



8 February 2018

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Dear Simon

**Re: Inquiry on the Remuneration Board's Determination Underspend (Welsh Assembly)**

I am responding to your letter dated 8 December 2017 seeking an understanding of how New Zealand Parliament budgets relating to pay, allowances and entitlements for members of parliament are set and managed.

**Background**

In New Zealand, the [Members of Parliament \(Remuneration and Services\) Act 2013](#) (the Act) provides for members of Parliament (members) to be properly supported in a way that maintains confidence in the integrity of Parliament. The Act:

- provides for the remuneration of members;
- ensures they have services that they require to enable them to carry out their roles and functions;
- establishes an efficient and effective system for determining those services; and
- provides for travel services for family members of members.

Under the Act, entitlements for New Zealand members are determined by either the Remuneration Authority (the Authority, which is independent) or the Parliamentary Service (the Service). However, they are administered by the Service.

**Salaries and expense allowance**

Under the Act, the Authority must determine the salaries and the expense allowance to be paid to members. Section 12 of the [Remuneration Authority Act 1977](#) specifies how the salaries for members must be fixed. The Authority issues a [Determination](#) that specifies the salaries for members and specific office holders. The Determination also provides for an expense allowance for members which is used to cover out-of-pocket expenses incurred by members carrying out parliamentary business, such as for gifts, memberships and meals. In the past, increases to the allowance have been linked to the New Zealand Consumers Price Index movement. In 2017 the allowance was increased by 1.7% on the previous Determination in line with the New Zealand Consumers Price Index movement to 30 June 2017. The Service provides the payroll services for paying salaries and the expense allowance to members. Separate entitlements are available to cover expenses such as travel, accommodation and communications services.

**Support services**

*Remuneration Authority*

Under the Act, the following services must be determined by the Remuneration Authority:

- Accommodation services for members; and
- Travel services for family members of members.

The Authority issues a [Determination](#) that specifies the related entitlements for members. The explanatory memorandum at the end of the Determination provides useful background about the process followed, including who is consulted during the process. These services are administered by the Service.

### *Parliamentary Service*

Under the Act, other entitlements are set by the Speaker of the House under [Directions by the Speaker of the House of Representatives 2017](#) and these entitlements include:

- Members' travel services;
- Administrative and support services for members, such as staff and offices;
- Communications services; and
- A capped contribution to a home based security system.

Directions are issued by the Speaker once every term of Parliament, so generally every three years and in time to take effect at the start of a new Parliament. Before issuing Directions, the Speaker must take into account any relevant advice given by the Parliamentary Service Commission<sup>1</sup>. The Parliamentary Service Commission is required to recommend to the Speaker persons who are suitable to be members of a review committee (the Committee). A Committee must be established at least once every term of Parliament to review the amounts of money appropriated for members' entitlements set under the Directions. The Committee must consider whether the amounts of money appropriated are being used efficiently, and are adequate to enable members and parties to effectively perform their functions. The Committee consults with the Parliamentary Service Commission before making recommendations to the Speaker about issuing new Directions, including allocation amounts for members' support services. The Directions<sup>2</sup> specify the maximum amounts available to members for support services.

### **Budget Process**

The Service follows the same process as all government agencies and departments in New Zealand and maintains baseline funding which rolls forward each year. Additional baseline funding (or a reduction in baselines) can be applied for on an annual basis. The Service applies for baseline funding for Members of Parliament (excluding salary costs) on a Parliamentary term basis – once every three years. The Service utilises the level of funding that has been recommended by the Committee and applies for the maximum amounts allowable per member. If the application is successful, the Service is issued with a series of appropriations (legal authority to spend) relating to each type of expenditure (<http://www.treasury.govt.nz/budget/process>). The series of appropriations relating to the Service is known as Vote: Parliamentary Service. Each appropriation within a vote has a scope statement that restricts expenditure under that appropriation to the scope.

Funding for members is down at the party level as funding for a party leader's office and wider leadership costs are also funded as well as costs associated with each member running a constituency office and hiring staff etc. Each party is given a multi-year appropriation that is restricted in time period and scope of expenditure. The [Vote: Parliamentary Service appropriation](#) is available online, and below is an example of an appropriation scope:

*Scope statement for each political party in the 52<sup>nd</sup> Parliament of New Zealand:*

*This appropriation is limited to funding for the XYZ parliamentary party to support their parliamentary operations during the 52<sup>nd</sup> Parliament including its Leader's office, support staff, research operations, Whip's office, communications, administrative and support services for members, and, during the immediate post-election period, qualifying electoral candidates and former members, as allowed under directions given by the Speaker.*

The appropriation can be adjusted on a bi-annual basis if the movements in the number or status of the members changes the level of funding they are entitled to under the appropriation. Members of Parliament and Leaders' offices can utilise funds under the Speaker's Directions up to the maximum stated. Any underspend cannot be utilised for other purposes by the Service as all expenditure must be made within the scope statement that governs each appropriation.

Appropriations are an authority to spend. The Service draws down against them based on cash flow forecasts rather than receiving the full amount and returning underspend. Members utilise funds directly – for example, all office, staff and incidental costs are paid directly by the Service as opposed to being paid for by the member and claimed back.

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<sup>1</sup> Sections 14 and 15 of the Parliamentary Service Act 2000

<sup>2</sup> Schedule 4

I trust this assists and thank you again for the invitation to provide a submission. Should you require any clarification or further information, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'D Stevenson', with a large, stylized flourish at the end.

David Stevenson  
**General Manager**