

MPs' REMUNERATION AND EXPENSES REVIEW

**Report of the Review Group on
Improving Current Arrangements for the Determination
and Administration of MPs' Salaries, Allowances and
Other Entitlements**

March 2002

*Review of Parliamentary Remuneration and Expenses:
Improving Current Arrangements for the Determination and Administration of MPs' Salaries,
Allowances and Other Entitlements*

*c/- Office of the General Manager
Parliamentary Service, Parliament Buildings, Wellington*

15 March 2002

Rt Hon Jonathan Hunt
Speaker
House of Representatives
Parliament House
WELLINGTON

Dear Mr Speaker

Report on a Review of the System for Determining and Administering Parliamentary Remuneration and Expenses

We have the pleasure of presenting the report on our review of the system for determining and administering parliamentary remuneration and expenses, carried out in accordance with the terms of reference transmitted to us on 20 September 2001.

Our aim has been to produce a stand-alone report that would assist you by proposing a clear direction for improving the arrangements for determining and administering MPs' entitlements, and laying out the practical implications.

It will be seen from the report that our focus has been on the same issues as highlighted in previous inquiries into the process by which MPs' remuneration and expenses are set and administered. The fact that these issues have been recurring reinforced for us the importance of providing you with a workable set of proposals designed to resolve past problems in a comprehensive way and to overcome public perceptions arising from confusion over the nature of, and where responsibility lies for, MPs' remuneration and expenses. We have presented our recommendations as an integrated package, and believe they should be implemented this way.

We do not expect the improvements we propose to have major legislative, budgetary or administrative implications.

We believe you will find the report offers a practical way forward.

The Review Group acknowledges with grateful thanks the support provided by its secretariat, Simon Wall, Group Manager Finance, Parliamentary Service and Adrienne von Tunzelmann, Principal, McKinlay Douglas Ltd.

Yours sincerely

Jeff Todd
Chair, Review Group

Hon Stan Rodger
Review Group Member

Joy Quigley
Review Group Member

Contents

	Page
Executive Summary	i
Background	i
The Scope for Change	i
Our Recommended Future Regime	ii
Timing and Implementation	iii
Concluding Remarks	iii
1 Background to the Review	1
1.1 Initiative for the Review	1
1.2 Terms of Reference	1
2 The Review Group's Approach	2
2.1 Our Task	2
2.2 The Scope of Our Inquiry	2
2.3 Our Approach	3
2.4 Consultation	3
2.5 Terminology	4
3 The Present System	6
3.1 Salaries, Allowances and Other Entitlements	6
3.2 Decision Making and Administration	7
3.3 The Scope for Improvement	8
4 Key Aspects of the Auditor-General and the Rodger Reports	10
4.1 Overview	10
4.2 Common Ground	10
4.2.1 <i>Transparency</i>	10
4.2.2 <i>Public Perceptions</i>	10
4.2.3 <i>Jurisdiction</i>	11
4.2.4 <i>Adequate Remuneration and Support for MPs</i>	11
4.2.5 <i>Taxation</i>	11
4.2.6 <i>Administration</i>	11
4.3 In General	12
5 A Framework for Change	13
5.1 Introduction	13
5.2 Objectives	13
5.3 Criteria	13

	Page
5.4	The Issues to Decide 15
5.5	Tax Treatment..... 16
5.6	A 'Package' Approach..... 16
6	Our Recommended Future Regime 18
6.1	The Components of a Future Regime..... 18
6.1.1	<i>How the Mechanics Would Work</i> 18
6.1.2	<i>Consequential Changes in Line with Jurisdictional Changes</i> 22
6.1.3	<i>Explanation of Proposed Future Treatment of Allowances and Entitlements</i> 26
6.1.4	<i>Higher Salaries Commission's Role</i> 27
6.2	Summary of the Recommended Regime 27
7	Implementation 29
7.1	Overview..... 29
7.2	Legislative Changes..... 29
7.3	Fiscal Implications..... 30
7.4	Administrative Implications 31
7.5	Other Implications..... 31
7.5.1	<i>Boundary Issues</i> 31
7.5.2	<i>Higher Salaries Commission Name</i> 31
7.5.3	<i>Remuneration Relativity</i> 32
7.6	Timing..... 32
7.7	Summary 33
8	Concluding Remarks..... 34
9	Recommendations 35
Appendices	
Appendix 1	Review Group Terms of Reference 37
Appendix 2	Consultations, Discussions Held and Submissions Received 38
Appendix 3	Salaries and Allowances Currently Paid to Members of Parliament and Members of the Executive 39

Executive Summary

Background

The system for determining and administering parliamentary salaries, allowances and entitlements has been the subject of past inquiry and proposals for change. The present review was initiated to carry out the tasks of:

- Proposing a future regime that would improve current procedures
- Identifying the practical implications.

The review is an opportunity to present an independent view of the best way forward, building on past work in this area and laying out a possible future regime.

The Review Group's brief does not include consideration of the nature and adequacy of MPs' salary and allowances. This is the role of those with the authority to make determinations and decisions. Our proposals are intended neither to specifically advantage nor specifically disadvantage MPs in terms of current salary, allowances and entitlements packages.

The Scope for Change

There is clearly scope to improve the system, in terms of clarifying the nature of payments to MPs and Ministers and the entitlements available to them (distinguishing between remuneration, including benefits, and work-related expenses), and in terms of responsibility for developing and applying policy. In both cases the need is for improved transparency, and clearer ownership of each part of the system.

This means addressing two issues in particular: the delineation between what is regarded as 'remuneration' and 'expenses' for MPs, which over time has become blurred; and the structure of responsibility for setting MPs' pay and allowances. Under the present system, while different authorities (the Higher Salaries Commission (HSC), the Speaker and the Minister Responsible for Ministerial Services (Responsible Ministers¹)) are responsible for different parts of the system, there is a degree of overlap, and each uses different considerations when developing policy and making determinations.

A future system must also provide for proper tax treatment of MPs' and Ministers' remuneration. This means being able to apply appropriate tax treatment to allowances and entitlements that are remuneration, or to the component that is remuneration, according to standard practice.

It is our view that the Controller & Auditor-General's *Report on Parliamentary Salaries, Allowances and Other Entitlements* (July 2001) was correct in identifying the need to resolve these issues, and to seek an option that would address them comprehensively. We do not believe that piecemeal change will achieve the necessary improvements. A package of changes is needed.

¹ The Public Finance Act (s 82) designates the Speaker as the Responsible Minister for Vote: Parliamentary Service.

Our Recommended Future Regime

Our aim has been to recommend a regime that would allow a clear distinction between parliamentary remuneration and MPs' work-related expenses, that would establish clear jurisdiction and ownership of the system and that would allow all remuneration to be taxed according to standard practice.

Our proposals for a future regime are based on an option put forward in the Auditor-General's Report which takes a 'first principles' approach.

The objectives we believe should be met by a future regime are the same as those put forward by the Auditor-General:

- Policies, systems and procedures applying to expenditure on MPs' salaries, allowances and entitlements should be soundly based, transparent, effective and efficient; and
- Clearly seen to be so by the public.

In our recommended future regime:

The jurisdiction of the HSC would be focused on remuneration (which would include current allowances and entitlements that are, or are potentially, remuneration), and work-related expenses that qualify as 'actual and reasonable'.

The jurisdiction of the Responsible Ministers would be focused on work-related expenses represented by the provision of goods and services for the running of the MPs' and Ministers' offices.

These jurisdictional changes would need to be matched by changes in the way current allowances and entitlements are categorised in the future – specifically, to allow them to be classified as either:

- Remuneration; or
- Work-related expenses; and
- In the case of those that are work-related expenses, divided into 'actual and reasonable' expenses, or expenses that arise from the provision of goods and services to MPs.

The gains that would result from adopting this approach include:

- Greatly improved transparency in the decision-making process and in the basis of remuneration and expenses to which MPs are entitled
- An independent body, the HSC, determining MPs' remuneration and 'actual and reasonable' work-related expenses
- Clear ownership of each part of the system, with delineated roles for the HSC and Responsible Ministers
- A system that is in line with common practice and allows standard tax policy and good practice to be applied
- Consequently, as stated in the Auditor-General's report, an underlying basis for MPs' remuneration that more closely reflects the reality that an MP is engaged in a full-time professional occupation
- The potential for simpler administration and scope for the system to run more smoothly
- A system that is, for these reasons, more effective.

One further benefit that should not be under-estimated is that under a ‘total remuneration’ approach, and with remuneration distinguished from expenses, the HSC would be better able to explain, and when appropriate defend, the overall package provided to MPs. This will help public understanding of the system, help counter negative public perceptions and give the media a clearer basis for scrutiny and commentary.

Timing and Implementation

The theoretically best timing for implementation would be ‘effective the day following the forthcoming General Election’, to allow changes to coincide with the new parliamentary term rather than being implemented mid-stream.

In practice, however, the work required to ensure proper implementation suggests there would need to be a transition period during which the current system would continue.

Some legislative, budgetary and administrative changes would be required to implement our recommended regime. While these will require some care, we do not think they present any major obstacles to adopting our recommended regime

Concluding Remarks

We finish by emphasising that no system will be seen by everyone as perfect, given widely differing perceptions in the community at large on what and how MPs should be paid. The Review Group believes however that the regime recommended in this report represents a very significant step forward and, if implemented, would go far towards settling public debate as well as improving the efficiency and effectiveness of the system.

1 Background to the Review

1.1 Initiative for the Review

In July 2001, the Controller & Auditor-General (Auditor-General) tabled a report in Parliament on *Parliamentary Salaries, Allowances and Other Entitlements*. The report followed an earlier Auditor-General investigation of the Wellington Accommodation Allowance, which revealed administrative difficulties with the allowance and ambiguities in the rules of eligibility.

Having looked more widely into the issues, the Auditor-General in his July (final) report concluded that the systems, policies and procedures for determining and administering entitlements for MPs and Ministers were due for change, and put forward a range of options.

The Parliamentary Service Commission agreed at its meeting on 19 September 2001 to set up an independent Review Group to move forward on the issues raised in the Auditor-General's report.

1.2 Terms of Reference

The independent Review Group is to consider the Auditor-General's final report on *Parliamentary Salaries, Allowances and Other Entitlements* and advise the Speaker on:

- A regime for improving the current procedures for the determination and administration of Parliamentary salaries, allowances and other entitlements either as identified in that report or as otherwise identified by the committee.
- The changes (legislative, budgetary and administrative) required to achieve the preferred regime.

The full terms of reference are set out in Appendix 1.

