party.<sup>108</sup> Funding for premises presently directly or indirectly owned by MPs should be grandfathered while the MP concerned continues in office.

**Recommendation 24**

That MPs entering Parliament from the next general election not be able to receive public funding for out-of-Parliament offices owned by an MP or an interested party. The funding for premises owned directly or indirectly by current MPs should be grand-parented while the MP continues in Parliament.

- 8.153 If the above recommendation is not accepted, then MPs' expenditure on rental under this entitlement should be limited to 80% of an independently determined market rental, similar to the discount applied to claims for MP-owned Wellington accommodation. In this case also, the present arrangements should be grandfathered while a current MP continues in office.

**Recommendation 25**

If recommendation 24 is not accepted, that funding for an MP's out-of-Parliament office owned by an MP or interested party be limited to 80% of the independently determined market rental for the property. The present funding arrangements for premises owned directly or indirectly by current MPs should, however, be grand-parented while the MP continues in Parliament.

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108 We do not consider a registered political party to be an interested party in this context.

## 9. OFFICE OF THE CLERK APPROPRIATIONS

### Introduction

9.1 This section of the report considers the appropriations for the Office of the Clerk of the House of Representatives (Office of the Clerk). By way of background we provide an overview of the appropriations and the trends in expenditure. We then discuss the specific issues included in the terms of reference agreed with the Office of the Clerk:

- the impact of technological change and maintaining staff capability; and
- inter-parliamentary travel and professional development.

### Overview

9.2 The Office of the Clerk provide the following services funded through two separate appropriations:

- Secretariat services (\$18.2m in 2008/09): the provision to the House of Representatives of professional advice and services designed to assist the House in the fulfilment of its constitutional functions and enabling public participation in, and understanding of, parliamentary proceedings; and
- Inter-parliamentary relations (\$1m in 2008/09): New Zealand's commitment to the inter-parliamentary community and contributing to the development of parliamentary democracy, particular in the pacific region.

### Trends in expenditure

9.3 The table below looks at expenditure by the Office of the Clerk over the period 1991 to 2009 for its two separate output classes: Secretariat Services and Inter-parliamentary relations.<sup>109</sup> The period 1991 to 2009 has been chosen to provide a long-term perspective that covers both the pre and post-MMP periods. The figures are provided in real (inflation-adjusted) terms.

Office of the Clerk real expenditure (2009 \$m)				
Output class	1991	2001	2004	2009
Secretariat Services	10.0	13.7	12.8	18.2
Inter-Parliamentary Relations	0.5	0.9	1.1	1.0
Total	10.6	14.6	13.9	19.2

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<sup>109</sup> Prior to 2004, expenditure on Secretariat Services, Printing and Broadcasting were shown as separate Output Classes but since then expenditure on these activities has been reported as a single Output Class.

9.4 Over the eighteen year period, expenditure has increased from \$10.6m to \$19.2m in real (ie, inflation adjusted) terms.

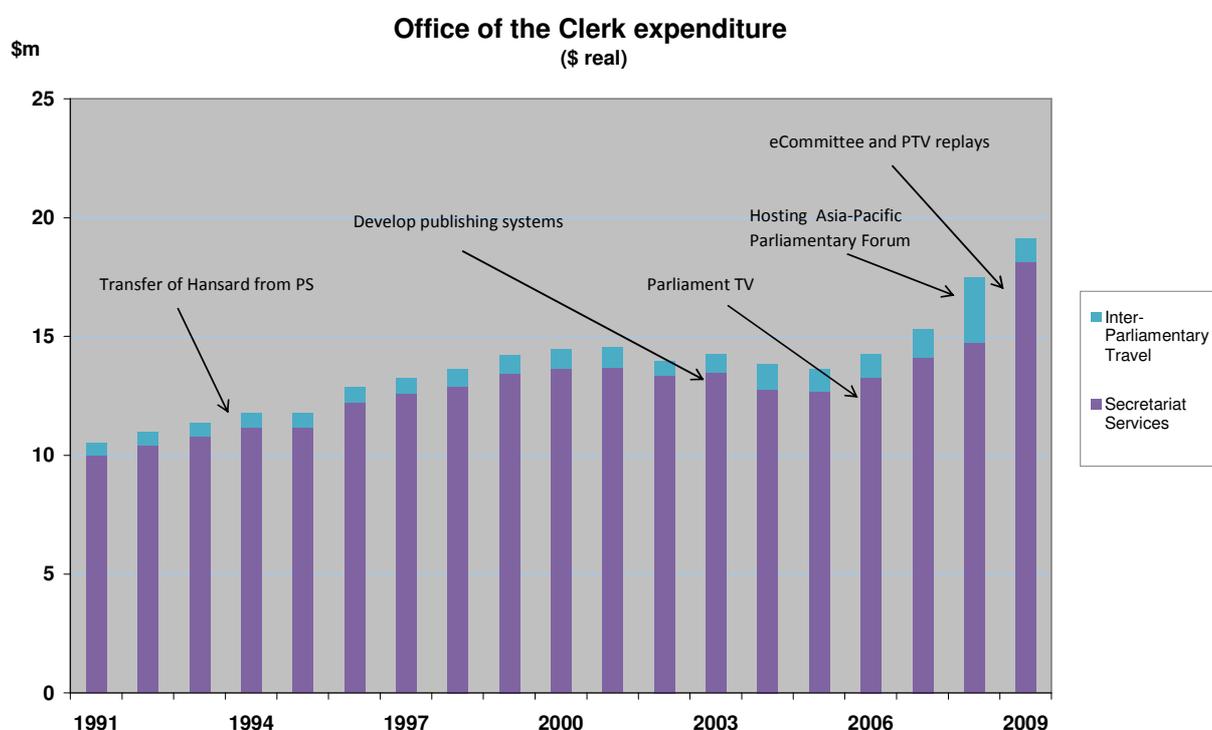
9.5 The table below reports the growth in the major components of expenditure by the Office of the Clerk over the period 1991 to 2009. The figures are provided in real (inflation-adjusted) terms.

