

Parliamentary Service

**LINE-BY-LINE REVIEW OF
EXPENDITURE**

Version 14: 5 February 2009

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LINE-BY-LINE REVIEW

1. Summary

This report has been prepared by the Parliamentary Service in response to a request from the Cabinet Business Committee to carry out a line-by-line review of expenditure. The key findings of the review are:

- Parliamentary Service provides administrative and support services to Members and administers funding entitlements for Parliamentary purposes. The Service does not provide programmes directly to the Public, which limits opportunities to reduce expenditure (*refer section 3*).
- There have been a number of independent reviews of aspects of the Service completed in recent years that have significantly changed the nature of services and the manner in which they are delivered. Additional funding has been provided to meet most of the changes recommended in these reviews (*refer section 4*).
- A 2008 review of service performance identified increasing levels of satisfaction which gives support to the improvements which have been made to the Service (*refer section 4*).
- The total Crown and Departmental funding appropriated under Vote Parliamentary Service is \$124.8 million. The majority of this funding (\$76.8 million or 62%) is outside the control of the Service (*refer section 5*).
- The key issues facing the Service in achieving potential cost savings are (*refer section 15*):
 - The level of service currently provided by the Service has resulted from a range of recent reviews and independent reports. Cost savings will reduce the quality, or extent, of services currently being provided to Members. Changes to these services will therefore need to be agreed with Members.
 - The size of possible savings is limited in the short to medium term as a significant portion of costs is fixed.
 - A reduction in services could result in an opportunity to reduce some staff numbers. To avoid redundancies these changes would need to be carefully managed through attrition which will create delays in realising savings. In the absence of a reduction in services to Members, it would be difficult to reduce staff.
 - The Service is already facing significant funding pressures in the building services area (mainly in the form of fixed costs relating to rent and maintenance contracts) and will need to submit an emergency funding bid in Budget 2009.
- Possible savings initiatives have been identified and are outlined in this paper. They fall into four categories (*refer section 16*):
 - Reducing services.
 - Charging for services (revenue gathering rather than a reduction in costs).
 - Deferring expenditure.
 - Structural and other changes.

In addition, a number of potential initiatives were considered but rejected.

- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials].*

- A number of internal initiatives are being implemented immediately to realise some savings and to build a process of cultural change in the Service regardless of any decisions made by the Government on funding (*refer section 17*).
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials].*

2. Background

On 17 December 2008, the Cabinet Business Committee invited the Speaker to arrange for the Parliamentary Service to carry out a line-by-line review of expenditure by 5th February 2009 [cabinet minute CBC Min (08) 32/6 refers]. The review is intended to identify:

- Savings that can be freed up for Budget 2009.
- Programmes that are inconsistent with the government's priorities and that should be discontinued.
- Programmes that are inconsistent with the government's priorities and that should be looked into.
- Programmes and expenditure that are not efficient or effective.
- Areas where performance information is insufficient to make a judgement about efficiency or effectiveness.
- The actions that agencies should take to make improvements before the new review period.
- Initiatives of the previous government that are not funded.

Parliamentary Service does not provide programmes direct to the Public. This paper has therefore focussed on the costs and possible savings of the services it provides to Members.

3. Overview

Introduction

The Parliamentary Service (the Service) is responsible for providing administrative and support services to Members of Parliament (Members) and for administering funding entitlements for Parliamentary purposes. The Service does not provide public programmes. The principal duties of the Parliamentary Service are stated in the Parliamentary Service Act 2000 and are:

- To provide administrative and support services to the House of Representatives and to Members of Parliament.
- To administer, in accordance with directions given by the Speaker of the House of Representatives, the payment of funding entitlements for Parliamentary purposes.

The Service receives funding via Vote Parliamentary Service for the purpose of supporting Parliament. The Parliamentary Service Act 2000 and the Civil List Act 1979 set out what the appropriation may be used for. These statutes also provide that funding entitlements must be set out in the Speaker's Directions¹ and an annual determination. The current directions and determinations are:

- Parliamentary travel, accommodation, attendance, and communications services determination 2008 (SR 2008/421). This determination, issued annually, provides the authority for parts 1 – 3 of the Speaker's Directions.

¹ *Directions and Specifications for Services and Funding Entitlements for the House of Representatives, its Members, Former Members and Certain Electoral Candidates 2008*. Reviewed in 2008 and current version came into effect on 1 November.

- Directions and Specifications for Services and Funding Entitlements for the House of Representatives, its Members, Former Members and Certain Electoral Candidates 2008. This document sets out detailed funding entitlements for those classes of person covered by the directions.

Outputs

The Service delivers services under the following output classes:

- *Operations, Information and Advisory Services*

This is a “multi class output appropriation” which includes the following outputs:

- *Building and Operations Management.* The provision of purchasing, building maintenance and operational services for all buildings in the Parliamentary complex, including the provision of security, messenger, cleaning, catering, reception, telephonist, chamber and gallery, visitor and health and safety services. It also involves the management of a property portfolio that will provide for future accommodation needs for Members of Parliament and their staff.
- *Parliamentary Information Services.* Includes the provision of library and electronic information services through the Parliamentary Library; the provision of computing facilities at Parliament; and computing and telecommunications advisory services associated with these.
- *Personnel and Accounting Services to Members and Other Agencies.* Involves the provision of accounting services, human resource services including staffing advice and support, processing payroll services for Members and bureau accounting and payroll services to other Parliamentary offices, as well as the provision of travel services (according to directions promulgated by the Speaker).
- *Policy Advice.* Involves the provision of information, analysis and advice to the Speaker, and the Parliamentary Service Commission. The requirement for policy advice arises from developing, amending and revising the rules for the services and funding entitlements that are provided to Members of Parliament; complying with the legislative frameworks that apply to the Parliamentary Service, and maintaining organisational policies.
- *Services to Members*
 - Funding for the Office of the Speaker.
 - Provision of executive secretarial services for Members in Parliament Buildings.
 - Staffing of out-of-Parliament offices, including relief overload services.
- *Party and Member Support (non-departmental)*
 - Each party has an output allocated to it to support the party leader’s office, Whips office, research functions and each individual member’s Parliamentary operations.
 - The amount of the appropriation is based on the entitlement each party has in accordance with the Speaker’s Directions.
- *Communications (non-departmental)*
 - All telecommunications entitlements as set out in the Speaker’s Directions.
 - All standard office products and stationery products as allowed under the Directions.