2 The Review Group's Approach

2.1 Our Task

In interpreting our task, we have been guided by two key features of our terms of reference:

- First, our review arises from the Auditor-General's report. The information and analysis has been a foundation for our own thinking
- Second, we are charged with proposing a **preferred future regime**. This moves us on from the Auditor-General's report in which three options were put forward.

Our task is also defined by the requirement to identify the practical changes needed to implement a proposed regime.

An issue that came to our attention at an early stage of our work was the tax status of MPs' allowances and other entitlements. The issue is covered in the Auditor-General's report, and the Inland Revenue Department has indicated that it has been reviewing the tax treatment of MPs' allowances and reimbursements. We deal with the tax issue as a key part of our recommended future regime.

Our aim has been to produce a stand-alone report that would assist the Speaker by proposing a clearly-focused 'deliverable package' of improvements to the arrangements for determining and administering MPs' entitlements.

While our brief is to consider the current arrangements for MPs, these cannot be looked at without also considering the arrangements for Ministers. In respect of both, we were mindful of the constitutional separation of Parliament and the Executive, and recognise that some parts of our proposals fall within the jurisdiction of the Minister Responsible for Ministerial Services.

2.2 The Scope of Our Inquiry

In line with our terms of reference, we have focused our attention on "procedures" – essentially, the mechanisms for making decisions on parliamentary remuneration and expenses, and the prerequisites for making the system effective and efficient.

We have however identified aspects of some allowances that would need to be changed to implement our recommended regime effectively. We put forward some guidance on what these changes might be.

It is important to stress that the Review Group's brief does not extend to making recommendations on the nature and amount of remuneration and expense allowances that should be provided to MPs and Ministers. This is the role of those with the authority to make determinations – the Higher Salaries Commission (HSC) as an independent, expert body and the Speaker and Minister Responsible for Ministerial Services (the Responsible Ministers).

We are mindful however that a future process for dealing with these could lead to changes in policy on the way MPs are remunerated and reimbursed, by the HSC and by the Responsible Ministers. We suggest a series of changes we believe could be made to how current salaries, allowances and entitlements are treated in a new regime, which can be considered by the appropriate authority. These suggested changes are not intended either

to specifically advantage or to disadvantage MPs and Ministers in terms of current salary and allowance packages.

Our terms of reference formally cover backbench MPs (ie, not members of the Executive) since this is the area over which the Speaker has authority. We have assumed, however, that where our proposals affect the administration of the system, they would flow through to Ministerial Services² as well as the Parliamentary Service. A consistency of approach requires this. It is also logical if, as we propose, the HSC has the role of providing policy guidance on the application of its determinations.

2.3 Our Approach

We have used as our starting point the Auditor-General's report. The report is based on careful research and analysis, presents the issues very clearly and lays important ground for future improvements to the present system.

We also had the benefit of another past report, the 1999 report of a Review Group set up to review the Parliamentary Service Act and report to the Parliamentary Service Commission (PSC). Known as the Rodger Report, it deals comprehensively with the structure and processes of decision-making in matters of budgetary control and services for members within the jurisdiction of the PSC.

Given the extensive information and sound analysis in these two reports, we did not see that it was necessary for us to 'reinvent the wheel' or to revisit the history or basic premises of the current system. Neither did we think we needed to question the issues identified in these two prior reports. There is a strong sense of continuity in the work that has been done in the past that we believe is important to carry through.

Rather, we have concentrated our efforts on working through the options in the Auditor-General's report in order to arrive at an independent view of the best option for the future. To do that, we developed a set of criteria to help us identify a preferred regime. We also applied the test of practicality.

2.4 Consultation

A key part of our work was consultation and discussion with interested parties, and studying submissions made to us. Appendix 2 lists all the interested parties who contributed to the review. Our three-person team met with 20 parliamentarians (Ministers, party leaders, office holders and MPs) covering all parties and including Maori members. The Green Party and the Labour Maori caucus provided us with written submissions presenting their particular perspectives.

Some of the issues that were presented to us were outside our terms of reference. We expect these to come before the Triennial Review (see paragraph 3.2 below), or to be covered by the Higher Salaries Commission if its role is adapted as we propose in this report. EEO issues were mentioned to us as a further perspective.

We had particular discussions with:

- The Speaker of the House;
- The Higher Salaries Commission;

² Ministerial Services is part of the Executive Government Support Group of the Department of Internal Affairs.

- The Office of the Controller and Auditor-General.

The General Manager of the Parliamentary Service and the General Manager, Executive Government Support were consulted. In respect of tax issues, our report reflects discussions we had with the Inland Revenue Department.

Generally, our consultation process confirmed the known problems with the present system.

2.5 Terminology

At the heart of the proposals we present in this report is clarification of the various forms of payment and support provided to MPs. Our recommended future regime is based on 'streaming' these into two clear, mutually exclusive categories.

In order to do this it was necessary for us to adopt consistent terminology for the various forms of payment and support. A major source of differing perceptions and understandings of the present system is the lack of a clear distinction between remuneration and expenses MPs can recover, and varying meanings that are given to the terms 'expenses', 'allowances', 'reimbursement' and 'entitlements'.

The definitions we have adopted are set out below. We have based them on generally accepted practice, and tailored them to the parliamentary context.

Under our definitions, the most significant difference in usage between the current and a future regime is to separate out the element of allowances and entitlements that should be treated as remuneration from MPs' work-related expenses. We come back to this in Part 6 below where we describe our view of a future regime, and in Table 1 in section 6.1.2 where we show how current allowances and entitlements could be re-categorised as remuneration and work-related expenses.

Terminology: Current Usage	
Salary	<p>Compensation paid to MPs, commensurate with the work they do. Includes superannuation.</p> <p>Present tax situation: subject to PAYE and SSWCT.</p>
Allowance	<p>Covers costs incurred by MPs to allow them to carry out the tasks associated with their parliamentary work. These fall into two categories:</p> <p>(a) Expenses that are reimbursed on proof that the spending occurred (examples: hotel, other accommodation, car mileage and security system costs)</p> <p>(b) Allowances that are paid without proof of cost incurred (examples: entertainment, incidentals).</p> <p>Present tax situation: (a) not taxed - no remuneration involved; (b) not taxed – but could be a remuneration component.</p>
Entitlement	<p>Provided to MPs by virtue of the positions they hold.</p> <p>Two categories:</p> <p>(a) Use of a budget to cover office support costs (examples: electorate office and office expenses)</p> <p>(b) Access to a service which MPs can use at their discretion (examples: communication services including home phone, domestic air travel for MPs, spouse and dependents, international travel rebate for MPs and spouses, self drive cars and VIP transport).</p> <p>Present tax situation: (a) not taxed – no remuneration involved; (b) FBT paid on estimated personal-use component of communications and travel.</p>

Terminology: Usage in a Future Regime	
Remuneration	<p>Salary and taxable allowances, including: payments to a specified office holder; use of a motor vehicle; subsidised services; contributions to an MP's superannuation.³</p> <p>Future tax status: subject to PAYE, FBT and SSWCT.</p>
Work Related Expenses <i>(a) Actual and reasonable expenses</i>	<p>Regular and recurring costs incurred by MPs that are directly related to their carrying out work-related activities associated with performing the job, met by either:</p> <ul style="list-style-type: none"> • Reimbursement to the MP on production of receipts or other evidence that the spending occurred • An allowance to cover <u>expected</u> work-related costs, calculated as the average amount likely to be incurred by the MP.⁴ <p>Future tax status: non-taxable (purely work related).</p>
Work Related Expenses <i>(b) Goods and services provided</i>	<p>Goods and services provided to MPs as part of core support, primarily related to the operation of offices within Parliament and in the electorate or home base. Met by direct payment by the administering agency (Parliamentary Service or Ministerial Services) to the supplier.⁵</p> <p>Future tax status: non-taxable (purely work related).</p>

³ In our proposed regime we suggest that some current allowances that are paid as a fixed sum and do not need evidence of actual spending (and hence may have a potential remuneration component) be 'grossed up' and included in remuneration.

⁴ In our proposed regime the only allowance in this category could be the day allowance. We note that for an employer to accord tax-free status to this kind of allowance, Inland Revenue would need to be satisfied that the allowance is a fair and reasonable estimate of the employment-related expenses it is intended to cover.

⁵ For those funded from Vote Parliamentary Service, these are subject to three-yearly review by the Triennial Review committee under s 20 of the Parliamentary Service Act 2000.

3 The Present System

This section sets the context for the improvements we believe must be made. We summarise and comment on, first, the range of payments and services MPs and Ministers currently receive and then the process of decision-making and administration.

The system, as it is now, needs to be seen in the context of how the job of being an MP and Minister has evolved. The job has long ceased to be a part-time, partly paid form of public service and is now firmly established, in New Zealand as in Parliaments around the world, as a skilled, professional occupation for which the MP should be paid and supported like any other person engaged in professional employment.

It is also recognised that there are some important differences from 'normal' employment, in terms both of the unusual demands of the job and the practical reality that while MPs are deemed to be employees for tax purposes, they do not work in a familiar employment relationship structure. Neither do they have the autonomy of the self-employed, although they do have constitutional autonomy and independence in exercising their judgement in matters of policy and law-making. The job combines the elements of public office, public service and professional occupation. It is this complexity that lies behind the salaries, allowances and entitlements they currently receive.

3.1 Salaries, Allowances and Other Entitlements

Commensurate with the full time, professional nature of their jobs, MPs currently receive, in summary⁶:

- A salary, the level of which depends on the position they hold in Parliament or in the Government
- A variety of allowances to reimburse them for 'actual and reasonable' expenses they incur in the course of their work, some of which are paid on the production of receipts and some on the basis of a fixed amount to cover expected expenses for which evidence of actual cost incurred is not required
- The right to use certain facilities and services that are fully funded from the Parliamentary Service and Ministerial Services (Internal Affairs) budgets
- The right to use discounted services.

As in any other occupation, MPs are also supported in their work by access to a range of office-based resources located within the parliamentary complex and in their out-of-Parliament offices.

These provisions have evolved over time in response to the changing demands of the job and of the parliamentary environment. Driving factors have been:

- The changing nature of the MPs' occupation, the pattern being one of increasing demands and expectations
- A public perception that MPs' pay should be 'discounted' to reflect the public service component of their work.

These factors have typically pulled in opposing directions.

⁶ A full description of current salaries, allowances and other entitlements is set out in Appendix III.

Review Group Comment:

As a result of historical evolution, there now exists a range of allowances for MPs. Some fit the principle of 'actual and reasonable' in the manner of standard employment practice, and some, at least potentially, have a remuneration component. In the absence of a uniform rationale for setting the whole of MPs' and Ministers' salaries, allowances and other entitlements, the delineation between what is normally regarded as 'remuneration' and 'expenses' has become blurred. There are now some allowances that are in effect, and to a degree, remuneration, but that are not taxed as they would be if they were aligned with remuneration.

