



AUSTRALIAN SENATE

PARLIAMENT HOUSE
CANBERRA ACT 2600
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CLERK OF THE SENATE

D16/16028

9 February 2016

Ms Lyn Beverley
Secretary
Finance and Public Administration Legislation Committee
The Senate
Parliament House
Canberra ACT 2600

Dear Ms Beverley

Yesterday, the committee made requests for copies of the following documents:

- correspondence between the President's Office and the Clerk regarding the funding of an official visit to New Zealand. (Some parliament to parliament email traffic is not included as it concerned logistical arrangements for the visit, not funding.)
- the draft of a letter from the President to the Prime Minister about an independent budget for the Senate, dated 13 October 2015 and the signed letter, dated 15 October 2015 (signed after the President had shown the draft to the Appropriations, Staffing and Security Committee).

The President has not received a response from the Prime Minister to his correspondence about an independent budget but copies of the listed documents are attached. The correspondence to the Prime Minister is of a type that, given its institutional focus, would normally be published at some point.

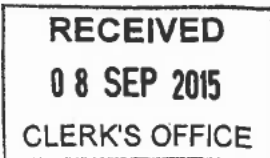
Answers to other questions taken on notice will be provided as soon as possible.

Yours sincerely

(Rosemary Laing)



OFFICE OF THE PRESIDENT OF THE SENATE



8 September 2015

Dr Rosemary Laing
Clerk of the Senate
Parliament House
Canberra ACT 2600

Dear Dr Laing

The President has accepted an official invitation to visit New Zealand as a Guest of the New Zealand Parliament.

The President, accompanied by myself, will undertake the visit during the week of 21 to 24 September 2015. The visit will involve a substantial program focused on the long-standing inter-parliamentary relationship and both Parliaments' future involvement in the Commonwealth Parliamentary Association, and ongoing engagement with the parliaments of the Pacific Island countries. The President also wishes to take the opportunity to examine the way in which New Zealand manages a range of procedural issues.

As a hosted visit, apart from the international airfares, the New Zealand Parliament will meet all other costs including ground transport, accommodation, meals, hospitality, and domestic flights for the President and myself.

As discussed, given the purpose of the visit, the President would like the Department of the Senate to meet the costs of the return travel to New Zealand for the President and myself.

Although the President views this as exceptional in terms of the current arrangements for funding overseas travel, as you are aware, the President regards the current arrangements as outdated, not conducive to travel that is effective and of value to the Parliament, and undermining of the independence of the Parliament and, in particular of the Senate. The President is, therefore, working to establish a different funding arrangement for official overseas travel that reflects the independence of the Parliament and enables him to undertake short, focused visits that are of value to the Senate.

Yours sincerely

Quinton Clements
Senior Adviser



AUSTRALIAN SENATE

CLERK OF THE SENATE

PARLIAMENT HOUSE
CANBERRA ACT 2600
TEL: (0
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D15/44745

9 September 2015

Mr Quinton Clements
Senior Adviser
Office of the President of the Senate

Dear Mr Clements

Thank you for your letter of 8 September 2015 concerning proposed travel by the President and yourself to New Zealand as guests of the New Zealand Parliament.

I confirm that expenditure of departmental funds on return airfares to Wellington for you and the President is authorised.

I note that this travel is outside the current arrangements for funding of the President's overseas travel but that those arrangements are presently under review. In this context, I agree that the proposed travel to New Zealand falls into that special category of parliamentary travel where not to undertake it for lack of funding would be a regrettable outcome, taking into account the following:

- the short and focussed nature of the travel and the proximity of the destination;
- the importance of our parliamentary partnerships with New Zealand in fostering strong parliamentary relationships throughout the South Pacific;
- the leadership roles that the two parliaments play in capacity building in the region;
- the commonality of parliamentary issues faced by both parliaments, despite different constitutional arrangements, noting for example, New Zealand's recent enactment of parliamentary privileges legislation based on the Australian model (in contrast with recent decisions in the UK not to go down that path);
- the importance of discussing future involvement in the Commonwealth Parliamentary Association; and
- the opportunity to compare approaches to parliamentary procedure and administration.