- *This* output is capped but is not allocated to particular Members or parties.
- *Travel (non-departmental)*
 - All travel and accommodation for Members, former Members and spouses, as provided in the Speaker's Directions, is paid from this output.
 - This output is capped but is not allocated to particular Members or parties.
- *Capital Expenditure (non-departmental)*
 - This is minor capital works to maintain and improve the Crown owned buildings *within* the Parliamentary precincts.
 - This does not cover maintenance or improvements to Bowen House or other buildings outside the Parliamentary precincts.
- *Members Salaries and Allowances (non-departmental - PLA)*
 - This provides all salaries and allowances paid to Members. It does not include Members of the executive.

4. Recent Reviews of the Service

The nature of services and the manner in which they are delivered have been influenced by a number of reviews, including:

Security Review (February 2002)

A review of security measures within the Parliamentary precincts was conducted in 2001 and reported to the Parliamentary Service Commission in February 2002. The focus of the review was physical security and it took into account changes to the security environment following the terrorist attacks in the United States on 11 September 2001. The review resulted in a significant upgrading of the physical security arrangements for the precincts and appropriations increased significantly in the 2004/05 year to fund these changes. The security measures review resulted in a strategic plan being developed which listed 13 projects. These projects and staffing levels have largely been implemented.

Controller and Auditor General Inquiry Report (October 2006)

The inquiry 'Advertising Expenditure Incurred by the Parliamentary Service in the three months before the 2005 General Election' was undertaken by the Auditor General as he was concerned that the administrative framework for advertising was weak and that electioneering material may have been paid for outside of the appropriation.

The inquiry established significant breaches of the appropriations administered by the Service; that the wider accountability framework for administration of the Vote (separate but complimentary roles for the Service and the responsible Minister) was confused and lacked transparency; and that inadequate guidance was available to MPs and Parliamentary parties. The report recommended that urgent improvements be implemented.

As a result of this report and a subsequent review by Deloitte, a significant amount of activity was taken to change ongoing business approaches. These actions included the following:

- A complete review of Members' entitlements culminating in a review and release of the Speaker's Directions annually (the first review was effective 1 December 2007).
- The development of a central database of policy and process for the management of entitlements. This includes ongoing review, up-to-date training for staff (member support staff and corporate support staff), the development of an information database and precedent set for the management of decisions regarding entitlements.
- The implementation of an Escalation Panel to ensure consistent decision making on the main complex issues.
- The implementation of software to ensure all transactions and advice are recorded (some development still required).
- An improved client service focus when dealing with Member's entitlement issues.
- Web based budgets and reporting developed and made available to Members (a quick fix with a more permanent solution still to be developed).
- A Speaker's Assurance Committee was put into place to support the governance function of the Speaker.

Deloitte Review (December 2006)

This was a review of the financial and administrative policies and procedures. The recommendations were implemented to meet the requirements of the Auditor General's review – see above.

Appropriations Review (March 2007)

The review was the third to be carried out under the Parliamentary Service Act 2000 which requires a review at least once during the term of each Parliament. The purpose of the review was to assess the need for updating, and improving on, existing services and funding for the next Parliamentary term.

The review found that there had been “commendable progress” on a number of the recommendations in the previous 2004 Review, notably progress with bringing out-of-Parliament offices up to standard (this was tempered with a recommendation to ensure the standards were implemented)², more collaboration among the five agencies on the Parliamentary campus including information and communications technology, the launching of a new significantly improved Parliamentary website and some strengthening of security on the campus³. However the report also noted that there remained “a genuine need for considerable improvement across a wide range of activities”⁴. In particular it commented on a lack of customer service focus to Members and the need for significant improvement in relation to a variety of staffing issues including staffing numbers, remuneration, training and development and contact with out-of-Parliament staff.⁵

The review made a number of recommendations to improve governance and management, as well as proposing additional resourcing or better administration of existing resources. “All recommendations [were] designed to enhance the support provided to Members of Parliament and the political parties they represent”⁶. Some of these recommendations have been implemented into business as usual with a number of significant ones still in early stages (such as improved technology for out-of-Parliament staff and other technology projects).

Risk and Threat Assessment Review (June 2008)

The risk and threat assessment was undertaken in 2008 by an interagency group which included NZSIS, GCSB, Police and Aviation Security. The aim of the review was to provide a comprehensive list of threats, their likelihood and impact, and to combine these to establish the security risks. The review also assessed current arrangements for mitigating these risks, identified gaps and made recommendations for improvement. The scope included physical security, personnel security, information security, and ICT security. The assessment followed several other interim security audits, threat assessments and security assessments. In addition to the current staffing levels and security systems, the assessment made 52 recommendations which are (as at January 2009) in the process of being presented to the Speaker for endorsement. 11 recommendations have been actioned and the remainder are either under action or awaiting approval and subsequent funding.

² Parliamentary Appropriations, Report of the Committee on the Third Triennial Review, March 2007, recommendation 8.3, p 90

³ Op cite, page 3.

⁴ Op cite, page 3.

⁵ Op cite, page 5

⁶ Op cite, page 12.

Customer Satisfaction with the Parliamentary Service (July 2008)

This qualitative research was undertaken to explore customer perceptions of the Parliamentary Service to “identify what is working well, what is not working well and key improvements”. The report noted that many participants thought that the Service was doing a difficult job well. Although most participants identified areas for improvement, the report found that:

The changes which had been made in the past year were seen, however to be considerable steps in the right direction towards addressing issues they had with the Service. A number of participants said that the service was “on the right track” with these changes and encouraged them to continue in the same direction.⁷

⁷ Exploring Customer Satisfaction with the Parliamentary Service, Litmus report, 11 July 2008, page 2.

5. Funding

Appropriations

The 2008/09 OBU Appropriations for *Vote: Parliamentary Service* comprise Departmental funding of \$65.134m⁸ and Non-departmental funding of \$59.721m as outlined in the following table:

	OBU Appropriation	
	\$000s	%
Operations, Information and Advisory Services		
Buildings and Operations Management	26,801	21%
Parliamentary Information Services	13,470	11%
Personnel and Accounting Services to Members and Other Agencies	6,691	5%
Policy Advice	989	1%
Total	47,951	38%
Departmental Appropriations		
Services to members		
Office of the Speaker	670	1%
Executive Secretaries	5,523	4%
Out-of-Parliament Support	10,990	9%
Total	17,183	14%
Total Departmental	65,134	52%
Non Departmental Appropriations		
Party & Member Support	15,838	13%
Members Travel	11,000	9%
Members Communications	2,328	2%
Depreciation	11,274	9%
Total	40,440	32%
Crown Asset Management (Capex)	2,894	2%
PLAs (Salaries & Allowances)	16,387	13%
Total Non Departmental	59,721	48%
Total Departmental and Non Departmental	124,855	100%

This review focuses on the appropriations for Operations, Information and Advisory Services as the Service has limited influence on the expenditure of other areas which are set out in the Speaker's Directions and Annual Determination.

⁸ Based on funding approved in OBU 2008.