Another effect of historical evolution is that the rationale for some provisions that have been introduced in the past may have now been overtaken. A good illustration of this was the need under MMP to work out a system for both list and constituency MPs. One result of this was the application of different conditions for receiving the day allowance. While seeming fair at the time, it means that two 'classes' of MP have been created that in the light of practical experience now seem unnecessary.

3.2 Decision-Making and Administration

In summary, under the present system:

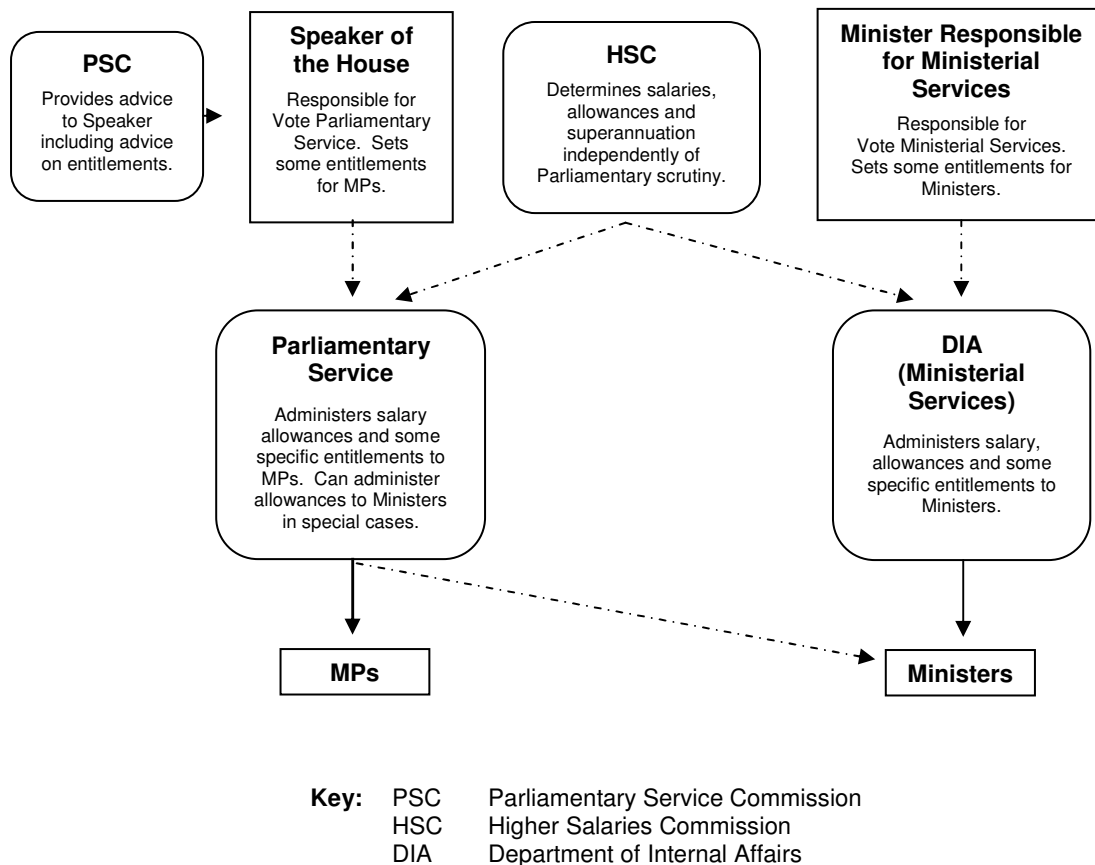
- The authority to make decisions on MPs' and Ministers' salaries, allowances and other entitlements is divided between the HSC, the Speaker of the House with advice from the Parliamentary Service Commission and the Minister Responsible for Ministerial Services
- The HSC determines the majority of an MP's and Minister's remuneration but not all of it. It has jurisdiction over salaries, the superannuation subsidy and allowances (see definitions in section 2.5 above)
- The Speaker sets certain entitlements for MPs while the Minister Responsible for Ministerial Services sets certain entitlements for Ministers; both can create new entitlements
- Administrative responsibility is divided between the Parliamentary Service and Ministerial Services.

These roles and relationships are represented in the following diagram (Chart 1) taken from the Auditor-General's report.⁷

The diagram does not include the role of the Triennial Review which, although at the time of this report had not taken place, is an important part of the overall system for setting the level of support for MPs. The Parliamentary Service Act 2000 provides for the Speaker to appoint an independent committee to review the funding appropriated for Parliament, a process that must occur at least once within a parliamentary term. As we understand it, the purpose of the Triennial Review is to advise on the nature and adequacy of resources needed to support MPs in their day to day work and their role in an effective Parliament, through what we have classified here in our report as 'provision of goods and services' to MPs. It would not overlap with the future role we propose for the HSC in determining remuneration and expenses. Rather, its work would feed into the role of the Speaker (as Responsible Minister) under our recommended regime. We regard the Triennial Review as having a key role in helping ensure Parliament and MPs are adequately resourced, and continue to be so, by providing an independent up-to-date 'benchmark' with the services and systems available in the public and private sectors.

⁷ Paragraph 108, Figure 1.

Chart 1 Decision-Making and Administrative Roles Under the Present System



Review Group Comment:

It is difficult to hold to a consistent delineation of remuneration and expenses recovered by MPs, and to apply consistent policy on how they are treated (including tax treatment), when different authorities are responsible for different parts of the system but with a degree of overlap, and each is making their decisions and determinations on different considerations.

At the administrative level, the division of responsibility between the Parliamentary Service and Ministerial Services can result in different treatment. While the two agencies regularly consult on areas where there may be difficulty in interpretation, the fact that it is not always clear how allowances relating to positions held by MPs and Ministers are to be interpreted is an issue.

3.3 The Scope for Improvement

There is clearly scope to improve the system in terms of the nature of payments to MPs and Ministers and the entitlements available to them (distinguishing remuneration, including benefits, from work-related expenses), and in terms of responsibility for developing and applying policy in a consistent way. In both cases the need is for improved transparency, and for clearer ownership of each part of the system. In terms of ownership, it is important that there is a single body with the ability to justify, explain and if necessary defend the overall package provided to MPs and Ministers.

It is our view that the Auditor-General was correct in identifying the need to resolve these issues, and to offer an option that would address them comprehensively.

It is also apparent that a future system must provide for proper tax treatment of MPs' and Ministers' remuneration, in a 'total remuneration' sense. This means being able to apply appropriate tax treatment to allowances and entitlements that are remuneration, or to the component that is remuneration, according to standard practice. We note that a step in this direction has already been taken with the classification of MPs as employees for tax purposes.⁸

⁸ A change in 1998 in the Income Tax Act 1994 defined MPs as specified office holders, which confirmed that their parliamentary income would continue to be subject to PAYE and enabled payments to MPs reimbursing them for actual expenses incurred, and fair and reasonable allowances, to continue to qualify as tax exempt.

4 Key Aspects of the Auditor-General and the Rodger Reports

In Part 5 below we set out our view of a future, improved regime. In this section of the report we take a step back to look at the findings in the two key reports that have informed our thinking – the Auditor-General and Rodger reports. We did not want to lose sight of the important insights both reports provide, and the firm case they establish for change.

4.1 Overview

While these two reports had distinctly different purposes and were produced quite separately, they came to strikingly similar conclusions about the core changes needed to ensure a sound system for determining and administering MPs' remuneration and expenses.

The Rodger review had a governance focus, and came to its conclusions by applying principles of good governance and the efficiency and effectiveness concerns of financial management in the public sector. It was undertaken by an independent team appointed by the Speaker.

The Auditor-General's investigation addressed specific difficulties and ambiguities in the system of parliamentary salaries, allowances and other entitlements.

4.2 Common Ground

4.2.1 Transparency

Perhaps more than anything, the common ground between these two reports was their emphasis on achieving transparency as a goal for any system designed to determine and administer MPs' allowances and entitlements.

The Rodger report stressed the importance of transparency in the decision-making process, noting that public perceptions are influenced by how well the decision-making processes are, or can be, understood outside the institution. The Auditor-General's report noted that transparency is needed on a number of fronts – clarity on where decision-making and administrative responsibility lies, the actual nature of allowances and entitlements, and their taxable status.

4.2.2 Public Perceptions

Both reports placed considerable weight on the importance of public perceptions in the whole arena of MPs' pay and support.

The Rodger report put this in the context of public confidence as a prerequisite to the institutions of government being able to carry out their functions and make decisions, and highlighted the potential constraint public perceptions may place on Parliament's ability to ensure proper levels of resourcing. The report observed that as long as the status quo in respect of the system for determining support for MPs continued, the public would continue to question increases in money spent on MPs.

The Auditor-General's report was produced amidst controversy generated by publicity about eligibility for the Wellington Accommodation Allowance. The report emphasised the need for

a regime that not only was “*soundly based, transparent, effective and efficient*”, but would be seen to be so by the public.

We believe it can be said the emphasis in both reports on public perceptions is essentially about having a regime that the public accepts as independent and legitimate, and is therefore not constantly under question and challenge.

4.2.3 Jurisdiction

Both reports identified problems with jurisdiction under the present system, particularly the blurred boundaries between the Higher Salaries Commission (HSC) and the Parliamentary Services Commission (PSC). Both proposed extending the jurisdiction of the HSC to cover the determination of all remuneration and reimbursing expenses, in order to vest responsibility for these in one body able to develop consistent policy and provide consistent guidelines for the two administering agencies (the Parliamentary Service and Ministerial Services in the Department of Internal Affairs).

4.2.4 Adequate Remuneration and Support for MPs

A further common emphasis was on ensuring that MPs are resourced to do the job.

The Auditor-General’s report saw the remuneration aspect of this as requiring a system that supports a “*level of pay and allowances necessary to secure representation of the people in Parliament*”. The Rodger report addressed the more general support needs of MPs and sought a governance structure that, among other things, was capable of responding to the needs of Parliament and its members, recognising especially the importance of a system that “*produces proper resourcing of members of Parliament in their full-time and increasingly demanding professional roles*”. The Rodger review saw a need for some independent means for assessing members’ legitimate resource requirements and proposed a triennial review for this purpose.

4.2.5 Taxation

Both reports identified the taxation of MPs’ remuneration as a key factor in a properly functioning system.