Growth in Office of the Clerk real expenditure (%)			
Output Class	Total growth (1991 to 2009)	Growth per annum (1991 to 2009)	Growth per annum (2004 to 2009)
Secretariat Services	81.2%	3.4%	7.3%
Inter-Parliamentary Relations	87.1%	3.5%	-1.9%
Total	81.5%	3.4%	6.7%

9.6 The Office of the Clerk's expenditure on secretariat services has increased in real terms by 81% over the last eighteen years, with the rate of growth increasing rapidly in the last five years (to 7.3% p.a.).

9.7 Expenditure on inter-parliamentary relations has increased by 87% over the last eighteen years, but spending on this output has fallen over the last five years.

9.8 The following graph illustrates the trends in expenditure (in inflation-adjusted terms) by the Office of the Clerk over the last eighteen years. The major factors contributing to the growth in expenditure over the period are highlighted in the graph.



- 9.9 The factors identified as contributing to growth in expenditure include a number of additional services provided by the Office of the Clerk, including the provision of Parliament TV and electronic services to Select Committees. We understand these additional services have been driven by the demand for more technologically advanced services, particularly resources that enable greater accessibility of information about the proceedings of Parliament.

### **Trends in the quantity and quality of outputs**

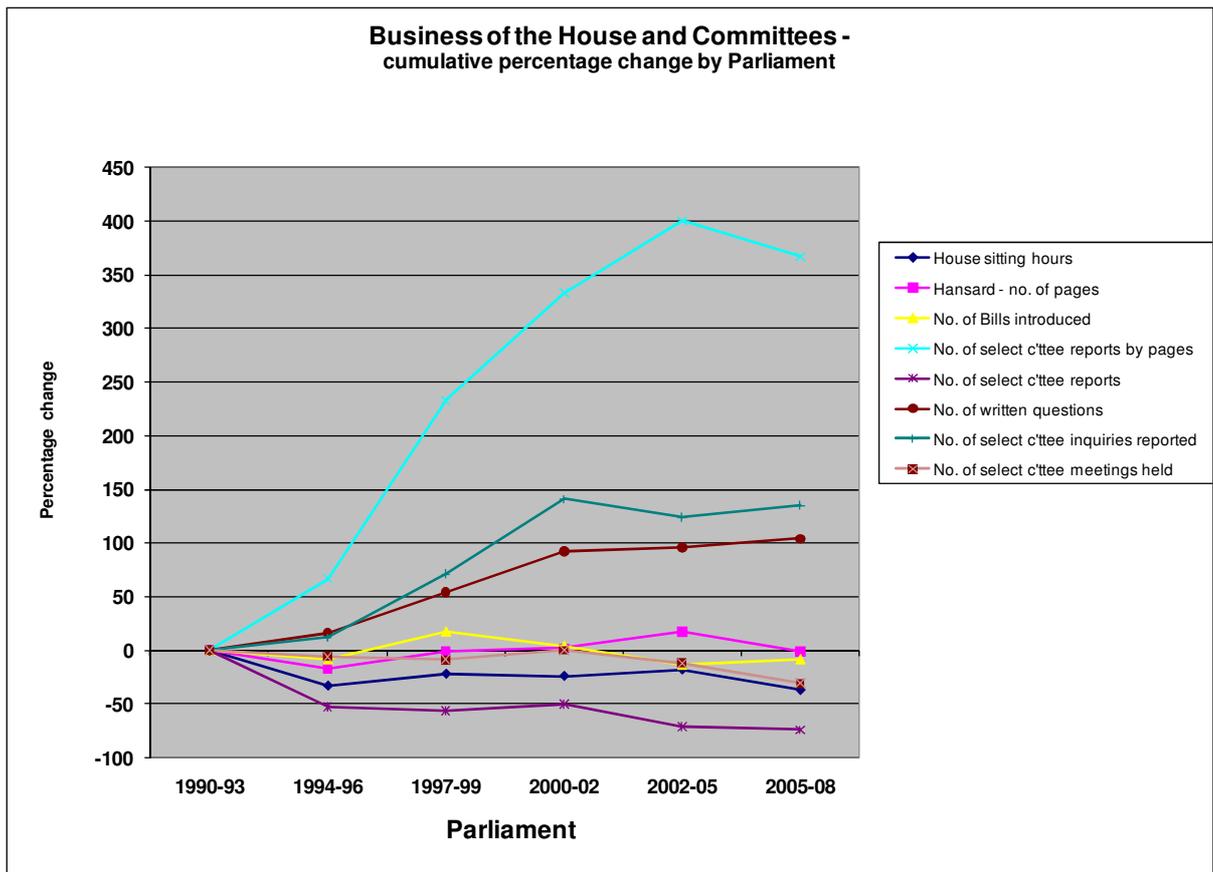
- 9.10 The graph overleaf sets out the trend in selected indicators of activity of the House and committees.<sup>110</sup> The indicators have been selected in consultation with the Office of the Clerk.<sup>111</sup> We recognise that the indicators are imperfect. However the business of the House and committees does influence the quantity of services the Office provides, albeit it is not the only determinant. Further, the indicators do not necessarily reflect changes in the quality or complexity of the services provided by the Office of the Clerk or where new services have been provided.
- 9.11 The measures of the business of the House and committees provide something of a mixed picture. Five of the eight indicators have a flat or negative trend over the period as a whole while three of the indicators have an upward trend. The indicator that shows the most marked increase is the number of pages of select committee reports produced. We understand from the Office of the Clerk that in the post-MMP environment the select committee reports reflect a more diverse and complex range of views. On the other hand, house sitting hours and the number of select committee meetings held and reports issued have declined. Overall, there is no clear indication of growth in the quantity of the Office of the Clerk's core services corresponding to the increase in expenditure over the period.<sup>112</sup>

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110 Figures sourced from the Office of the Clerk.

111 The Office of the Clerk advises us that sitting hours is a better measure of the House's activity than sitting days. Further they advise that there are a range of indicators of select committee activity, all of which need to be considered to understand the impact of select committee activity on the services delivered by the Office.