Cost Structure

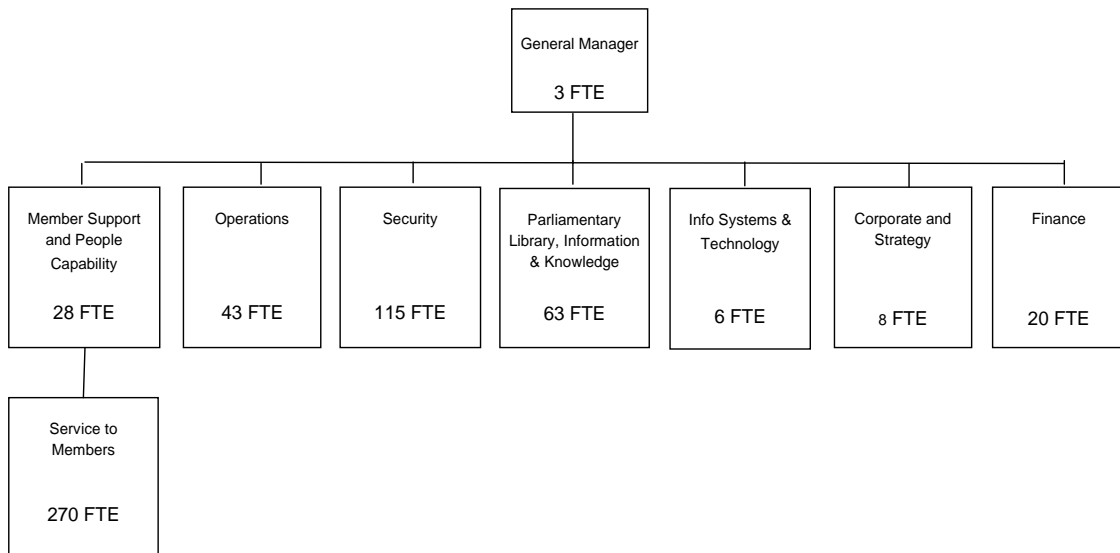
The key determinants of the cost of providing services (cost drivers) are summarised below:

Cost	Appropriation		Cost Driver	
	\$000s	%		
Personnel				
Operations, Information and Advisory Services	20,597	32%	Determined by level of services	Semi Fixed
Services to members	16,240	25%	Determined by level of services	Semi Fixed
Rental, Rates & Building Services	11,325	17%	Contractual, usage of consumables and customer requirements	Fixed
Depreciation	5,033	8%	Value of Assets capitalised	Fixed
Capital Charge	1,844	3%	Value of Shareholders funds	Fixed
Operating	10,095	15%	Determined by level of services	Variable
Total	65,134	100%		

The table shows that 57% of costs are staff related and semi-variable in the short term because most staff are either employed permanently, or on contracts coinciding to the term of the current government (all staff employed on contracts coinciding with the term of the government are employed pursuant to party and member's entitlements). The personnel costs listed as Services to Members are determined by an entitlement set out in the Speaker's Directions. Of the remaining costs, 28% relate to building services and are fixed in nature and the balance of operating costs (15%) are variable.

Organisational Structure

The structure of the Service with the number of funded permanent positions (in FTEs) is shown in the diagram below:



Staff Numbers (FTE)	
Parliamentary Service	283
Members Support Staff	270
Total	553
Political Office Staff (average)	75
Total Staff supported by PS	628

Link from Organisational Structure to Outputs

The allocation of expenditure from business groups to Outputs is illustrated in the following table:

	Output 1 Services to Members	Output 2 Parliamentary Information Services	Output 4 Building and Operations Management	Output 5 Policy Advice	Output 6 Personnel and Accounting Services
Services to Members	X				
Member Support & People Capability	X				X
Operations		X	X		
Security			X		
Parliamentary Library and Information and Knowledge		X			
Information Systems & Technology		X	X		
Corporate & Strategy		X	X	X	X
Finance General Manager		X	X		X

Expenditure by Business Group

Cost	Appropriation	
	\$000s	%
Services to Members	17,118	26.3%
Member Support and People Capability	5,441	8.4%
Operations	16,893	25.9%
Security	6,196	9.5%
Parliamentary Library, Information and Knowledge	5,875	9.0%
Information Systems & Technology	6,993	10.7%
Corporate and Strategy	1,191	1.8%
Finance	3,531	5.4%
General Manager	1,896	2.9%
Total	65,134	100.0%

6. Services to Members

Services to Members costs reflect the provision of support staff to Members in accordance with the Speaker's Directions and services to the Speaker. These costs, which are not controllable by Parliamentary Service, include:

	\$000s	
• Office of the Speaker	670	<i>(85% staff related)</i>
• Executive Secretaries	5,523	<i>(100% staff related)</i>
• Out-of-Parliament Support	<u>10,925</u>	<i>(100% staff related)</i>
• Total	<u>17,118</u>	

Of the total, 99% are either salaries or personnel related costs for the 92 (FTE) executive secretaries and 178 (FTE) out-of-Parliament support staff employed by the Service in direct support of Members of Parliament. The budget cost of \$16,448 for these staff is calculated based on each member's entitlement to support staff as set out in the Speaker's Directions. The remaining \$670k is for the Speaker's office.

Cost	Appropriation	
	\$000's	%
Salary and Wages	17,008	99.4%
Consultants	57	0.3%
Travel	32	0.2%
Miscellaneous Operating costs	6	0.0%
Purchased information and publishing	4	0.0%
Staff Training	4	0.0%
Office expenses	3	0.0%
Maintenance	2	0.0%
Other Staff Costs	2	0.0%
Total	<u>17,118</u>	100%

7. Member Support and People Capability

The General Manager has sole responsibility for the employment of staff in the Parliamentary Service, including Parliamentary political party staff and Members' support staff both in and out-of-Parliament. This role carries all of the legal and good faith obligations incumbent upon any employer. The Service has approximately 650 full and part-time staff, with approximately 400 of these staff supporting Members and their parties, including around 240 working in out-of-Parliament offices.

The Member Support and People Capability group provides the overall direction and support for all staff across the Service, as well as providing a significant range of service to support Members in their roles.

The group comprises 2 main business units and a shared service administration function as outlined below:

	\$000s
• People Capability	1,540
• Party and Member Support	3,400
• Group Manager MS and PC and Shared Services	<u>501</u>
• Total	<u>5,441</u>

Total Group Costs

The group has 28 permanent FTE staff and 76% of its costs are staff related and a high proportion of these funds are for programmes to support the staff who support the Members. An additional 18.5% is directly related to supporting out-of-Parliament offices (depreciation, security and travel components). In 2008/09 the group ran a number of fixed term roles to meet its election responsibilities, however these do not continue past April 2009.