That some MPs’ allowances and other entitlements may have a potential remuneration element, and are therefore potentially taxable, was highlighted in the Auditor-General’s report. The report advocated a clear distinction between true remuneration and expense reimbursement, such as to “*be consistent with current best practice and taxation law*” (paragraph 803 (a)). This would in itself make the system more transparent, improve administration and allow the proper application of tax law. Logically associated with this is an extension to the role of the HSC to cover remuneration and reimbursing expenses, vesting in one body the oversight of the tax/non-tax relationship. The earlier Rodger report foreshadowed an Inland Revenue review that might have led to changes in the way MPs’ allowances were treated for tax purposes.

4.2.6 Administration

Both reports suggested a need to have clearer lines of responsibility for the administration of MPs’, including Ministers’, entitlements. Both proposed leaving in place the separate roles of the Parliamentary Service and Ministerial Services.

The extended role for the HSC as proposed in the Auditor-General's report would provide a consistent 'umbrella' for the respective administrative responsibilities of these two agencies. Administration would be improved by drawing the various existing categories of salaries, allowances and other entitlements together into just two categories – remuneration and work-related expenses.

The Rodger report put forward specific changes to the Parliamentary Service Act to improve lines of accountability.

4.3 In General

Taken together, the two reports highlight the recurring nature of the issues and firmly establish, we believe, the case for change.

It is worth drawing attention to two other valuable aspects of the Auditor-General's report:

- The report's description of "why MPs are paid". The absence of a 'job description' for MPs is one reason their salaries and allowances are regularly challenged in the public arena. The Auditor-General's comprehensive outline of the roles and responsibilities of MPs goes some way to filling this 'information gap'⁹
- The analysis in the report of how remuneration and job-related expense payments are determined and treated under the law generally. This provides a clear reference point for the case of MPs.

⁹ The Auditor-General's description "What Does an MP Do?" (paragraphs 201 to 206) highlights the wide variety of roles and responsibilities of an MP, covering their roles as representatives of the people and individual constituents, in law-making, public debate and in the scrutiny of executive government; and their responsibilities as participants in the processes of Parliament. Ministers carry the responsibilities of determining policy and sponsoring new legislation, exercising statutory powers, overseeing their public sector agencies, and securing funding through Parliament. A Prime Minister forms and maintains a government, and coordinates the business of the Government of the day.

5 A Framework for Change

5.1 Introduction

In Section 2 above we set out the task with which we have been charged. In essence, this is to:

- Produce a regime for improving procedures for the future
- Identify the practical implications
- Arrive at an independent view of the best way forward.

Given the consistent view of the issues surrounding parliamentary salaries and allowances in the Rodger and Auditor-General's reports, and the degree of conformity between them on how the regime could be improved, the Review Group believes it is sensible to build on their work and look for the option that performs best against key criteria.

To do this, it is necessary to set out a framework of clear, relevant objectives and criteria, and use these to develop proposals for change.

5.2 Objectives

The Auditor-General's report (Executive Summary) argues the need for a *"more coherent and principled regime to ensure that:*

- *The policies, systems and procedures applying to expenditure on salaries, allowances and entitlements are soundly based, transparent, effective and efficient; and*
- *They are clearly seen to be so by the public."*

We think these stand extremely well as objectives for a future regime. They are complemented by the conclusion in the Auditor-General's report that the intention of their proposals is to *"reduce long-term compliance cost while:*

- *Increasing the transparency of the current system;*
- *Clarifying responsibilities for setting remuneration and reimbursing expenses; and*
- *Ensuring consistency with current tax law."*¹⁰

We have adopted these as the objectives for a future regime.

5.3 Criteria

We looked for criteria that would allow us to evaluate the different options and guide the selection of the option that most closely matched with the factors associated with an effective regime. Again we turned to the Auditor-General's report, and particularly the five "guiding principles" it sets out.¹¹

¹⁰ Executive Summary, Conclusion.

¹¹ Paragraph 803.

These are:

- (a) A clear distinction should be established between remuneration and expense reimbursement. The basis for this separation should be a definition of remuneration that is consistent with current best practice and taxation law.
- (b) An independent body should determine, on the basis of clearly articulated principles, all remuneration and expenses to be reimbursed.
- (c) Designated agencies should be responsible for paying remuneration and reimbursing expenses.
- (d) All remuneration should be taxed on the same basis as that of an ordinary employee.
- (e) The independent body referred to in (b) above should have overall “ownership” of the system for setting and paying remuneration (as defined) by:
 - Objectively determining the basis of actual and reasonable expenses that can be incurred;
 - Making all eligibility decisions; and
 - Formulating appropriate rules and guidance and issuing them to the designated paying agencies.

It is important to put these in the context of the Auditor-General’s underlying reasoning. We think the reasoning is sound and would not expect it to be contested. The Auditor-General’s principles are based on an analysis of:

- Generally accepted practice in relation to remuneration and the taxing of personal income
- The current systems, policies and procedures applying to such expenditure
- The nature of current parliamentary remuneration and expenses; and
- Previous reports on the issue of MPs’ remuneration and related expenses.

Review Group's Criteria

Based on the Auditor-General's principles, we have identified three criteria we think provide a robust guide to choosing a preferred regime, and that cover all the significant issues.

1 Transparency

The decision-making process for MPs' salaries, allowances and entitlements should be easily 'seen' and understood, both within Parliament and in the broader community. This includes the decision-makers having a clear mandate, a decision-making process that can be explained and justified and, subject to any reasonable restrictions, accessible and reliable information including information on the rules in place at any time.¹²

2 Ownership

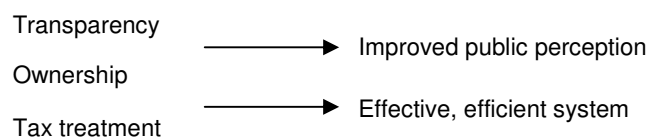
'Ownership' has two dimensions: the technical dimension which involves proper assignment of responsibility; and the qualitative dimension of assigning responsibility for the 'health and welfare' of a system and the quality of outcomes it produces. To achieve these, the decisions of one body, made properly under its authority, should not be able to be countered or undermined by the decisions of another also acting with authority. This means that the jurisdiction of each decision-making body should, first, be clearly defined, and second, not overlap with the jurisdiction of any other body.

3 Tax Treatment

Any form of payment that has a remuneration component should have standard tax rules applied to that component. In the case of non-salary entitlements for MPs and Ministers, as for employees generally, this means distinguishing what falls within 'actual and reasonable' expenses incurred by MPs and Ministers in the course of their official duties from what can be classified as providing a private benefit to the MP or Minister.

Our view is that any future regime should measure up to these three criteria.

We also think that focusing on these criteria will have the effect of producing two other desirable outcomes: improved public perception of the system, and a system that functions more effectively and efficiently:



5.4 The Issues to Decide

While there is much detail to consider in designing and implementing a 'proposed regime', the issues that lie at the heart of the decisions to be made about a future regime are essentially three:

¹² A fuller definition of transparency is provided in the OECD's *1998 12 Principles for Good Governance*: "**The decision-making process should be transparent and open to scrutiny.** The public has a right to know how public institutions apply the power and resources entrusted to them. Public scrutiny should be facilitated by transparent and democratic processes, oversight by the legislature and access to public information. Transparency should be further enhanced by measures such as disclosure systems and recognition of the role of an active and independent media."

<i>Jurisdiction</i>	Involves overcoming the blurred roles and responsibilities apparent in the present system that arise because of the parallel functions of the different bodies (PSC and HSC, Responsible Ministers, the Parliamentary Service and Ministerial Services), and establishing clear ownership over each part of the system
<i>The nature of parliamentary remuneration and expenses</i>	Involves clarifying the forms and purposes of parliamentary remuneration and expenses. In particular, unravelling the distinctions between (a) expenses that are 'actual and reasonable' and reimbursed; (b) expenses that are expected to be incurred and are met by a given allowance and that may be fully work-related or may in some cases have a personal benefit component; and (c) entitlements that represent a personal benefit to the recipients
<i>Tax treatment of allowances and entitlements</i>	Involves identifying the taxable status of allowances and entitlements (ie any remuneration component), and applying normal tax rules.

5.5 Tax Treatment

In respect of the tax treatment of MPs' allowances and other entitlements, the Review Group notes that Inland Revenue has been reviewing what has been a long-standing acceptance of tax exempt status for all but one of the allowances that have been within the HSC's jurisdiction. We are advised by Inland Revenue of their active consideration of the tax status of MPs' allowances and the need to arrive at a view of the tax treatment that reflects the nature of the expenditure incurred and the correct application of the law.

The question of applying tax rules to MPs' and Ministers' allowances and entitlements is therefore being addressed regardless of the outcome of our report, or of any decisions that may be made on the future regime as a consequence of our report or for other reasons. In other words, correct tax treatment is necessary whatever decisions may be made about the future regime for MPs' remuneration and expenses, including a decision simply to maintain the status quo of the present system.

The background to this is that income tax legislation provides that where any employer reimburses an employee for expenditure incurred in carrying out employment duties and the reimbursement payment is not of a private or domestic nature, or capital expenditure, then that payment is tax-exempt income.

The legislation further allows any employer to pay a tax-exempt allowance to an employee or group of employees based on a fair and reasonable estimate of employment-related expenditure likely to be incurred.

For all employers, where Inland Revenue has previously ruled that an allowance paid to a group of employees is tax-exempt income, any change to the tax treatment of that allowance will be prospective. That will apply to any changes in the tax treatment of MPs' allowances.

5.6 A 'Package' Approach

We note that there are obvious links between each of our criteria (section 5.3 above) and the 'issues to decide' (section 5.4). It can be expected therefore that future changes based on this framework will also be linked. For example:

- Establishing clear ownership of the systems and processes for making decisions on MPs' entitlements is fundamental to achieving transparency

- Establishing clear distinctions between remuneration and work-related expenses is a prerequisite for applying normal tax rules, and would increase transparency for the public
- Establishing clear jurisdiction is one way to ensure consistent (and hence more transparent) policy development and administration.

For this reason, it is important that the components of our recommended regime are seen as a 'package', and not singled out for implementation in isolation.

The Review Group notes the observation in the Auditor-General's report (paragraph 713) that *"In our view if the recommendations in the Rodger Report had been implemented the problem of lack of ownership and blurred roles would have been largely addressed."* We think this is a good illustration of the risk of ongoing problems, and ongoing questioning of the regime, if a piecemeal approach is taken to change.

We agree with the Auditor-General that it is time for a more comprehensive approach than has been taken in the past. We do not believe that piecemeal change will achieve the objectives we have adopted which are:

- Soundly based, transparent, effective and efficient policies, systems and procedures;
- Clearly seen to be so by the public.