Normally, as you know, the Senate department would provide a delegation secretary for a hosted visit of this nature. Given the focus of the visit on regional relationships, capacity building and future involvement in the CPA which fall within the policy responsibility of the International and Parliamentary Relations Office and the Department of the House of Representatives, I agree that on this occasion, as an exceptional circumstance, it would be

more beneficial for the President to be accompanied by you, with your expertise in these matters.

I have also indicated to the President that any such expenditure would be included in the reports of travel expenditure funded by the department that are tabled annually following undertakings given many years ago during estimates hearings.

Yours sincerely

(Rosemary Laing)



PARLIAMENT OF AUSTRALIA

PRESIDENT OF THE SENATE
SENATOR THE HONOURABLE STEPHEN PARRY

13 October 2015

The Hon. Malcolm Turnbull, MP
Prime Minister of Australia
Parliament House
CANBERRA ACT 2600

Dear Prime Minister

I welcome the preliminary discussions we have had on an independent funding model for the parliament and the importance of the houses having the capacity to function independently of decisions of the executive government.

To take these discussions further, I would like to propose a process for the determination of the 2016-17 estimates for the Senate Department that, with appropriate adaptations, might operate as a future model for the other parliamentary departments.

The model is underpinned by the following principles and practices.

First, the preparation of parliamentary budgets independently of the executive government is a widespread practice amongst the parliaments of the world and is recognised as a benchmark for the free and effective exercise of the constitutional functions of legislatures by such assemblies as the Inter-Parliamentary Union, the Commonwealth Parliamentary Association and the Commonwealth Heads of Government Meeting which, in 2003, endorsed the Latimer House Principles setting out the relationship between the three branches of government.

These Principles included endorsement of a process for determination of a parliament's budget by an all-party committee of members of parliament, a budget which should not then be subject to amendment by the executive government. If consideration of parliament's relatively minor budget is included in the traditional Cabinet process, where policies and programs are assessed in accordance with a government's policy objectives, the misconception is encouraged that the operation of the legislature is just another government program to be subjected to the same policy objectives and measures. Such a view is incompatible with the separation of powers under the Constitution.

Secondly, in a bicameral system, budgetary autonomy must attach to each house separately just as, under our Constitution, powers, privileges and immunities are enjoyed by each house independently of the other. Treating the parliament as a portfolio, analogous to an executive government portfolio, imports assumptions that have the potential to compromise that independence by, for example, requiring any additional resourcing of one house to be offset by reductions in resourcing of the other house or of the joint services. Each house must have an independent mechanism to avoid such compromise.

Finally, autonomy must be matched by accountability, and parliament must be subject to the same general procedures for accounting, reporting and scrutiny in relation to expenditure as are executive agencies. Moreover, parliament's operating expenses should remain consistent with previous expenditure and should have regard to general government budgetary and economic policies.

Since 1982, the Senate has had a standing committee, now known as the Standing Committee on Appropriations, Staffing and Security, to determine the amounts for inclusion in the parliamentary appropriation bills for the Senate department and to report to the Senate before consideration of the relevant bills. (The committee also has other functions in relation to parliamentary administration.) The committee, which I chair, includes as *ex officio* members the Deputy President of the Senate, the Leader of the Government in the Senate and the Leader of the Opposition in the Senate, together with six other senators to allow comprehensive cross-party representation reflecting a multi-party chamber. Participation at ministerial level is required by the standing orders so that the committee can represent the views of the Senate as a whole, including its executive government component.

Over decades, the committee has acted responsibly to ensure that the Senate department had access to the budget required to support the Senate, but taking into consideration the relevant expenditure and staffing policies of the government of the day. In the later 1990s, for example, following the restructuring of the Senate committee system and the incorporation of the estimates function into mainstream committees, the then Appropriations and Staffing Committee negotiated arrangements to ensure that the department had the funding flexibility needed to deal with an unpredictable and fluctuating workload determined by the Senate. In that case the arrangement involved the inclusion of funding for a certain number of additional committees each year, beyond which no additional funding would be sought. No such funding was ever sought, and the Appropriations and Staffing Committee approved the return to consolidated revenue of reserves accumulated as a result of those arrangements. That flexibility has now been eroded by the compounding impact of additional efficiency dividends and whole of government savings measures.