112 It is difficult to determine what factors are driving the sharp increase in the number of pages of select committee reports. For example, whether it reflects an increase in complexity of issues, a higher standard of service or the need to accommodate a wider range of views under MMP, more staff working on the issues or the availability of more sophisticated technology.



9.12 We note that the data underlying the above graph is based largely on fiscal years which do not exactly correspond to parliamentary terms. The focus therefore should be on broad trends. The figures have been averaged over the three-year terms to remove volatility in the series. Within a parliamentary term, activity levels are typically highest in the first year.

9.13 In fact, as the table overleaf suggests, there is some indication that the Office of the Clerk's core outputs have tended to decline in recent years. Comparing the average level of business activity in the most recent parliamentary term with business levels in the preceding term, the volume of six of the eight indicators has either declined or remained flat. Most noticeably, the number of parliamentary sitting hours reached a record low in the most recent (2005-08) parliamentary term.

Business of the House and Committees					
	Average per annum over parliamentary term			Change in volume	
	1990-93	2002-2005	2005-08	1990-93 to 2005-08	2002-05 to 2005-08
House sitting hours	721	588	451	-270	-137
Hansard – no. of pages	6,186	7,244	6,103	-83	-1,141
No. of Bills Introduced	75	65	69	-6	4
No. of select committee reports by pages	1,000	5,000	4,667	3,667	-333
No. of select committee reports	1,152	336	301	-851	-35
No. of written questions	8,571	16,812	17,482	8,911	670
No. of select committee inquiries reported	6	13	13	8	1
No. of select committee meetings held	587	518	406	-181	-112

9.14 Measures of the quality of services provided are not easy to establish. The stakeholder feedback surveys commissioned by the Office of the Clerk in 2007 and 2009 provide some indication. The 2009 survey concludes:

*“stakeholders remain very positive about the overall performance of the Office of the Clerk. Ninety-seven percent of stakeholders rate the overall performance of the Office as excellent or very good, compared with 93 percent in 2007. Only one stakeholder rates the service as only good. None rate it as fair or poor. Several stakeholders mention the closeness of their working relationships with the Office and comment positively on the Office’s professionalism in parliamentary matters.”*<sup>113</sup>

9.15 While the 2009 stakeholder survey report does not provide the break-down, we were advised by the Office of the Clerk that the number of respondents rating the Office as excellent declined from 54 percent in 2007 to 39 percent in 2009. The Office sees this as a clear indication of the impact of the loss of an extremely well respected and long serving Clerk and several other very experienced senior officers of long standing around the same time. It is to counter this impact that the Office is putting considerable effort into capability building.