6 Our Recommended Future Regime

6.1 The Components of a Future Regime

Applying the criteria in section 5.3 above to the issues in section 5.4 has led us to a firm view about the nature of improvements that we believe should make up the future regime.

We have chosen to build our proposals on a ‘first principles’ option put forward in the Auditor-General’s Report. We regard this option (Option 3 in the report) as the best way of achieving two key outcomes:

- A system that streams the present various categories of allowances and entitlements, with their mix of remuneration and expenses, into two distinct categories – remuneration and expenses – with each being clearly delineated
- A structure that assigns responsibility for making decisions on allowances and entitlements, and determining eligibility for them, uniquely to the body best able to apply consistent principle and policy.

We believe these two outcomes are two sides of the same coin, and must be acted on together. One without the other would leave important transparency and ownership issues unresolved, and would make ongoing proper tax treatment of allowances and entitlements difficult even if the tax issue was resolved in the first instance.

For these reasons we do not believe the two other options laid out in the Auditor-General’s report are satisfactory solutions. Option 1 is based on strengthening the internal controls in the current system. We see this as being too limited a response to the issues. Option 2 combines Option 1 with a move to clarify the ‘ownership issue’, by giving the HSC legislative mandate to oversee the effectiveness of the systems for administering its determinations. As pointed out by the Auditor-General, however, it does not result in an independent body overseeing all aspects of MPs’ and Ministers’ remuneration. Nor does it address the distinctions that need to be made between remuneration and expenses to allow for appropriate tax treatment of allowances and entitlements.

Option 3 in the Auditor-General’s report revolves around the role of the HSC. In the Auditor-General’s words¹³, it would entail the HSC in the future:

- *“Being given the mandate and responsibility for setting MPs’ and Ministers’ remuneration, including those entitlements currently set by the Speaker and the Minister Responsible for Ministerial Services;*
- *Setting the basis for MPs’ and Ministers’ actual and reasonable expense reimbursement; and*
- *Considering whether the range and nature of entitlements that are not based on actual and reasonable expenditure continue to be appropriate.”*

We have examined Option 3 in considerable detail, and looked at how the mechanics of it would work, and what consequential changes would be required to make it operable.

6.1.1 How the Mechanics Would Work

In our recommended future regime:

¹³ Paragraph 821.

The jurisdiction of the HSC would be focused on remuneration (which would include current allowances and entitlements that are, or are potentially, remuneration), and work-related expenses that qualify as ‘actual and reasonable’ (these are either reimbursed on an itemised claim being lodged, or paid as an allowance based on a fair and reasonable estimate of expenses likely to be incurred).

The jurisdiction of the Responsible Ministers would be focused on work-related expenses represented by the provision of goods and services for the running of the MPs’ and Ministers’ offices (the supplier is then paid directly by the Parliamentary Service or Ministerial Services).

This breakdown covers all of the components of ‘salaries, allowances and other entitlements’ available to MPs under the current system.

We note that ‘goods and services’ is a substantial proportion of overall expenditure, falling under Vote Parliamentary Service.

The overall effect is that:

- There is only one body making decisions in each area of jurisdiction, and no overlap between them
- It involves a ‘total remuneration’ approach that covers the MP’s whole ‘employment’ package, as is common practice in other occupational fields.

Key features of our recommended structure are:

- **The HSC** develops policy and makes statutory determinations on remuneration and actual and reasonable expenses including policy on the status of current allowances and entitlements in terms of the distinction between remuneration and work-related expenses, and is responsible for setting guidelines for deciding eligibility in specific instances. Inland Revenue’s standard tax rules apply to remuneration and expenses.
- **The Speaker and Minister Responsible for Ministerial Services** develop policy and make decisions on work-related expenses arising from the provision of goods and services
- **The Parliamentary Service and Ministerial Services**, respectively, administer the system, and have responsibility for making the day-to-day judgements on eligibility, within guidelines and determinations/decisions from, respectively, the HSC and Responsible Ministers.

Regarding the Parliamentary Service and Ministerial Services, we are aware of suggestions that these two agencies could be consolidated into one. It is an issue outside our brief, but one we think is worth consideration because of its potential for harmonising approaches. A proper consideration of the future structure of the two agencies would involve weighing up the efficiency and effectiveness gains from a merger against the principles and benefits of retaining two distinct agencies. In the latter category we recognise the constitutional reason for having the two agencies - the separation of Parliament and the Executive.

We understand that the two agencies work closely together on various fronts and continue to explore opportunities to do so. The question is the room for improvement, and how best to achieve it. An alternative to merging the agencies is for the Parliamentary Service and Ministerial Services to work more actively to common practices in administering allowances and entitlements, aided by guidelines from the HSC on interpretation.

The following table highlights the recommended changes in jurisdiction, and the result that would be achieved in terms of our objectives and criteria. It also highlights the need within the system to distinguish between remuneration and expenses, as the prerequisite to achieving transparency and applying tax principles.

Recommended Change in Jurisdiction	Result	Criteria Met
The HSC would have jurisdiction over remuneration (including all types of allowances and other entitlements that are remuneration) and actual and reasonable expenses. This extends the current 'salaries and allowances' basis of its jurisdiction.	<p>Would allow consistent policy development and a coherent approach to the overall package of MPs' pay and other monetary components</p> <p>Would be consistent with HSC's treatment of remuneration in relation to its other client groups</p> <p>Would create a clear basis for administration by the Parliamentary Service and Ministerial Services.</p>	<p>Improves transparency</p> <p>Establishes clarity of ownership for HSC</p> <p>Improves efficiency and effectiveness.</p>
The Responsible Ministers have jurisdiction over work-related expenses arising from the provision of goods and services to MPs.	<p>Would allow consistent policy development and a coherent approach to this distinct area of expenses</p> <p>Would create a clear basis for administration by Parliamentary Services and Ministerial Services</p> <p>In line with functions of triennial review committee.</p>	<p>Improves transparency</p> <p>Establishes clarity of ownership for the Responsible Ministers</p> <p>Improves efficiency and effectiveness.</p>

Prerequisite Change	Result	Criteria Met
Need to make distinction between 'remuneration' and 'work-related expenses', defining remuneration consistent with current best practice and taxation law.	Would provide a sound basis for determining the tax status of non-salary allowances and entitlements.	<p>Improves transparency</p> <p>Standard tax policy and rules able to be applied.</p>

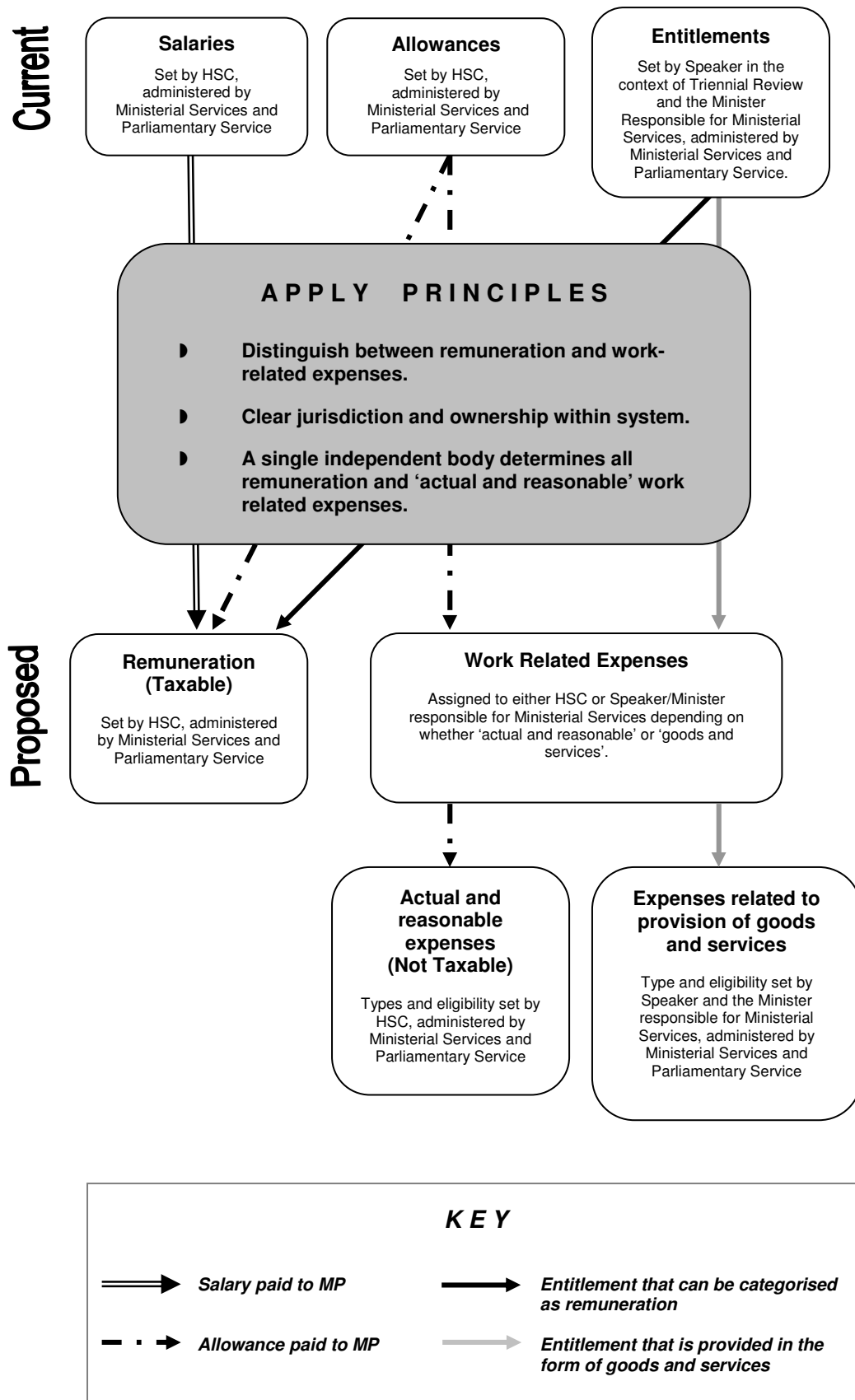
As pointed out in the Auditor-General's report *"The HSC would continue with its existing mandate of developing appropriate principles for setting remuneration – based on generally accepted practice in the public and private sectors. In doing so, the HSC would continue to set remuneration in the context of the principles of 'transparency' and 'appropriateness' that always accompany the expenditure of public money."*¹⁴

The following diagram (Chart 2), adapted from a diagram in the Auditor-General's report,¹⁵ illustrates what our recommended regime would look like from an organisational point of view, and with the effect of applying key principles. It shows the direct relationship between the current categories of 'salaries, allowances and other entitlements' and the proposed new categories of 'remuneration and work-related expenses'.