Cost	Appropriation		
	\$000's	%	
Salary and Wages	3,273	60.15%	Includes \$1.13 million special service allowance for member support staff in Output one.
Depreciation	611	11.23%	Includes \$120 k for out-of-Parl offices and \$450K for the wide area network upgrade project for out-of-Parliament offices.
Staff Training	349	6.41%	\$300k Member support staff - development post election., balance Group and PS wide programme
Training	347	6.38%	\$247 k Member Support staff - orientation, professional support, outplacement support pre-election; \$107k Leadership/mgmt develop prog.
Security	253	4.65%	Out-of-Parliament offices - \$171k Monitored duress alarms and security services,-Includes c/f \$120k for tech. Upgrade post election; balance Audits and non- Capex fit-outs to meet OSH
Other Staff Costs	176	3.23%	PS – wide Health programmes, employee assistance (staff and members) , group and member support staff recruitment advert costs ; 10k out-of-Parl office valuations
Travel	127	2.33%	Includes \$104k to support out-of Parliament operations.
Consultants	120	2.21%	Gallup, Legal costs, system support \$35k HR consultant support and Client Survey costs
Office expenses	60	1.10%	Stationery, printing, publishing etc
Computer and IT	48	0.88%	CHRIS (payroll) and CRM (Customer Relationship Management software)
Communications	37	0.68%	Telephony
Purchased information and publishing	16	0.29%	Includes professional subscriptions and licensing
Miscellaneous Operating costs	16	0.29%	
Audit	5	0.09%	WMSP Audit fees (for ACC)
Insurance	3	0.06%	
Total	5,441	100.00%	

The appropriations include additional funding for the following initiatives:

- Member support staff capability development \$273k (2001/02).
- Monitored duress alarms and security services \$128k(2001/02)
- Changes to fit outs to meet OSH requirements \$130k (ongoing Capex of 98k and depreciation (2006/07)
- Part-establishment costs of Client Service Function \$214k (2006/07)
- Extending PS network to out-of-Parliament offices \$2.4million – Capex and Opex (2006/07). The costs for this initiative are budgeted in IT – however the depreciation of \$450k is carried by the Member Support and People Capability group
- Capability enhancement \$343k (2007/08) [includes funding for Employee Assistance Programme; member support staff programmes for Parliament orientation and professional support (identified H&S risk management strategy) and leadership and management development programme].

The Member Support and People Capability group carries funding for all training provided across the Service, in particular the development of the member support staff, which makes up over half of the total development costs for the Service and covers a wide range of aspects, including a professional support programme to mitigate an identified H&S risk). The total amount budgeted for training across the Service is 2.6% which is well below generally accepted target expenditure levels.

Party and Member Support

Party and Member Support assist Members in relation to their staffing, out-of-Parliament offices and many of their entitlements and services in general.

Services in relation to staff and out-of-Parliament offices include:

- Comprehensive recruitment assistance.
- Employee Assistance Programme (for staff and Members).
- Training and development for staff based on the competencies required for the role, including a comprehensive staff induction programme and a professional support programme. The amount spent this year was supplemented by a large carry forward from the previous year's training allocation. This carry forward was to allow the Service to develop a comprehensive training package to meet the specific needs of a timely and effective induction to the influx of all new member support staff. The focus of the overall training programme is ensure that the gaps identified in both the Triennial Review of Appropriations and the Auditor General's Inquiry Report were responded to and that the Service did not place members or their support staff at risk by not meeting its compliance obligations (health and safety, privacy, information security, administrative and financial policy and processes.) An additional \$50,000 was spent out of carry forward to meet the Service's obligations for outplacement support. The carry forward has now been utilised as intended, and the budget for this activity will now reduce to 1.5% of the salary budget (which is considerably below the target of 4% encouraged by the State Services Commission).
- Ensuring employer compliance requirements are met – for example, ensuring staff understand their health, safety and security responsibilities in their workplaces, including how to manage potential workplace hazards, such as challenging situations.
- Ongoing support and advice to Members and staff in relation to the employment relationship (the Service is the employer, but Members direct the work). The interaction by the Service with the staff that it supports has been more targeted and streamlined to respond directly to recommendations in the last Appropriation Review. These improvements have been made within the baseline and have been cost neutral.
- Facilitating effective implementation of the Specification Guidelines for out-of-Parliament Offices – which set out minimum requirements for out-of-Parliament offices, agreed with the Parliamentary Service Commission, and establishes a base for the health, safety and security of staff.

Services in relation to entitlements and services include:

- Manage queries and issues raised by Members and support staff – including pre-approvals of publicity.
- Manage CRM, a customer relationship management system, which enables issues to be recorded and tracked for monitoring and reporting purposes.

- Maintain a database of precedent decisions and manages the continual updating of the financial and administrative processes to support the Speaker's Directions.
- Reporting and analysis of trends and systemic client service issues including the identification of business and service improvements.

A relationship management approach is used based on each member, their needs and support staff needs. The team acts as an interface across the Service, in particular with People Capability, Finance and IT, to ensure that the Parliamentary Service supports Members seamlessly.

The liaison with Party Whips, Chiefs of Staff and Parliamentary political party managers sits with this function.

Cost	Appropriation		
	\$000's	%	
Special Services Allowance	1,126	33.10%	An entitlement for members to award to support staff in Output one (also contractual entitlement)
Salary and Wages	703	20.70%	
Depreciation	585	17.20%	Includes \$120 k for out-of-Parl offices and \$450K for the wide area network upgrade project
Staff Training	311	9.10%	Member support staff - development post election, ongoing training framework development (includes carry forward)
Security	253	7.40%	Out-of-Parliament offices - \$171k Monitored duress alarms and security services,-Includes carry forward \$120k for technical upgrade post election; balance Audits and non- Capex fit-outs to meet OSH requirements
Training	236	6.90%	Member Support staff - orientation, professional support, outplacement support pre- election
Travel	105	3.10%	Support to out-of Parliament operations (higher due to election year demands)
Office expenses	38	1.10%	
Communications	16	0.50%	
Other Staff Costs	10	0.30%	Out-of-Parliament office valuations
Computer and IT	10	0.30%	
Miscellaneous Operating costs	5	0.10%	
Insurance	3	0.10%	
Total	3,401	100.00%	

People Capability

The Parliamentary Service operates two different employment environments and must ensure that its strategies cover both. The first is the normal employer/employee relationship where staff are permanent employees. The second group are the party and member support staff (over 50% of Parliamentary Service staff) on 'events-based' employment agreements tied to the electoral cycle or the member's term in Parliament. The uniqueness of this latter arrangement can be challenging due to the cyclical nature of employment; the reduced job security for staff and the complex employer relationship; has required the Service to review many of its approaches in order to proactively address these.