9.16 The Office’s Annual report also provides measures of the quality of the Office of the Clerk’s outputs. These indicators generally indicate a high quality service from the Office of the Clerk. The only significant area in which the Office was well below budgeted standards in 2008/09 was in

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113 “Stakeholder Feedback Study 2009” prepared for the Office of the Clerk, Research Write, 22 October 2009, p.3.

respect of the timeliness of postings of the Hansard on the Parliament website. The Office of the Clerk's stated aim is to have 100% of the weekly Hansards on the website within ten working days. In reality, only 2% of the weekly Hansards met that target. The average time taken was 21 days. The Office of the Clerk's view is that the publication difficulties were managed in close consultation with recipients of the service and expectations were managed and met.

- 9.17 A range of measures indicate that the Office of the Clerk's use of inputs has increased. It is difficult to reach any firm conclusions based on the available measures of trends in outputs. It is inevitably very difficult to assess the outcomes that the outputs of the Office of the Clerk contribute to.
- 9.18 We note that the Office of the Clerk's Statement of Intent for the period 2009 to 2012 sets out an intention to assess the range and quality of its investment in information technology (including an assessment of cost-effectiveness). We welcome this initiative.
- 9.19 As discussed in paragraphs 7.8 to 7.27 above, we note our concerns about the overlap in the provision of services across the different parliamentary agencies. We accept the importance of retaining the professional independence of the Clerk of the House with regard to the provision of legal and procedural advisory services to the Speaker. We note, however, that the majority of the Office of the Clerk's staff is engaged in publishing and information – functions that could be outsourced or located with the Parliamentary Service. We note that the Office already outsources its wider publishing activities: radio broadcasting, television production and broadcasting, printing members' bills, amendments to bills and bills prepared for Royal assent.
- 9.20 The Office of the Clerk have advised that there is also scope to consider a greater level of outsourcing of network and infrastructure support services in conjunction with the Parliamentary Service. The level of applications support may have some overlap with services provided by the Parliamentary Service, through the Parliamentary Library, in relation to web content management and publishing, which could also be rationalised.
- 9.21 It is outside the agreed terms of reference to undertake a comprehensive review of the cost-effectiveness and performance of the Office of the Clerk. We consider that an independent review of the Office of the Clerk should be undertaken. Attempting to conduct reviews of topics in isolation can never be satisfactory. The comprehensive independent review should encompass an investigation of:
- the adequacy of the level of funding of the Office of the Clerk;
  - the efficiency and cost-effectiveness of the Office of the Clerk's operations; and
  - the scope for out-sourcing some of the Office of the Clerk's functions and of merging of its non-advisory functions with the Parliamentary Service.

- 9.22 We note that section 17 of the Clerk of the House of Representatives Act 1988 provides for such a review to be undertaken by the State Services Commission at the request of the Speaker. We prefer that, like the Parliamentary Service, a regular review of the Office of the Clerk should be undertaken, independently of the Executive.

**Recommendation 26**

That an independent review of the Office of the Clerk be commissioned to report on:

- a. the adequacy of the level of funding for the Office of the Clerk;
- b. the efficiency and cost-effectiveness of the Office of the Clerk's operations; and
- c. the scope for out-sourcing the Office of the Clerk's non-advisory functions and of merging these functions with the Parliamentary Service.

**Recommendation 27**

That the Clerk of the House of Representatives Act 1988 be amended to require a triennial review of the appropriations for the Office of the Clerk similar to the appropriations review for the Parliamentary Service.

- 9.23 We turn now to the specific matters raised in the agreed terms of reference in relation to the Office of the Clerk:

- the impact of technological change and maintaining staff capability on the level of the appropriation for output class secretariat services to the House of Representatives; and
- the nature, quality and quantity of services to members through the inter-parliamentary travel programme and the funding of members' professional development.