¹⁴ Paragraph 822.

¹⁵ Figure 7, paragraph 803.

Chart 2 Organisational Change Under Recommended Regime



6.1.2 Consequential Changes in Line with Jurisdictional Changes

The jurisdictional changes we propose above will need to be matched by changes in the way current allowances and entitlements are categorised in the future – specifically, to allow them to be classified as either:

- Remuneration or
- Work-related expenses, and
- In the case of those that are work-related expenses, separated into ‘actual and reasonable’ expenses or expenses that arise from the provision of goods and services to MPs.

Current allowances and entitlements can then be assigned either to the HSC or Responsible Ministers, according to the distinct roles each would have under our recommended regime.

Work would be required to convert current allowances and entitlements into a structure of ‘remuneration’ and ‘work-related expenses’. The Review Group’s brief does not extend to undertaking this work. We believe the HSC is best placed to do it, with its expertise and its experience with other occupational fields. The HSC also has a direct interest in, and need to ensure, a workable structure.

We are however mindful that the successful implementation of the regime we propose depends on the way allowances and entitlements are treated. For this reason, we proffer a view on changes that we think might need to be made, for consideration by the HSC. In two respects, changes of this sort are prerequisites to meeting the objectives of our recommended regime:

- They are needed to make the recommended jurisdictional boundaries work effectively
- They support the aim of improved transparency.

The table below (Table 1) shows our analysis of the **current** range of salaries, allowances and other entitlements, dividing them into five categories according to what issues they raise and also how they would fit into either ‘remuneration’ or ‘work-related expenses’ in our **recommended** regime. The table then sets out a view on how each item – of salary, allowance and entitlement – might be treated in the future.

The five ‘issue’ categories are:

Category 1: Basic Remuneration - This category does not present any issues that need to be addressed for consistency with our recommended regime. Salaries and superannuation transfer readily across as ‘Remuneration’, and under the jurisdiction of the HSC.

Category 2: Actual and reasonable reimbursed expenses - This category does not present any issues that need to be addressed for consistency with our recommended regime as they are work-related expenses, reimbursed to MPs and Ministers on proof of the spending having occurred. They transfer readily across, as ‘Actual and Reasonable (Not Taxable)’ and under the jurisdiction of the HSC.

Category 3: Allowances that are already taxed - This category does not present any issues that need to be addressed for consistency with our recommended regime. Being already taxed they fit readily into ‘Remuneration’ and under the jurisdiction of the HSC.

Category 4: Allowances that present tax and other issues - Changes are needed in this category to resolve the tax status of the various allowances and to remove distinctions as between constituency and list MPs.

Category 5: Benefits with a known or potential remuneration component - Entitlements in this category need to be considered for appropriate classification under our recommended regime. This category covers entitlements where Fringe Benefit Tax may apply, to the whole value of the entitlement or a portion of it. The FBT component recognises the element of personal benefit the MP gains from the entitlement which, under our proposals for the future treatment of entitlements, would have the FBT'd portion fitting simply into the category of remuneration. There may be justification at some stage for an 'extent of use' exercise to be undertaken, to quantify the personal benefit (remuneration) portion.

Table 1 Salary, Allowances and Entitlements – How These Might Translate Into the Review Group’s Recommended Regime

CURRENT \ FUTURE	REMUNERATION	WORK-RELATED EXPENSES		PROPOSED FUTURE TREATMENT
		<i>Actual and reasonable</i>	<i>Goods and services</i>	
Category 1: Basic Remuneration				HSC jurisdiction over remuneration will allow it to take the remuneration component of allowances/entitlements into account in salary determinations – a “total remuneration” approach
• Salary	✓			No change in status.
• Employer Superannuation Contribution	✓			No change in status.
Category 2: Actual and reasonable reimbursed allowances				
• Security System Purchase Allowance		✓		No change in status.
• Wellington Accommodation Allowance		✓		No change in status.
• Night Allowance		✓		No change in status.
• Travelling Allowance		✓		No change in status.
• Car Reimbursement		✓		No change in status.
Category 3: Allowances that are already taxed				
• House Allowance	✓*			No change in status.
• House and Grounds Maintenance Allowance	✓*			No change in status.
Category 4: Allowances: tax and other issues				
• Basic Expenses Allowance	✓*			Gross up and tax.
• Office-holder Expense Allowance including Minister of Foreign Affairs and Trade Allowance	✓*			Gross up and tax
• Constituency Allowance		Converts solely to actual and reasonable		Cease constituency allowance for constituency MPs. Align constituency MPs with list MPs – constituency MPs able to claim mileage for personal work-related car use and day allowance, within electorate.

Table Continued Over

Table Continued

CURRENT \ FUTURE	REMUNERATION	WORK-RELATED EXPENSES		PROPOSED FUTURE TREATMENT
		Actual and reasonable	Goods and services	
<ul style="list-style-type: none"> Day Allowance 		✓		No change in status (already fair and reasonable). Extend eligibility to constituency MPs for use within electorate; subject to a 'distance from home' rule for constituency and list MPs.
<ul style="list-style-type: none"> Motor Vehicle Purchase Allowance 				Cease. Current provision enables capitalisation of constituency allowance which ceases under these proposals.
Category 5: Entitlements with a known or potential remuneration component				Status of each of these is currently defined by how Fringe Benefit Tax is applied. No change in status needed for implementing recommended regime. Future categorisation into 'remuneration' and 'work-related expense' will determine the proportion that is FBT'd.
<ul style="list-style-type: none"> Travel – domestic: air/rail/bus 				
- MP	✓		✓	Future apportionment to be determined by HSC. HSC would have initial responsibility for determining what is remuneration, and what is a work-related expense. Responsible Ministers have ongoing responsibility for work-related goods and services.
- spouse	✓		✓	
- dependent	✓		✓	
<ul style="list-style-type: none"> Travel – international: air 				
- MP	✓		✓	
- spouse	✓		✓	
<ul style="list-style-type: none"> Communications facilities 	✓		✓	
<ul style="list-style-type: none"> Self-drive car 	✓		✓	
<ul style="list-style-type: none"> VIP Transport 	✓		✓	

* Remuneration component of the entitlement. See paragraph 6.1.3 (a) for our proposal to 'gross up' the Basic Expense and Office-holder Allowances and tax these accordingly.

+ This category covers entitlements where Fringe Benefit Tax may apply, to the whole value of the entitlement or a portion of it.

6.1.3 Explanation of Proposed Future Treatment of Allowances and Entitlements

As indicated above, in some categories no change is needed for our recommended regime to work. The main changes are:

(a) Distinguishing between remuneration and expenses and resolving tax status.

In terms of the definitions in section 2.5 above (and in line with Inland Revenue and Auditor-General definitions) some current allowances and entitlements are clearly for expenses directly associated with 'doing the job'. Those in Category 4 however, which are paid as a fixed sum, have a potential remuneration component depending on how much of the allowance the individual MP spends. For this category, a solution could be to identify the proportion that is remuneration (and apply standard tax rules) and the proportion that is work-related expense (and have a system for MPs to verify the expenditure). We think this would be impractical and inefficient. It would be administratively cumbersome as it would require staff of the administering agencies to be making constant judgements about what is 'actual and reasonable', and it would impose an unwelcome burden on MPs.

We propose instead that the basic expense allowance and office-holder allowances be 'grossed up' as remuneration, and taxed accordingly. This would be in line with common practice, and, by creating certainty as to the status of the payment, greatly improve transparency. Transparency would be further enhanced by clear definition of what expenses are covered.

(b) Moving towards consistency as between constituency and list MPs.

The constituency allowance poses another problem, which is that it applies only to constituency MPs. We see no reason to maintain the different provisions, and propose doing away with this allowance. Instead, all MPs would be put on an equal footing and able to claim reimbursement for 'actual and reasonable' car mileage (the primary cost covered by the constituency allowance), plus the day allowance in respect of which constituency and list MPs would have equal eligibility. We would recommend that some new conditions be established, for example a provision covering the distance the MP must travel from home before being able to claim the day allowance. We do not believe the day allowance should be available when the MP is close to home and not needing to incur any additional daily costs.

Leaving the day allowance otherwise intact is basically consistent with our recommended regime, because it seems fairly to represent the amount of expenses likely to be incurred by an MP spending a day away from home on parliamentary business. It is a provision typically found in the public and private sectors where it is commonly assumed that there is no remuneration component, and the allowance is therefore not taxed. Remuneration and tax would arise only if the amount of the allowance was in excess of normally expected spending, ie the allowance was not a fair and reasonable estimate of likely expenditure.

The current car purchase provision for MPs, which is based on capitalisation of the constituency allowance, would cease. We understand it is rarely used.

(c) Identifying areas for review by HSC to determine future policy on the split between the remuneration and work-related component.

Entitlements in Category 5 already attract Fringe Benefit Tax, of varying percentages for MPs reflecting the fact that there is a personal benefit component. For MPs the percentage of FBT applied is based on a ratio of personal benefit to work-related expense as estimated by the Parliamentary Service. Entitlements for Ministers in Category 5 have 100% FBT applied (see footnote to Table 1.)

Ultimately, to apply a robust remuneration policy to this category, an “extent of use” test would be needed.

We believe any future developments of this kind are best dealt with by the HSC. The HSC may, for example, in due course review how the percentages are applied.

We propose also that in a future regime the HSC is the body to determine eligibility for ministerial houses and the allocation of self-drive cars. The HSC has responsibility now for approving the primary place of residence for MPs. These responsibilities sit logically together.

6.1.4 Higher Salaries Commission's Role

Our proposals for the future treatment of what are currently ‘salaries, allowances and entitlements’ are based purely on our analysis of what we believe is needed to make our recommended regime work. The HSC, on the basis of precedent and experience, may see scope for further developments in the interests of an effective system.

We do think it is important to make sure that any future developments in the way work-related expenses are dealt with take account of administrative practicality. A good precedent has been set by the HSC taking over responsibility for approving the primary place of residence for MPs in the context of the Wellington Accommodation Allowance, a move that has resolved the difficulty faced by the administrative agency making a judgement on an entitlement (what is fair and reasonable) while being in close proximity to its ‘customer base’. A good principle would seem to be to preserve as much independence in the exercise of discretionary decision-making as possible.

The HSC has indicated to the Review Group some general principles they would endeavour to follow if they were given the role of determining ‘remuneration’ rather than, as at present, ‘salaries’ and ‘allowances’. These are:

- The remuneration basis would be simple
- Personal expenses would be based on actual and reasonable
- The system would be transparent
- A degree of grandparenting would be required
- The same taxation principles would apply as is common practice in New Zealand
- The effects on the MP’s family would be taken into account.