The People Capability function covers the broad range of a similar function in most medium sized organisations:

- Human Resources, including EEO responsibilities.
- Employment Relations.
- Payroll – including payroll services to the Parliamentary Service; Office of the Clerk; Parliamentary Counsel Office and Members of Parliament.
- Health and Safety – including advice and support to the Parliamentary Service, Ministerial Services, Parliamentary Counsel Office, Department of the Prime Minister and Cabinet and Office of the Clerk.
- Employee Assistance Programme.
- Organisational Development.

Cost	Appropriation		
	\$000's	%	
Salary and Wages	1,021	66.26%	
Other Staff Costs	164	10.64%	PS – wide Health programmes, employee assistance (staff and members) , staff recruitment advert costs; collective agreement negotiation costs
Consultants	101	6.55%	Gallup, Legal costs, system support \$35k HR consultant support
Staff Training	21	1.36%	PS induction programme; staff development
Miscellaneous Operating costs	7	0.45%	
Computer and IT	38	2.47%	
Office expenses	22	1.43%	
Books, Reading and Information	15	0.97%	Includes prof subs and licences
Travel	6	0.39%	
Depreciation	17	1.10%	
Communications	13	0.84%	
Audit	5	0.32%	WSMP Audit fees (for ACC).
Training	111	7.20%	\$107k Leadership/mgmt develop prog. And corporate wide development
Total	1,541	100.00%	

Group Manager MS and PC and Shared Service team

This small team provides the strategic leadership and the administrative support to drive the delivery of the Group's functions. It manages many of the cross functional projects, co-ordinates and manages the group's contracting, finances, governance and reporting requirements and relationship management.

Cost	Appropriation		
	\$000's	%	
Salary and Wages	423	84.40%	
Consultants	19	3.80%	Client Survey Costs
Staff Training	18	3.60%	360 feedback programme for all group managers
Travel	16	3.20%	Out-of-Parliament offices and network meetings
Depreciation	9	1.80%	
Communications	9	1.80%	
Miscellaneous Operating costs	4	0.80%	
Other Staff Costs	2	0.40%	
Books, Reading and Information	1	0.20%	Professional Licence cost
Total	501	100.00%	

8. Operations

The operations group provides four separate services and is overseen by a small management unit. The 2008/09 budgets are outlined below:

	\$000s	
• Building Maintenance	13,974	<i>(largely contractual)</i>
• Visitor Services	1,162	<i>(66% staff related)</i>
• Messenger & Distribution Services	767	<i>(91% staff related)</i>
• Catering Services (<i>Bellamy's</i>)	623	<i>(reflects cost subsidy)</i>
• Management of buildings & operational services	<u>367</u>	<i>(59% staff related)</i>
• Total	<u>16,893</u>	

Building Maintenance

The largest portion of costs in the buildings and operations group comprises building maintenance (83%) which is summarised in the following table.

Cost	Appropriation	
	\$000s	%
Rent	6,401	45.81%
Depreciation	2,180	15.60%
Maintenance	1,987	14.22%
Power, Gas, Diesel	1,262	9.03%
Cleaning	913	6.53%
Salary and Wages	708	5.07%
Insurance	200	1.43%
Miscellaneous Operating costs	106	0.76%
Computer and IT	91	0.65%
Purchased information and publishing	60	0.43%
Communications	49	0.35%
Staff Training	5	0.04%
Travel	5	0.04%
Office expenses	4	0.03%
Other Staff Costs	3	0.02%
Total	<u>13,974</u>	100.00%

This shows that the majority of costs are either contractual (i.e. rentals, rates and maintenance contracts) or customer determined, which limits the ability of the

Service to manage this type of expenditure. Building Maintenance has approximately 11 staff.

There are significant funding pressures in the building maintenance area and the Service is intending to submit a bid for additional funding in Budget 2009 of \$1.975m in 2008/09, increasing to \$4.421m in 2012/13. The main causes of the forecast cost increases include:

- Rental increases at Bowen House and other properties.
- Increases in depreciation expense due mainly to the refurbishment of floors in Bowen House.
- Rising maintenance and consumables costs.

The "Parliamentary Television Service" new initiative was appropriated \$1,245k of which \$962k was for the Operations business unit. This was allocated – Depreciation and Capital Charge \$877k, Hardware Maintenance Contract \$85k.

The "TV project CAB Min (07) 30/3" new initiative was appropriated \$77k of which \$52k was allocated to Depreciation and the remaining \$25k was for capital charge.

Visitor Services

Visitor Services provide information desk services, tours, education services and the two Parliamentary Shops. Like most other Commonwealth Parliaments, no charges are levied for tours and education services. The unit has approximately 15 staff and 69% of its costs are staff related.

Cost	Appropriation	
	\$000s	%
Salary and Wages	789	67.9%
Miscellaneous Operating costs	202	17.4%
Purchased information and publishing	56	4.8%
Consultants	45	3.9%
Depreciation	21	1.8%
Office expenses	15	1.3%
Staff Training	15	1.3%
Other Staff Costs	8	0.7%
Communications	7	0.6%
Travel	2	0.2%
Motor Vehicle Expenses	2	0.2%
Total	1,162	100.0%

Messenger and Distribution Services

Messenger and Distribution services distribute mail and packages across the Parliamentary Campus and provide message services to Members. The unit has approximately 15 staff and 93% of its costs are staff related.

Cost	Appropriation	
	\$000s	%
Salary and Wages	694	90.5%
Depreciation	21	2.7%
Miscellaneous Operating costs	13	1.7%
Other Staff Costs	12	1.6%
Maintenance	10	1.3%
Office expenses	10	1.3%
Communications	4	0.5%
Staff Training	3	0.4%
Total	767	100.0%

Catering Services

On site catering services are out-sourced to an external provider. PS provides buildings, facilities, and systems, and pays a management fee to the provider. The net cost to PS is \$623k per annum, which reflects a subsidisation of the services. Catering services are tailored to the needs of Members and most cases are not sustainable without a subsidy. The net cost of the service could be reduced by reducing the subsidy, however this will result in increased prices and therefore reduced demand for services, which would cause a reduction in services provided.

Cost	Appropriation	
	\$000s	%
Bellamys Subsidy	316	50.7%
Bellamys Perf. Pymt	76	12.2%
Depreciation	75	12.0%
Primary Incentive	72	11.6%
Insurance	25	4.0%
Fisher Accounting Services	20	3.2%
Cleaning Contracts	16	2.6%
Urgency Costs	16	2.6%
Consultants	3	0.5%
Photocopying	2	0.3%
Telecommunications - Phone	2	0.3%
Total	623	100.0%

Management of buildings & operational services

Management of buildings & operational services provides the management of the Operations Group. The unit has 2 Staff and 60% of its costs are personnel related.