**Technological change and staff capability**

*Impact of technological change*

- 9.24 The Office of the Clerk has provided the following comment on the trends in expenditure set out above:

*“A major difference in the nature of the office between the beginning of the Committee's research period and now, is the far greater emphasis place on the accessibility of information about the proceedings of Parliament.*

*At the beginning of the research period, the Office provided accessibility via radio broadcasting and a limited range of paper publications, published via the Government Printer, to a set timetable. The Office now publishes a wider range of publications, almost all of it via the Parliament Website, and to a much tighter time frame.”*

- 9.25 The Office of the Clerk has provided us with general information about the investment in the technology infrastructure over the last five years that appears to fully explain the movement in expenditure over that time period:

*“Our technology infrastructure has had significant investment over the last five years designed to enhance services to the House and committees. This includes applications such as eCommittee, a new journals publishing application, an upgrade of the system for questions for written answer, and an improved external website. Investment has also been made in the computing infrastructure with the implementation of virtualisation and SAN (storage area network) technologies which increase resilience, and improve efficiencies in management and capacity allocation.”*

- 9.26 We note the Office of the Clerk’s Statement of Intent for the years 2010 to 2012 states that all their IT and business process projects will be reviewed against defined success criteria including a measure of cost-effectiveness. We welcome that intention.

- 9.27 In discussions, Office of the Clerk staff agreed that following a period of high investment, they were now entering a period of consolidation. We think that is appropriate. During this period, the performance measures referred to above can be developed and implemented. Only when that has been done might consideration be given to any substantial further investment in new or enhanced systems.

*Maintaining staff capability*

- 9.28 Following the departure of a number of experienced staff in recent years, and the recruitment of new staff, the Office of the Clerk is in a phase of rebuilding and recording its institutional knowledge.

- 9.29 The Office of the Clerk’s Statement of Intent (for 2009/10 to 2011/12) notes its concern about the level of staff turnover and identifies the need for improved performance management through regular communication and feedback to staff. We support this initiative. We regard it as a core management function and expect that it could be done within existing resources.

## **Inter-parliamentary travel and professional development**

### *Introduction*

- 9.30 The Office of the Clerk administers the inter-parliamentary travel programme. The principal purposes of this programme are to support the New Zealand Parliament's membership of various inter-parliamentary organisations, support the Speaker in engaging with other Parliaments and facilitating select committee travel as part of the joint committee exchange with the Parliament of Australia, bi-lateral visits and membership of conferences or committees.
- 9.31 In the year ending 30 June 2009, eleven outgoing parliamentary delegations and visits were undertaken.<sup>114</sup> Since then a further twelve delegations and visits have been undertaken.
- 9.32 We note that the number of MPs travelling and the range of delegations, conferences and activities appear to have been relatively stable over time. In real terms the funding has declined around 10% over the last ten years.
- 9.33 Operation of the programme provides professional development opportunities for MPs. However, only a small number of MPs can have the opportunity to be involved and those opportunities provide a relatively limited range of professional development focusing more on process and procedure of other Parliaments rather than the development of policy and governance skills.
- 9.34 Given the benefits derived both by MPs and overseas Parliaments (particularly in the Pacific and the Commonwealth), and taking into account the downward trend in funding, we have considered recommending an increase in funding in this area. However, given the current economic and fiscal climate we are of view that we are unable to do so.
- 9.35 We note that our suggested restructuring of the international travel rebate entitlement would result in a specific entitlement for each MP for parliamentary business travel for professional development purposes. This will provide MPs with better opportunities to develop their policy and governance skills in areas of particular interest to them (see recommendation 13 above).

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114 Annual Report for the year ended 30 June 2009, Office of the Clerk, p. 38.

## **10. IMPLEMENTATION AND TRANSITIONAL ARRANGEMENTS**

- 10.1 Some legislative, budgetary and administrative changes will be required to implement the recommendations in this report. For example, the changes to the employment relationship for MPs' support staff may require legislative change. The changes to the individual members' support funding may have budgetary implications. While these changes will require some care, and will take some time we do not think they will present any major obstacles to adopting our proposals.
- 10.2 A general election represents a natural watershed in the cycle of parliamentary life and there are advantages in linking the introduction of changes to the system of funding entitlements for MPs to the start of the next parliamentary term.

### **Recommendation 28**

That the above recommendations for changes to the system of allowances and entitlements for MPs take effect from the start of the next parliamentary term.

- 10.3 It will also be important that necessary transitional arrangements are put in place. In particular, we propose grand-parenting arrangements be established where MPs have entered into arrangements on the basis of existing entitlements. For example, where MPs have purchased property for Wellington accommodation or for their out-of-Parliament offices.