As can be seen, these principles relate closely to those that have been emphasised by others. The Review Group strongly endorses them.

6.2 Summary of the Recommended Regime

Drawing together the main threads of our recommended regime, the key elements are:

- A clear separation between remuneration and work-related expenses, under which current allowances and entitlements that are not specifically work-related are dealt with as remuneration, and everything that is met as a work-related expense is either ‘actual and reasonable’ or provided as work-related goods and services (a ‘total remuneration’ approach)
- An independent body, the HSC, determines MPs’ remuneration and work-related ‘actual and reasonable’ expenses

- The Responsible Ministers, as the appropriate authorities, make decisions on the forms and levels of support for MPs and Ministers that are provided through access to goods and services.

The gains that would result from adopting this approach include:

- Greatly improved transparency in the decision-making process and in the basis of remuneration and expenses to which MPs are entitled
- An independent body, the HSC, determining MPs' remuneration and 'actual and reasonable' work-related expenses
- Clear ownership of each part of the system, with delineated roles for the HSC and Responsible Ministers
- A system that is in line with common practice and allows standard tax policy and good practice to be applied
- Consequently, as stated in the Auditor-General's report, an underlying basis for MPs' remuneration that more closely reflects the reality that an MP is engaged in a full-time professional occupation
- The potential for simpler administration and scope for the system to run more smoothly
- A system that is, for these reasons, more effective.

Our proposals do not in themselves affect the level of MPs' remuneration or allowances. As Table 1 above shows, every item of salary, allowance and entitlement in the present system is accounted for in our recommended regime. We would expect the HSC, and the Responsible Ministers, in due course to review the provisions that fall within their respective jurisdictions, with a view to evolving appropriate policies and further improving the system's transparency and effectiveness.

7 Implementation

7.1 Overview

The Review Group's terms of reference require attention to the legislative, budgetary and administrative changes that would be required to implement the new regime.

While there are changes that will require some care, we do not think they present any major obstacles. Our discussions with the key agencies suggest the regime is workable.

Implications in each of these three areas will arise primarily from adapting the HSC's role to one that encompasses a 'total remuneration' approach covering all allowances and entitlements that fall into 'remuneration' and those that fall into 'actual and reasonable work-related expenses'. To effect the transition, a key role for the HSC will be to work through the relationship between these categories, involving research and consultation.

We have done some preliminary thinking on this, as set out in section 6.1.2 above. The comments we make about the way salaries, allowances and other entitlements are treated under a future regime are not intended either to specifically advantage or to disadvantage MPs and Ministers in terms of current salary and allowance packages. The one allowance we propose should cease is the constituency allowance. This would be replaced with a more transparent provision whereby constituency MPs will continue to have the costs of accessing and servicing their constituencies met as a work-related expense, but under an 'actual and reasonable' approach rather than a fixed sum. This change, and any others that may be considered in the future, are for those with the authority to make determinations – the HSC as an independent, expert body and the Responsible Ministers.

Where our proposals affect the administration of the system overall, there would be some inevitable flow through to Ministerial Services as well as the Parliamentary Service. A consistency of approach requires this.

7.2 Legislative Changes

We expect legislative changes to be relatively minor. Specific amendments that will be needed are:

- Amendments to the Higher Salaries Commission Act to reflect the shift to a 'total remuneration' approach. The main section of the Act this affects is section 12 which sets out the functions of the Commission in regard to MPs. Section 12 currently reads:
 - (1) *The functions of the Commission shall be –*
 - (a) *To consider and determine the following matters:*
 - (i) *The salaries and allowances of members of the House of Representatives, being the salaries and allowances required to be fixed by the Commission pursuant to the Civil List Act 1979.*

The amendment would be on the lines:

- (1) *The functions of the Commission shall be –*
 - (a) *To consider and determine the following matters:*
 - (i) *The remuneration and expenses of members of the House of Representatives, being the remuneration and the actual and reasonable work-related expenses required to be fixed by the Commission pursuant to the Civil List Act 1979.*

- Some consequential amendments to the Civil List Act to alter the terminology from “salaries and allowances” in Part 3 of the Act to reflect instead the distinctions of ‘remuneration’ and ‘work-related expenses’. If our proposal to replace the constituency allowance with a system whereby the same expense provisions apply to both constituency and list MPs is adopted, s 21 (b) would need to be amended. (S 21 (b) rules against electorate MPs receiving travelling allowances and travelling expenses for travel on public business at the request of a Minister, when the travel is within their electorates.)
- Consideration could be given to amending the Parliamentary Service Act to make specific reference to the Parliamentary Service’s function of administering determinations of the HSC. The current wording of section 7 of this Act is:

The principal duties of the Parliamentary Service are

(b) to administer, in accordance with directions given by the Speaker, the payment of entitlements for parliamentary purposes.

Section 9(2) currently reads:

The service has any other function, power, and duty that is conferred or imposed on it by or under an enactment.

A centrepiece of our recommended regime is the objective of improving transparency. Our means for achieving this are two-fold: establishing jurisdictional responsibilities that are easily understood in the wider community and do not create overlapping responsibilities; and the new arrangements we suggest for distinguishing between remuneration and work-related expenses. The new regime would not require changes to provisions in the Official Information Act. The HSC is subject to the Act, but, for operational matters fundamental to its role in setting remuneration, it has appropriate confidentiality provisions in its own legislation that ensures the protection of private information.¹⁶

7.3 Fiscal Implications

Two factors will bear on the fiscal implications of implementing our recommended regime.

First, while the underlying intent of our recommended regime is to be neutral in terms of the fiscal impact on MPs’ salaries, allowances and entitlements, there may be some flow-on budgetary impacts arising from particular aspects of our proposals - for example, on superannuation entitlements from our proposed grossing up of some allowances. We have not attempted to estimate the fiscal outcome of these sorts of ‘calibrating’ impacts, as again this is an area that will depend on the approach HSC takes. If there were to be any ‘grandparenting’ of existing arrangements for allowances and entitlements, this would also be a matter for the HSC.

Second, in terms of administrative implications, there may be a need for the HSC to acquire more resources, at least in the first instance, to carry out the work on remuneration and expenses we have identified in section 6.1.2 above. This is a matter for the HSC and any negotiations it wishes to have with the Government.

We note that the fiscal consequences of HSC determinations is a ‘given’ in terms of budgetary provision. Once a determination is made it is ‘priced’ and automatically funded under Permanent Legislative Authority.

^H Higher Salaries Commission Act 1977, Section 9.

7.4 Administrative Implications

Administratively, the Parliamentary Service and Ministerial Services will have some preparatory and transitioning work to do on a number of 'technical' aspects. Examples are assisting HSC with the preparation of guidelines covering the future use of the grossed up allowances, and developing a system to track the different purposes of travel (private or work-related) funded from Vote expenditure.

With regard to tax issues as they would be resolved under our recommended regime, with standard tax rules applying, we understand the Parliamentary Service and Ministerial Services would simply administer them accordingly and that this does not involve any significant administrative impact.

We refer earlier in our report (section 6.1.1 above) to suggestions that have been made to merge the Parliamentary Service and Ministerial Services. Combining the two agencies is not a prerequisite of our recommended regime. We have noted that a proper consideration of the future structure of the two agencies would involve weighing up the efficiency and effectiveness gains from a merger against the principles and benefits of retaining two distinct agencies. Our recommendation is simply that consideration be given to ways of continuing to improve the coordination between the Parliamentary Service and Ministerial Services, which could be achieved either by consolidating the two agencies or by both agencies working more actively to common practices in administering allowances and entitlements.

7.5 Other Implications

7.5.1 Boundary Issues

More detailed work on adopting our recommended regime may reveal some jurisdictional boundary issues that we have not identified. We believe we have set out sufficiently clear principles in our report to guide any decisions that may be needed.

The system will require vigilance to ensure the 'remuneration' and 'expenses' distinction does not become eroded over time, as a result of incremental decisions. It might be useful for the HSC to have periodic dialogue with the Responsible Ministers to ensure the system stays in balance and that decisions stay consistent with the principles underpinning our recommended regime. Under the new regime the HSC may well see a need for periodic feedback on the practical impact of its determinations in the parliamentary environment. This will be accomplished in part by the ongoing role the General Manager of the Parliamentary Service has in advising the Speaker and Parliamentary Service Commission.

7.5.2 Higher Salaries Commission Name

It has struck us quite strongly that the term 'Higher Salaries Commission' does not reflect the scope of the HSC's jurisdiction particularly well. The reality is that the Commission now deals with a spectrum of salary levels. The term 'higher salaries' may be another factor obscuring public understanding of the system, when it comes to determinations on MPs' remuneration.

We venture the suggestion that the time may have come for a name change. A more suitable name might be 'Remuneration Authority' which would certainly be consistent with the role we propose for the HSC in a future regime, and more accurately reflect its wider jurisdiction. (The name of the equivalent body in Australia is Remuneration Tribunal.)

We understand the HSC itself would favour a name change on these lines.

7.5.3 Remuneration Relativity

We are aware that remuneration relativity for MPs and Ministers as compared with other occupations remains an issue. We have already acknowledged above that MPs need to be properly remunerated. There is a case to make that MPs and Ministers are under-paid. An important consideration in HSC determinations is to avoid a widening of the gap between politicians' levels of pay and those of comparable positions in the market. We acknowledge the significant difficulty of making comparisons with other occupations and establishing valid benchmarks.

This is not an issue within the Review Group's terms of reference, but we note that taking a 'total remuneration' approach allows all remuneration components to be taken into account, thus presenting a total remuneration package more comparable to other professional occupations and making the perceived gap smaller.

7.6 Timing

If our recommended regime is adopted, the theoretically best timing for implementation would be 'effective the day following the forthcoming General Election'. This would allow changes to coincide with the new parliamentary term rather than being implemented mid-stream.

In practice, however, timing will depend on two factors:

- Passage of the legislative changes (implementation work is not able to begin until the legislative amendments are passed)
- The work required to ensure thorough implementation suggests there would need to be a transition period during which the current system would continue. The HSC in particular will need time to do research and analysis. There is likely also to be further consultation.

It would certainly be desirable to incorporate all the planned changes into one implementation period rather than spreading the process out.

We note that the Parliamentary Service and Ministerial Services would be applying appropriate tax provisions on allowances that fall into the category of 'remuneration' from the commencement of the new regime.

We note also that any significant delay in implementing a new regime could mean that the issue of the tax treatment in relation to the current regime is dealt with ahead of a more complete package of improvements.

7.7 Summary

A summary of the steps required to implement our recommended regime is set out below.