Cost	Appropriation	
	\$000s	%
Salary and Wages	204	55.6%
Miscellaneous Operating costs	85	23.2%
Purchased information and publishing	30	8.2%
Consultants	15	4.1%
Travel	10	2.7%
Depreciation	9	2.5%
Insurance	6	1.6%
Communications	5	1.4%
Office expenses	2	0.5%
Staff Training	1	0.3%
Total	367	100.0%

9. Security

The Security Group is responsible for ensuring that the Parliamentary precincts are safe, secure and accessible. The group maintains an emphasis on physical security, security systems, emergency response, risk management and planning and coordination of security for functions and events. The group also provides reception and telephonist services to the Parliamentary precincts and chamber and gallery services including ceremonial and other activities in accordance with Standing Orders and Speakers' Rulings.

Funding for security was increased in 2004/05 to meet increased security concerns following the Risk and Threat Assessment Review (*see above*). The requirements for staffing and security systems have now been developed to the recommended level. In addition to the current security group staffing and systems, a risk and threat assessment in 2008 made recommendations to cover threats and security gaps in capability. These recommendations are being actioned.

The group currently has approximately 115 staff and 86% of the costs are staff related.

Cost	Appropriation	
	\$000's	%
Salary and Wages	5,113	82.5%
Depreciation	314	5.1%
Miscellaneous Operating costs	185	3.0%
Maintenance	176	2.8%
Other Staff Costs	149	2.4%
Staff Training	81	1.3%
Travel	77	1.2%
Purchased information and publishing	26	0.4%
Communications	18	0.3%
Office expenses	18	0.3%
Consultants	18	0.3%
Training	15	0.2%
Computer and IT	6	0.1%
Total	6,196	100%

10. Parliamentary Library and Information & Knowledge

The services provided by the Parliamentary Library and Information and Knowledge Group are:

- Answering research requests for Members and Parliamentary staff (about 1400 per month, a third directly for Members, a third for Parliamentary party research units).
- Providing self-help research tools for the Parliamentary precincts (includes internal and external website, research papers, purchased information).
- Assisting Members and Parliamentary staff keep up-to-date.
- Assisting Parliamentary Service to manage its information and knowledge (information and knowledge management policies, processes, systems and support).
- Providing information directly to constituents.

The Group has 63 staff and 75% of the costs are personnel related.

The Group delivers two services collaboratively with the Office of the Clerk - Parliament's external and internal websites and also Parliament TV, where the Library Group delivers a TV Replay service which allows Members and Parliamentary staff to replay Parliament TV and TV news clips later.

Cost	Appropriation	
	\$000's	%
Salary and Wages	4,314	73.43%
Purchased information and publishing	622	10.59%
Computer and IT	371	6.31%
Depreciation	269	4.58%
Miscellaneous Operating costs	68	1.16%
Other Staff Costs	56	0.95%
Staff Training	54	0.92%
Consultants	50	0.85%
Travel	27	0.46%
Office expenses	27	0.46%
Communications	16	0.27%
Maintenance	1	0.02%
Total	5,875	100.00%

Expenditure on Purchased information and publishing is incurred providing information for Members. Travel is undertaken for staff training.

Funding includes specific appropriations of \$1,245k for The Parliamentary Television Service of which \$283k was for the Library business unit⁹.

⁹This was allocated – Depreciation \$106k, Staff \$156k, Media Backup \$21k.

11. Information Systems & Technology

The Information Systems & Technology group provides technology services to the agencies on the Parliamentary Precincts and the Parliamentary Service, Members and Members support staff.

The precinct wide services include the delivery and support of the Parliamentary precinct “core network” (Internet connectivity, security, SEEMail) and PABX services (voice, and voicemail). This includes the public website (www.Parliament.nz) and the streaming services for televising of Parliament. For the Parliamentary Service and Members the group also provides IT services which include desktop support, network support, consultancy and a full Service Desk for both internal clients and staff in the out-of-Parliament offices.

Currently the services provided are outsourced to a number of vendors with specialist skills in the particular areas. The IST group only has 6 permanent staff.

Cost	Appropriation	
	\$000's	%
Computer and IT	2,402	34.35%
Depreciation	1,443	20.63%
Communications	1,400	20.02%
Salary and Wages	1,271	18.18%
Miscellaneous Operating costs	241	3.45%
Consultants	143	2.04%
Purchased information and publishing	30	0.43%
Travel	24	0.34%
Staff Training	19	0.27%
Office expenses	16	0.23%
Other Staff Costs	4	0.06%
Total	6,993	100.00%

Funding includes specific appropriations of \$1,277k for an “Extended Parliamentary Network”¹⁰, and \$550k for “Increase in Computer Support”¹¹.

¹⁰ This was allocated – Depreciation \$365k, Staff \$120k, Software \$187k, Axon charges \$528k.

¹¹ This was allocated to Support Charges.

12. Corporate & Strategy

The Corporate and Strategy Group has eight staff to provide information, analysis and advice to the Speaker, the Parliamentary Service Commission and the Speaker's Assurance Committee. 88% of the Group's costs are personnel related. Five staff are involved in developing, amending and revising the rules for the services and funding entitlements that are provided to Members of Parliament; providing advice on the legislative frameworks that apply to the Parliamentary Service, maintaining and monitoring organisational policies to support Parliamentary Service operations, and internal audit. The group has two staff in its Functions and Protocol unit that undertakes functions administration and provides support and protocol advice for managing the Parliament's interaction with visiting dignitaries. The group also has one member of staff who provides education, advice and support on Maori culture and protocol within Parliament.

Cost	Appropriation	
	\$000's	%
Salary and Wages	971	81.53%
Other Staff Costs	54	4.53%
Miscellaneous Operating costs	47	3.95%
Consultants	40	3.36%
Communications	23	1.93%
Office expenses	21	1.76%
Staff Training	18	1.51%
Depreciation	9	0.76%
Travel	6	0.50%
Purchased information and publishing	2	0.17%
Total	1,191	100.00%

13. Finance

The Finance team provides transaction processing, budgeting, reporting and financial advisory services to internal and external users within the Parliamentary Service. The team also provides financial services to the Parliamentary Counsel Office and the Office of the Clerk.