## 11. CONCLUSIONS

- 11.1 This report has reviewed the amounts of the appropriations for parliamentary purposes. Given the growth in total parliamentary expenditure in recent years and the current tight fiscal and economic environment, we consider a period of consolidation in appropriations for parliamentary purposes is appropriate.
- 11.2 While we do not favour an increase in the total funding for parliamentary purposes, there are some areas where additional resources are needed. In particular we refer to the need to ensure necessary maintenance expenditure on the parliamentary buildings is not deferred inappropriately; the benefits of establishing a specific entitlement for MPs to travel internationally each parliamentary term for professional development purposes; and the desirability of having an additional tier in the funding of MPs' out-of-Parliament expenditure for the Northland, Rangitikei and Wairarapa electorates and the five electorates in the lowest socio-economic areas of the country.
- 11.3 We consider the above areas of additional expenditure can be at least partially funded by savings identified in this report including by bringing the additional funding for the Maori and largest electorates into line with that previously recommended by the Parliamentary Service Commission sub-committee prior to the last election.
- 11.4 We also consider that there is considerable scope to change the way the funding entitlements for parliamentary purposes are structured to increase the effective performance of parties and MPs. We do not believe that piecemeal changes to the current regime will suffice. We consider it highly desirable that the Speaker and the Parliament itself take the lead in addressing the concerns we have raised with the current system in a way that protects the role of the institution and MPs and ensuring openness, accountability and value for money in the expenditure of public money.

## **12. APPENDICES**

### **Appendix one – The Fourth Appropriations Review Committee**

The Fourth Appropriations Review Committee is co-Chaired by the Hon Sir Douglas Kidd and Mr Philip Barry.

The Hon Sir Douglas Kidd is a lawyer, public policy consultant and member of the Waitangi Tribunal. Sir Douglas is a former Speaker and Minister of the Crown, and was a member of Parliament for 24 years.

Philip Barry is an independent economist and a principal of economics and corporate finance advisory firm Taylor Duignan Barry Ltd. Mr Barry is a former director in the Treasury and advisor in the Department of Prime Minister and Cabinet.

The committee is advised by Nicola Wills, barrister.

Previous Appropriations Review Committee Reports:

- Parliamentary Appropriations: Report of the Committee on the Third Triennial Review, March 2007;
- Resourcing Parliament: Parliamentary Appropriations Review: Report of the Committee on the Second Triennial Review, November 2004; and
- Resourcing Parliament: Report of the Review Committee on the First Triennial Review of the Parliamentary Appropriations, 14 October 2002.

## **Appendix two – Discussions held and submissions received**

Input and advice was received from the following persons and organisations.

### **Mr Speaker, the Hon Dr Lockwood Smith**

#### **Parliamentary Service Commission**

Hon Dr Lockwood Smith, MP	Chair
Hon Gerry Brownlee, MP	For the Leader of the House
Hon Darren Hughes, MP	For the Leader of the Opposition
Hon Annette King, MP	For the Labour Party
Hon Chris Tremain, MP	For the National Party
John Boscawen, MP	For the ACT Party
Metiria Turei, MP	For the Green Party
Te Ururoa Flavell, MP	For the Maori Party
Hon Jim Anderton, MP	For the Progressive Party

#### **Other MPs individually consulted**

Hon Steve Chadwick  
Hon Rodney Hide  
Rahui Katene  
Hon Annette King  
Hon Murray McCully  
Hekia Parata  
Paul Quinn  
Hon Heather Roy  
Metiria Turei

#### **Officers of Parliament**

Lyn Provost                      Auditor General

#### **Office of the Auditor General**

Nicola White                      Assistant Auditor-General, Legal  
Andrew McConnell              Sector Manager

### **Office of the Clerk of the House of Representatives**

Mary Harris	Clerk of the House
Debra Angus	Deputy Clerk of the House
Peter Carr	Clerk-Assistant Corporate

### **Parliamentary Service**

Geoff Thorn	General Manager
John McPadden	Group Manager Operations
Peter Nichols	Group Manager Security
Wilma Falconer	Group Manager Member and Party Support
Margaret Cassie	Group Manager Corporate
John Preval	Group Manager Information Systems and Technology
Moira Fraser	Parliamentary Librarian and Group Manager Information and Knowledge
Priya Baskaran	Financial Controller

### **Officials**

#### **Department of Prime Minister and Cabinet**

Maarten Wevers	Chief Executive
Brent Anderson	Corporate Services

#### **Department of Internal Affairs**

Janice Calvert	General Manager, Executive Government Support
Richard McDonald	Assistant General Manager, Executive Government Support
Stephen Crombie	Government Technology Services
John Harvey	Government Technology Services
Danny Mollan	Government Technology Services

#### **Ministry of Foreign Affairs and Trade**

Phil Goulin	Deputy Secretary Programme
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### **State Services Commission**

Iain Rennie	State Services Commissioner
Peter Brown	Government Chief Information Officer