<i>Steps Required</i>	<i>Responsibility</i>
Take decisions on future regime (includes detail on fiscal and legislative implications)	Speaker and Minister Responsible for Ministerial Services
Legislation	Under the appropriate Minister
HSC research, consultation and determination	HSC
Administrative preparation and transitioning	Parliamentary Service; Ministerial Services for any related changes

8 Concluding Remarks

The effect, as we see it, of adopting and implementing our proposals is a regime that would meet objectives we believe would be widely accepted. To re-cap on the objectives we set out in section 5.2 above, these are:

- A more coherent and principled regime that ensures that
 - The policies, systems and procedures applying to expenditure on salaries, allowances and other entitlements for MPs are soundly based, transparent, effective and efficient; and
 - They are clearly seen to be so by the public
- Increasing the transparency of the current system by
 - Clarifying responsibilities for setting remuneration and reimbursing expenses; and
 - Ensuring consistency with current tax law.

One further benefit that should not be under-estimated is that under a ‘total remuneration’ approach, and with remuneration distinguished from expenses, the HSC would be better able to explain, and when appropriate defend, the overall package provided to MPs. This will help public understanding of the system, help counter negative public perceptions and give the media a clearer basis for scrutiny and commentary.

We finish by emphasising that no system will be seen by everyone as perfect, given widely differing perceptions across the community at large on what, and how, MPs should be paid. The Review Group believes however that the regime recommended in this report represents a very significant step forward and, if implemented, would go far towards settling public debate as well as improving the efficiency and effectiveness of the system.

9 Recommendations

The Review group is required to make recommendations to improve the system for the determination and administration of MPs' salaries, allowances and other entitlements.

The Review Group recommends:

- 1 That there be a clear separation between MPs' remuneration and work-related expenses.
- 2 That this be achieved by re-classifying current salaries, allowances and other entitlements into either remuneration or work-related expenses.
- 3 That all items that are met as work-related expenses are classified as either 'actual and reasonable' expenses or provided as work-related goods and services.
- 4 That an independent body, being the Higher Salaries Commission (HSC), has the initial responsibility for determining what is remuneration, and what is a work-related expense.
- 5 That the HSC has responsibility for the ongoing determination of the level of MPs' remuneration and work-related 'actual and reasonable' expenses.
- 6 That the Responsible Ministers, being the Speaker and Minister Responsible for Ministerial Services, have responsibility for making decisions on the forms and levels of support for MPs and Ministers that are provided through access to work-related goods and services.
- 7 That consideration be given to changing the name of the Higher Salaries Commission to Remuneration Authority.
- 8 That the future tax treatment of current allowances and entitlements reflect standard tax policy and practice.
- 9 That consideration be given to ways of continuing to improve the coordination between the Parliamentary Service and Ministerial Services either through consolidating the two agencies or both agencies working more actively to common practices in administering allowances and entitlements.
- 10 That implementation of recommendations 1 to 6 and 8 be timed to take effect from the day following the forthcoming General Election, or as soon thereafter as the implementation work can be completed.

APPENDICES

APPENDIX 1

Review Group Terms of Reference

TERMS OF REFERENCE FOR COMMITTEE TO ADVISE ON IMPROVING CURRENT ARRANGEMENTS FOR THE DETERMINATION AND ADMINISTRATION OF MP'S SALARIES, ALLOWANCES AND OTHER ENTITLEMENTS

To consider the findings of the Final Report of the Controller and Auditor General on Parliamentary Salaries and Allowances and Other Entitlements (July 2001) and to advise the Speaker on:

- A preferred option for improving the current procedures for the determination and administration of Parliamentary salaries, allowances and other entitlements either as identified in that report or as otherwise identified by the committee.
- The changes (legislative, budgetary and administrative) required to achieve the preferred option.

In carrying out its task the committee shall consult with the existing members of the Higher Salaries Commission and the Parliamentary Service Commission, the Leaders of each Parliamentary Party and such other members as may be considered appropriate and necessary to ensure that a representative cross section of views from members is obtained.

The committee may, with the concurrence of the Speaker extend a general invitation to all members to make written or other submissions to it and may also consult with such other persons or organisations as may be able to contribute to the committee's work.

Where it is considered necessary for any additional expertise to be engaged, no such engagement shall be undertaken except with the express agreement of the Speaker.

The committee is to report back by 15 February 2002 or such other date as may be agreed with the Speaker.

(Report back date amended to 15 March 2002.)

APPENDIX 2

Consultations, Discussions Held and Submissions Received

The following interested parties provided input to the review.

Current Members of Parliament

Mr Speaker	Rt Hon Jonathan Hunt
Prime Minister	Rt Hon Helen Clark
Leader of the Opposition	Hon Bill English
Leader, Act Party	Hon Richard Prebble
Leader, United New Zealand	Hon Peter Dunne
Deputy Leader, National Party	Hon Roger Sowry
Co-Leader, Green Party	Rod Donald
Whip, Alliance Party	Grant Gillon
Whip, Labour Party	Rick Barker
Whip, National Party	John Carter
Whip, New Zealand First Party	Ron Mark
Parliamentary Under-Secretary and MP for Te Tai Tokerau	Hon Dover Samuels
MP for Te Tai Tonga (Labour)	Mahara Okeroa
MP for Waiariki (Labour)	Mita Ririnui
MP for Hauraki (Labour),	John Tamihere
MP for East Cape (Labour)	Janet Mackey
MP for Ilam (National)	Gerry Brownlee
MP for North Shore (National)	Dr Wayne Mapp
MP (List Member, National)	Rt Hon Wyatt Creech
MP (List Member, ACT)	Rodney Hide

Other Parties

Higher Salaries Commission

Office of the Controller and Auditor General

Inland Revenue Department

The Parliamentary Service

Department of Internal Affairs: Executive Government Support; and Ministerial Services

APPENDIX 3

Salaries and Allowances Currently Paid to Members of Parliament and Members of the Executive

The following tables outline the salaries and allowances payable to members of Parliament including members of the Executive. They are based on information contained in the Parliamentary Salaries and Allowances Determination 2001, and Schedule E of the Report of the Representation Commission 1998.

TABLE A • Examples of Salary Levels for Positions in Parliament and the Executive

<i>Position</i>	<i>Salary Level</i>
Prime Minister	\$244,100
Ministers in Cabinet holding one or more portfolios	\$162,600
Speaker	\$162,600
Leader of the Opposition	\$162,600
Other Party Leaders (base salary)	\$100,200
Whips (parties with at least six members)	\$98,700
Select Committee Chairpersons	\$98,700
Other MPs	\$90,500

TABLE B • Allowances to Reimburse Actual and Reasonable Expenses

<i>Allowances to Reimburse Actual and Reasonable Expenses</i>	<i>Maximum Amounts Claimable on Production of Proof of Expenses (Receipts, etc)</i>
<p>Travelling Allowance Reimbursement to a pre-set level for accommodation costs incurred by a member of the Executive and the Leader of the Opposition.</p>	<p>\$320 per day or part day. \$480 per day or part day if attending an official function and their spouse is required to attend.</p>
<p>Night Allowance Reimbursement to a pre-set level available for MPs staying overnight over 100 kms from their primary place of residence.</p>	<p>\$180 per night (if staying in commercial premises in Auckland). \$160 per night (if staying in other commercial premises) \$50 per night in other premises Six month cap of \$10,000 for an MP or \$ 11,000 for a Whip or Party Leader applies.</p>
<p>Wellington Accommodation Allowance Reimbursement to a pre-set level available for MPs whose primary place of residence is outside the Wellington Commuting Area but who incur accommodation costs in the Wellington Commuting Area.</p>	<p>\$8,000 for an MP or \$8,500 for a Whip or Party Leader for each six month period.</p>
<p>Car Reimbursement Reimbursement for costs incurred by an MP in using their private cars for work purposes.</p>	<p>Rate paid is in accordance with the standard rates prescribed by the Inland Revenue Department.</p>
<p>Allowance for Purchase of Motor Vehicle Payable to Constituency MPs, but offset against their constituency allowance.</p>	<p>\$7,200 to \$18,000 depending on electorate.</p>
<p>Security System Allowance Reimbursement to a pre-set level of costs for installing a security system.</p>	<p>\$400 for installation of system. \$600 for annual costs of monitoring and call-outs.</p>

TABLE C • Allowances to Reimburse Expected Expenses

Allowances to Reimburse Expected Expenses	Amounts Payable	
<p>Basic Expenses Allowance Members of the Executive, the Leader of the Opposition and other Party Leaders cannot claim basic allowances available to ordinary MPs in addition to their specific allowances.</p>	<p>\$ 29,500 13,000 12,000 10,500 9,500 12,000 9,500 7,000 12,000 7,000 to 10,000 7,000</p>	<p><i>Members of the Executive</i> Prime Minister Deputy Prime Minister Ministers Other members of the Executive Council Parliamentary Under Secretaries <i>Other Members of Parliament</i> Speaker Deputy Speaker Assistant Speakers Leader of the Opposition Other Party Leaders (<i>depending on the number of party members</i>) Ordinary MPs (Constituent and List)</p>
<p>Office-holder Expense Allowance To provide for expenses incurred in connection with the offices of Speaker, Deputy Speaker, or Assistant Speaker of the house of Representatives. Additional allowance for Minister of Foreign Affairs and Trade and for Deputy Leaders of Parties.</p>	<p>\$ 8,500 7,500 1,000 6,000 2,000</p>	<p>Speaker Deputy Speaker Assistant Speaker Minister of Foreign Affairs and Trade Deputy Leader of Party</p>
<p>Constituency Allowance Not paid to the Leader of the Opposition, Members of the Executive, the Speaker, The Deputy Speaker, or List MPs.</p>	<p>\$ 8,000 to 20,000</p>	<p>Depending on the size of the electorate.</p>
<p>House Allowance Paid to each member of the Executive not already allocated a residence at public cost, and (if he or she resides in the Wellington Commuting Area) to the Leader of the Opposition where the appropriate criteria are met.</p>	<p>\$ 2,000</p>	
<p>House and Grounds Maintenance Allowance Paid to members of the Executive, the Speaker and (if he or she resides in the Wellington Commuting Area) the Leader of the Opposition to assist with costs of maintenance of their primary place of residence.</p>	<p>\$ 1,500</p>	
<p>Day Allowance Payable to all MPs, except members of the Executive, when they are away from their primary place of residence and engaged on Parliamentary business, but not claimed by Constituency MPs when they are in their electorate.</p>	<p>\$56 for a day on which Parliamentary business is six hours or more \$28 for a day on which Parliamentary business is less than six hours but more than four hours.</p>	