Cost	Appropriation	
	\$000's	%
Capital Charge	1,844	52.24%
Salary and Wages	1,202	34.05%
Depreciation	153	4.33%
Computer and IT	112	3.17%
Audit	83	2.35%
Maintenance	31	0.88%
Staff Training	28	0.79%
Other Staff Costs	25	0.71%
Consultants	15	0.42%
Miscellaneous Operating costs	12	0.34%
Communications	7	0.20%
Travel	6	0.17%
Office expenses	5	0.14%
Insurance	4	0.11%
Purchased information and publishing	3	0.08%
Total	3,530	100.00%

The team has 20 permanent positions. The Service pays capital charge to the Crown on the value its taxpayers' funds. The charge is intended to approximate the cost of capital to the Service and ensures that the services reflect financing costs. The Service has no discretion over payment of capital charge, although in theory it is able to reduce the charge by careful balance sheet management (in reality it has limited opportunity to minimise the value of the balance sheet because the largest single component is fixed assets).

14. General Manager

This category relates to the General Manager's Office and the Parliamentary Service's 2008 election related activities.

Cost	Appropriation	
	\$000's	%
Consultants	816	43.02%
Salary and Wages	798	42.07%
Purchased information and publishing	61	3.22%
Purchased information and publishing	8	0.42%
Staff Training	31	1.63%
Miscellaneous Operating costs	27	1.42%
Computer and IT	23	1.21%
Office expenses	12	0.63%
Communications	103	5.43%
Travel	10	0.53%
Training	5	0.26%
Depreciation	3	0.16%
Total	1,897	100.00%

The consultants line item was used to fund a range of reviews, changes to structure and process and to fund a shortfall of the finance team resulting from the cost associated with the use of short term contractors pending a range of vacancies being filled.

The Service's election related costs were funded from baseline in 2008 as well as a carry forward from 2007/08.

The Parliamentary Service's election related activities involved a number of significant projects that were managed by a mix of permanent and fixed contract staff. Part of the preparation for the election involved a number of temporary changes to the Service's processes and structure. The success of these projects will be assessed early in 2009 and where the changes have been successful, they will become a permanent feature of the Service's ongoing operations. The intention is to have fewer temporary solutions required leading into the 2011 election and this will reduce the administrative and logistical costs for the Service.

15. Issues In Achieving Savings

The key issues facing the Service in achieving potential cost savings are:

- **Impact on Services.** 90% of departmental funded activities directly provide services to Members. Therefore changes to funding would impact on the quality or extent of services currently being provided to Members. In theory it should be possible to reduce costs by reducing the quality or the extent of services; however this will require both a change in organisational culture and careful management of customer expectations.
1. **Savings are limited by fixed cost component.** 29% of costs are fixed in the short to medium term because they result from lease, maintenance or other contracts, or from depreciation expense. Therefore the extent of possible savings is limited in the short to medium term.
 2. **Time delay in realising cost savings.** 58% of costs are staff related. There are likely to be significant delays in realising savings through staff reductions due to the importance of minimising industrial relations risks by following established change management processes. In addition staff reductions will incur redundancy costs and may result in decreased productivity, which are likely to negate any savings in the current financial year.
 3. **Existing cost Pressures.** The Service is facing significant funding pressures in the building services area and is intending to submit a bid for additional funding in Budget 2009 of \$1.784m in 2008/09, increasing to \$4.195m in 2012/13 as shown in the following table:

\$000s	Forecast				
	2008/09	2009/10	2010/11	2011/12	2012/13
Forecast Expenditure	16,159	17,198	17,577	18,121	18,570
Less Existing Funding (<i>OBU 2008</i>)	-14,375	-14,375	-14,375	-14,375	-14,375
= Funding Shortfall	1,784	2,823	3,202	3,746	4,195

The main causes of the forecast cost increases are building related and include:

- Rental increases at Bowen House and other properties.
- Increases in depreciation expense due mainly to the refurbishment of floors in Bowen House for which capital has been separately provided.
- Rising maintenance and consumables costs.

16. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials].*

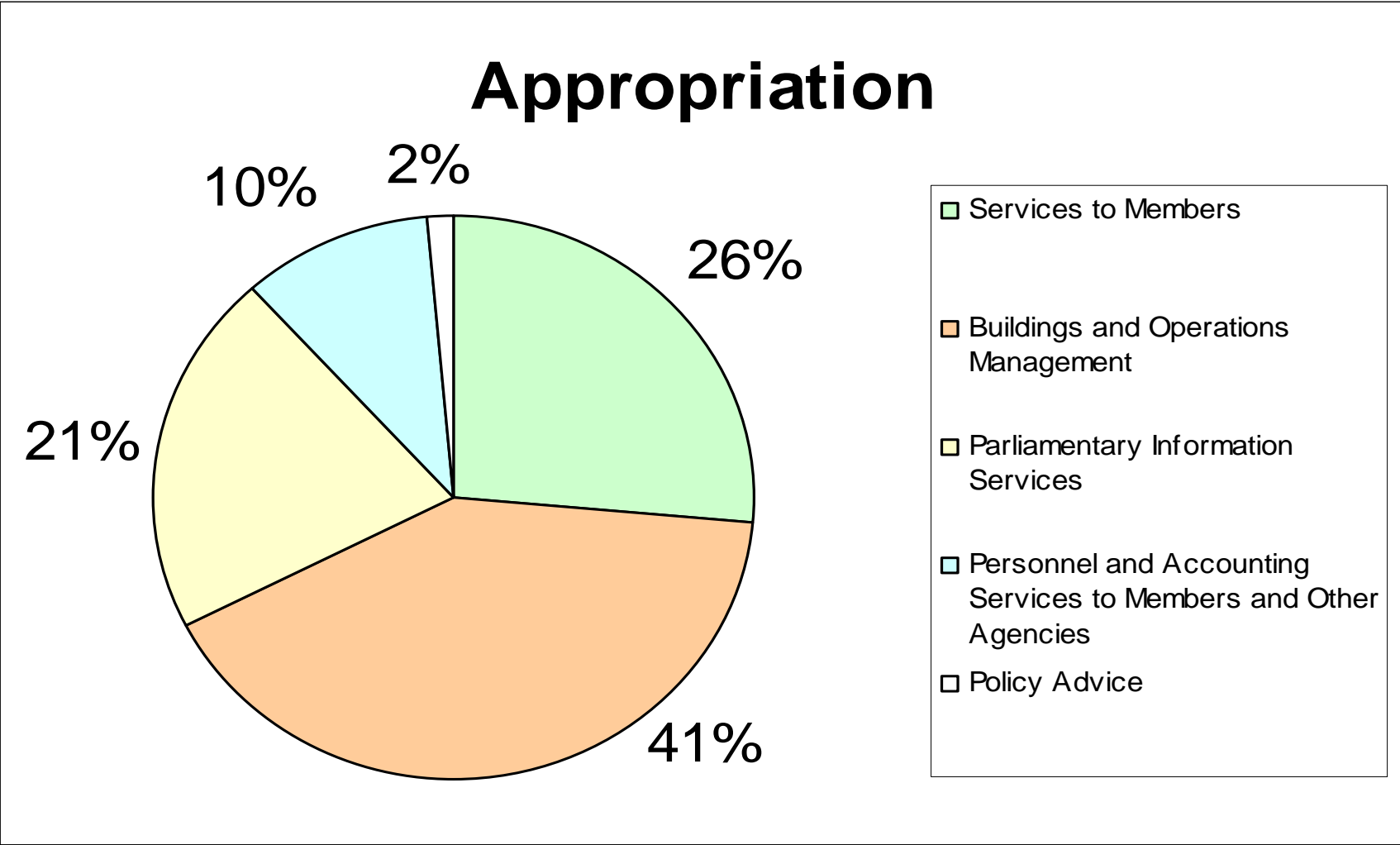
17. Immediate Actions

The following actions will be implemented immediately to realise savings where feasible and to start a process of cultural change in the Service, regardless of any decisions made by the Government on funding:

1. **Tighten recruitment approval processes.** All vacancies will be reviewed and approved by the General Manager prior to commencement of recruitment processes. The General Manager will consider the necessity to replace each vacancy and whether funding might be reprioritised to other areas.
2. **Tighten capital expenditure approval processes.** Approval of all capital expenditure will be restricted to the General Manager (with the exception of minor capital items which are funded by Members). The GM will assess the proposals against priorities and available depreciation funding. Over the next few months the capital expenditure planning and approval process will be developed to ensure that decision criteria are clear and include a focus on “value for money” and to ensure that capital expenditure meets the Service’s strategic priorities.
3. **Centralise management of depreciation and capital assets.** A process is currently being developed to centralise the management of capital assets. The necessary systems, processes and reporting will be developed during the 2009/10 year.
4. **Review “discretionary” expenditure.** Managers will review expenditure incurred by PS staff on “discretionary” items such as conferences, overseas travel, entertainment, and catering. However these costs are already tightly managed and any cost savings are likely to be minimal.
5. **Review the requirements for the warehousing facilities.** Both the location and size of the main storage facility in Thorndon Quay will be reviewed. The project will assess the items currently in storage and consider implementation of a warehouse management system to improve retrieval and managed disposal of stored items.
6. **Consider centralising the management of office equipment.** The Service is considering centralising the management of office equipment to realise savings through more effective use of existing and surplus office equipment across the Service.
7. **Improve workforce planning.** Understand client needs and further develop workforce planning in areas with fluctuating workloads and variable workforces (e.g. Library, Security, Messenger and Visitor Services).
8. **Investigate use of technology to reduce staff costs.** There may be opportunities to reduce staff costs by investing in technology. For example in the security area options include installing speed gates in the entrance to the Rubber Door and installing additional camera surveillance equipment.
9. **Develop Leadership and Management Skills.** A key factor in realising savings will be the financial, operational and staff management skills of managers. The Service is ensuring that managers have these skills by implementing an effective management development programme with a “cost effectiveness” focus.

- 10. Review the policies and processes for negotiating and awarding service contracts.** A significant number of services are provided contractually by third parties. PS has no specialist contracting resource and may not be negotiating the best deal. A review of policies and processes is therefore likely to identify potential savings.
- 11. Involve staff in the cost review process.** Involvement of staff will help to identify real cost savings, increase buy-in and assist the implementation of changes.
- 12. Foster a “value-for-money” culture.** The Service could further develop its focus on the efficiency and effectiveness of expenditure.

Appendix 1: Funding by Output



Appendix 2: Funding by Business Group

BUDGET 2008 - 09
MATRIX OF COSTS BY BUSINESS UNIT

Cost groups	GENERAL MANAGER \$000'S	FINANCE \$000'S	IT \$000'S	LIBRARY \$000'S	MS & PCaP \$000'S	OPERATIONS \$000'S	POLICY \$000'S	SECURITY \$000'S	SERVICES \$000'S	Grand Total \$000'S
Salary and Wages	798	1,202	1,271	4,314	3,273	2,396	971	5,114	17,008	36,347
Other Staff Costs	0	25	4	56	176	22	54	149	2	488
Consultants	817	15	143	50	120	60	40	18	57	1,320
Staff Training	31	28	19	54	349	24	18	81	4	608
Miscellaneous Operating costs	27	12	241	68	16	405	47	185	6	1,007
Computer and IT	23	112	2,402	371	48	91	0	6	0	3,053
Office expenses	12	5	16	27	60	32	21	18	3	194
Books, Reading and Information	60	3	30	622	16	146	2	26	4	909
Travel	8	6	24	27	127	16	6	77	32	323
Depreciation	3	153	1,443	269	611	2,231	9	314	0	5,033
Communications	12	7	1,400	16	37	64	23	18	0	1,577
Capital Charge	1,844	0	0	0	0	0	0	0	0	1,844
Rent	0	0	0	0	0	6,403	0	0	0	6,403
Audit	100	83	0	0	5	0	0	0	0	188
Training	5	0	0	0	347	0	0	15	0	367
Maintenance	0	31	0	1	0	1,997	0	176	2	2,207
Motor Vehicle Expenses	0	0	0	0	0	2	0	0	0	2
Insurance	0	4	0	0	3	206	0	0	0	213
Cleaning	0	0	0	0	0	913	0	0	0	913
Bellamys	0	0	0	0	0	623	0	0	0	623
Power, Gas, Diesel	0	0	0	0	0	1,262	0	0	0	1,262
Security	0	0	0	0	253	0	0	0	0	253
Grand Total	3,740	1,686	6,993	5,875	5,441	16,893	1,191	6,197	17,118	65,134

Appendix 3: Analysis of Expenditure – by Cost Type

Cost	Appropriation		
	\$000s	%	
Salary and Wages	36,349	55.8%	Fixed
Rent	6,403	9.8%	Fixed
Depreciation	5,033	7.7%	Fixed
Computer and IT	3,052	4.7%	Fixed
Maintenance	2,206	3.4%	Fixed
Capital Charge	1,844	2.8%	Fixed
Communications	1,578	2.4%	Semi Fixed
Consultants	1,319	2.0%	Semi Fixed
Power, Gas, Diesel	1,262	1.9%	Semi Fixed
Miscellaneous Operating costs	1,007	1.5%	Semi Fixed
Cleaning	913	1.4%	Variable
Purchased information and publishing	909	1.4%	Variable
Bellamys	623	1.0%	Variable
Staff Training	608	0.9%	Variable
Other Staff Costs	487	0.7%	Variable
Training	367	0.6%	Variable
Travel	324	0.5%	Variable
Security	253	0.4%	Variable
Insurance	213	0.3%	Variable
Office expenses	194	0.3%	Variable
Audit	188	0.3%	Variable
Motor Vehicle Expenses	2	0.0%	Variable
Total	65,134	100%	

Appendix 4:

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials].