### **Treasury**

Peter Lorimer	Principal Adviser
Geoff Donovan	Regulatory & Tax Policy

### **The Remuneration Authority**

Michael Wintringham  
Angela Foulkes  
John Harrington

### **Other parties**

Judith Aitken	Chair, Speaker's Assurance Committee
Wendy Daniell	Service and Food Workers Union (SFWU)
Ritchie Wards	Service and Food Workers Union (SFWU)
Apirana Dawson	Public Service Association (PSA)
Lynne Renouf	Public Service Association (PSA)
Wayne Eagleson	Chief of Staff, National Party Leader's office
Rhiannon White	Director, National Research Unit
Graham Kelly	Former Members' Association
Hon Peter Gresham	Former Members' Association
Sir Geoffrey Palmer	President, Law Commission
Rachel Hayward	Senior Policy and Legal Adviser, Law Commission
James Jong	Deloittes
Aloysius Teh	Deloittes
Jan Smolnicki	PricewaterhouseCoopers
Dr Mark Prebble	Former State Services Commissioner

**Out-of-Parliament offices visited**

Hunua	(Dr Paul Hutchison)
Mangere	(Su'a William Sio)
Pakuranga	(Hon Maurice Williamson)
Rotorua	(Te Ururoa Flavell)
Rotorua	(Todd McLay)
Tauranga	(Steve Chadwick, Jacinda Ardern, Moana Mackey)
Rangitikei	(Hon Simon Power)
Mana	(Hekia Parata)
Porirua	(Hon Winnie Laban)

## Appendix three – Trends in Parliamentary Service expenditure

This appendix provides background information on historical trends in Parliamentary Service expenditure.

### Departmental expenditure

1. The growth and growth rates in expenditure in the major components of departmental Parliamentary Service expenditure are provided in the following table. The figures are provided in real terms.

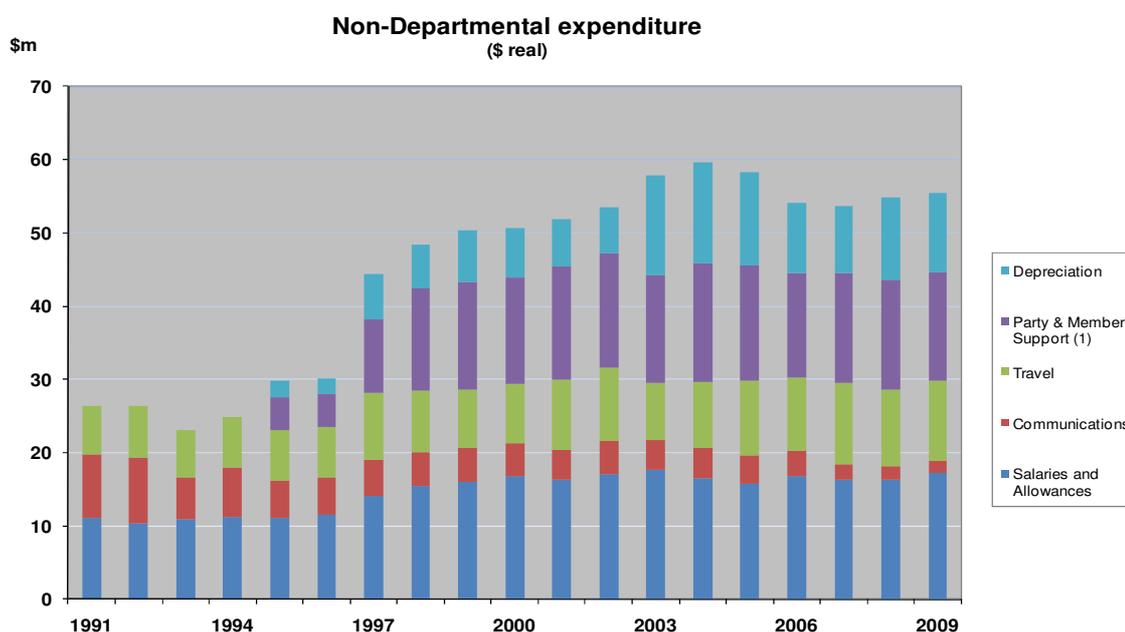
Growth in Parliamentary Service departmental real expenditure (%)			
Output Class	Total growth (1991 to 2009)	Growth per annum (1991 to 2009)	Growth per annum (2004 to 2009)
Services to Members	21.7%	1.1%	-2.1%
Catering Services	-	-	-
Parliamentary Information	61.4%	2.7%	14.2%
Building & Operations Management	76.1%	3.2%	5.5%
Policy Advice	266.4%	7.5%	19.8%
Personnel & Accounting Services	258.0%	7.3%	53.8%
Total expenditure	52.3%	2.4%	5.9%