The process I propose is a variation of an approach previously endorsed by the recently re-named Appropriations, Staffing and Security Committee, based on a set of budget milestones which was intended to dovetail with the government's budget timetable (copy attached). Under that version of the model, the President consulted with the then Minister for Finance and Deregulation prior to the consideration of the department's budget by the Expenditure Review Committee (ERC). The Finance Minister had carriage of the department's budget through the ERC process on behalf of the President.

The proposed variation involves a shift in emphasis from the executive determining the parliament's budget through ERC processes, to an acceptance of non-interference with a budget developed responsibly by the parliament. Under this model, the committee would scrutinise the proposed estimates; the President, on behalf of the committee, would provide the estimates to the Finance Minister for any final negotiations with the committee; and the estimates would be included in the appropriation bills for the parliamentary departments. In essence, this was the model that was ultimately followed to finalise the department's new policy bids last year.

For the model to operate into the future; it would be necessary to modify the government's budget rules as they apply to the parliamentary departments by virtue of section 36 of the *Public Governance, Performance and Accountability Act 2013*. In the case of the pilot process for 2016-17 for the Department of the Senate, modification would be required for that department specifically. The purpose of the modification would be to ensure that the parliamentary department's estimates were not inappropriately subjected to the traditional Cabinet and ERC processes which assess proposals against government policy objectives.

There would also need to be agreement on the expectation that the estimates would not be subject to alteration by the executive after they had been finalised by the all-party Appropriations, Staffing and Security Committee.

As well as agreeing on a process, it will also be necessary to revisit the method by which the estimates are calculated. Because of the long-term erosion of the department's base funding, the department has operated at a deficit for much of the past few years, despite cuts to staffing numbers and services and significant productivity improvements through changes in work practices. Apart from the erosion of funding levels, the primary reason for this is the significant increase in the work of Senate committees since the 42nd Parliament, documented in regular reports to the Senate Finance and Public Administration Legislation Committee.

For these reasons, the department has prepared estimates for the Appropriations, Staffing and Security Committee, based on recent activity levels. I note that as part of the new process, the Government will, as is appropriate, expect assurance that the calculations are not inconsistent with Department of Finance costing principles. I also propose that the new process involves:

- funding of base line activity with the capacity to respond to fluctuations in demand for services;
- treatment of unspent appropriations over a parliamentary cycle, including return to consolidated revenue of an agreed proportion of unspent appropriations, and capacity to fund longer term projects;
- a moratorium on the application of the efficiency dividend while the new system beds down, and subject to future agreement on its appropriate application to the parliament; and
- transfer of certain officeholder expenses, with corresponding funding, from the Department of Finance to the Department of the Senate.

I look forward to discussing these proposals further with you and your ministers. To that end, I have copied this letter to the Leader of the Government in the Senate, Senator the Hon George Brandis QC, and the Minister for Finance, Senator the Hon Matthias Cormann.

Yours sincerely

(STEPHEN PARRY)

DRAFT



PARLIAMENT OF AUSTRALIA

PRESIDENT OF THE SENATE
SENATOR THE HONOURABLE STEPHEN PARRY

15 October 2015

The Hon. Malcolm Turnbull, MP
Prime Minister of Australia
Parliament House
CANBERRA ACT 2600

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Yours sincerely,



(STEPHEN PARRY)

EXTRACT from the *2012-2013 Annual Report of the Senate Appropriations and Staffing Committee* (June 2013)

DEPARTMENT OF THE SENATE

BUDGET MILESTONES

1	Late September	Department develops first draft of funding requirements
2	October	Department's funding requirements considered by the Appropriations and Staffing Committee.
3	By last week November	President writes to the Prime Minister outlining bids for new policy proposals (copied to Treasurer and Finance Minister)
4	Last week November	President briefs Finance Minister on detail of proposal
5	December	Government advises President of outcome of preliminary consideration of proposals
6	January	Detailed costings developed and agreed between Senate Department and Finance
7	Early February	Appropriations and Staffing Committee briefed on costings for NPPs
8	By third week of February	Final submission on NPPs given to President for transmission to Government
9	Prior to ERC Meeting	President briefs Finance Minister on final proposal
10	February/March	Finance Minister represents agreed positions in ERC process
11		President advised of ERC decision
12	May	Appropriations (Parliamentary Departments) Bill presented
13	May	Appropriations and Staffing Committee reports to the Senate