2. The fastest growing components of expenditure over the period as a whole have been expenditure on Policy Advice (a relatively small component in absolute terms) and on Personnel and Accounting Services. Over the last five years, these two components have grown quite rapidly while expenditure on Services to Members has declined in real terms by around 2.1% p.a.
3. The major factors explaining the trends in the components of departmental Parliamentary Service spending over the period include:
  - the increase in the number of MPs which accompanied the introduction of MMP in 1996, resulting in increased spending on the Services to Members output;
  - the development of the parliamentary website, other ICT initiatives and information and records management which account for most of the increase in spending on Parliamentary Information from 2006 onwards;
  - the refurbishment of Parliament House and the Library between 1992 to 1995 which account for the increase in Building and Operations expenditure over that period. Increases in this appropriation since 2007 reflect crown asset management funding and the audio project in the debating chamber. Additionally, spending on security services was progressively increased following the 2002 security review;
  - the establishment of policy and strategy roles account for the increase in the Policy Advice output since 2007; and

- a reclassification of spending on support services to members' out-of-Parliament offices and travel offices services from the Services to Members output to the Personnel and Accounting Services output from 2007 to 2009. In addition, spending on accounting services have increased since 2007 to meet financial and administrative processes introduced by the implementation of the Speaker's Directions in that year.

### Non-departmental expenditure

4. The graph below illustrates the trends in the main components of non-departmental Parliamentary Service expenditure over the last eighteen years. The figures are provided in real (ie, inflation-adjusted) terms.



5. The growth and growth rates in expenditure in the major components of non-departmental Parliamentary Service expenditure are provided in the table below. The figures are provided in real terms.

Growth in non-departmental real expenditure (%)			
	Total growth (1991 to 2009)	Growth per annum (1991 to 2009)	Growth per annum (2004 to 2009)
Salaries and Allowances	56.4%	2.5%	1.0%
Communications	-80.7%	-8.7%	-16.9%
Travel	61.5%	2.7%	3.6%
Party & Member Support <sup>(1)</sup>	234.1%	9.0%	-1.7%
Depreciation <sup>(2)</sup>	NMF	NMF	-4.8%
<b>Total</b>	<b>109.9%</b>	<b>4.2%</b>	<b>-1.5%</b>

1. Figures are from 1995 when funding began (as Electorate and Ancillary Support).  
 2. NMF= no meaningful figure.

6. The fastest growing components of expenditure over the period as a whole have been expenditure on Party and Member Support (up by 234% since 1995); Travel (up by 62% in real terms); and Salaries and Allowances (up by 56%, in part because of the 25% increase in the number of MPs over the period), while spending on Communications has declined by 81% over the period. Over the last five years, spending on Travel has increased by 3.6% per annum in real terms (despite the decline in airfares over the period) while spending on Communications has declined by 16.9% p.a. and spending on Party and Member Support has declined by 1.7% p.a.
7. The major factors contributing to the trends in the components of non-departmental Parliamentary Service spending over the period include:
  - there was an increase of the Party and Member Support appropriation in 1996 with the advent of MMP and in 1997 onwards it has been divided into separate budgets for each parliamentary party. Expenditure has increased by 50% in real terms since 1997;
  - wage increases for MPs which have generally been in line with increases in real incomes in the rest of the economy;
  - the Communications appropriation has steadily decreased over the last two decades. This is partly indicative of the reduction of telecommunications costs. Also, in the early 1990's this budget included postage, stationery and printing costs which are now charged to the Party and Member Support budget; and
  - depreciation costs have fluctuated over the period but rose significantly in 1997 with furniture purchases following the introduction of MMP and following parliamentary building work in 2002.

## Appendix four – The 25 largest electorates

### 25 Largest Electorates

Electorate Name	Area (sq km)	M = Maori
Te Tai Tonga	161,443	M
Clutha-Southland	38,247	
West Coast-Tasman	38,042	
Te Tai Hauauru	35,825	M
Waitaki	34,888	
Ikaroa-Rawhiti	30,952	M
Kaikoura	23,706	
Waiariki	19,212	M
Te Tai Tokerau	16,370	M
East Coast	13,649	
Taranaki-King Country	12,869	
Hauraki-Waikato	12,580	M
Northland	12,255	
Rangitikei	12,189	
Wairarapa	11,922	
Taupo	9,101	
Selwyn	7,854	
Napier	6,866	
Rangitata	6,826	
Whanganui	5,948	
Invercargill	5,617	
Rotorua	5,535	
Waikato	4,947	
Coromandel	4,653	
Tukituki	4,277	
Dunedin South	2,702	

 = electorates provided with additional funding in the Speaker's Directions Amendment 2009, clause 4.7 (1) (a).