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Overview on Financial Management in Canadian Parliament

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This document is intended to provide an introduction to arrangements made by the Senate and the House of Commons to provide parliamentarians with facilities, goods and services in Ottawa and in the constituency offices of Members of the House of Commons or provincial offices of Senators whether funded through central budgets or a parliamentarian's office budget.

Parliamentarian's Budgets

Legislation and Internal Parliamentary Regulations

The Parliament of Canada Act is the most important law affecting the provision and management of resources provided to the Senate and the House of Commons and their members.

The Parliament of Canada Act defines structures and roles for managing each chamber as well as the process for obtaining funding (budgets).

Procedures for Setting and Approving the Budgets of Parliament and Parliamentarians

The budget setting process takes place during the months of September to December for the budget of the next fiscal year beginning April 1. The processes are similar for both Chambers. The process used by the Senate is set out below.

- a. The Finance sub-committee of the Senate's Committee of Internal Economy (COIE) provides direction to the Administration on matters such as overall budgetary ceilings and priorities for new spending.
- b. The Senate Finance Directorate prepares a draft budget using information from a variety of sources such as the Finance sub-committee, the Administration's managers, the government's central budget office, and the director of Finance of the House. The draft budget also includes the financial impact of the decisions or changes since the last budget for example approval of major projects, changes in the entitlements of Senators and salary adjustments. The draft budget includes all the financial requirements for the Senate, Senators and the Administration. It is during this budget setting exercise that the level of Senator's office budget is reviewed and adjusted for the impacts of inflation. The comprehensive draft budget is reviewed by the Clerk and the Administration's management committee.
- c. The Finance sub-committee reviews, challenges and modifies as may be required the draft budget prepared by the Administration. The sub-committee focuses on major issues such as the rate of growth in expenditures, the relative allocations between the major activities, the provisions for the Senator's office budget, and consistency between the budget and the priorities and direction of COIE. The sub-committee then recommends a budget to COIE.

- d. COIE reviews, modifies and approves the budget. COIE submits the budget for the approval of the full Senate.
- e. The Speaker of the Senate signs and sends the budget to the Government's central budget office. The budget is automatically included in the Main Estimates which is the expenditure budget of the Government of Canada for the coming fiscal year. It should be noted that in accordance with the Parliament of Canada Act the government cannot change the budget of either Chamber. This provision respects and preserves the independence of the legislative branch from the executive branch.
- f. Parliament reviews and approves the Main Estimates including the budgets for the Senate and the House of Commons. It should be noted that to respect the independence of the two Chambers neither Chamber holds committee meetings to review the budget of the other Chamber.
- g. In some years, there may be a requirement to increase the budget during the fiscal year. These budgetary requests are called supplementary estimates and are developed and approved in a process similar to the annual process but within tighter time frames.

The Form and Content of the Budget Presented to Parliament (Estimates)

Resources provided in the Estimates

The Canadian Parliament approves funding by legal entity such as the Senate or a department of the government. There are two types of appropriations: annually voted appropriations and statutory appropriations (continuing, non-lapsing authorities).

Annually Voted Appropriations for Operations

There is usually one line item called a vote for the total operating expenditures (salaries, travel, supplies, etc.) of an entity. However, if the budget for capital expenditures such as major equipment purchases exceeds \$5 million then the capital budget becomes a separate vote.

These votes provide authority to the entity to spend up to a maximum amount during the fiscal year. The spending authority lapses at the end of the fiscal year.

For example the Senate had one operating vote of \$45,514,000 for 2004-2005 (April 1, 2004 to March 31, 2005) which provided the budget for the activities of the administration, committees, office budgets of Senators, and the operations of the Senate Chamber.

Statutory Appropriations

Parliament sometimes approves a statutory appropriation, which is a continuing expenditure authority not limited to one year. In the case of the Senate and the House of Commons, the Parliament of Canada Act includes statutory appropriations to pay for the

salaries of parliamentarians as well as their travel and telecommunications expenses. In this way the Government cannot withhold payment for these items.

The following table reproduced from the Main Estimates shows how the budget of the Senate is summarized in the Estimates. Parliament is asked to approve Vote 1 Program Expenditures for a total of \$45,514,000. Each statutory appropriation identified by (S) is for information only, and provides a forecast of the expected expenditure for this item.

Vote	(thousands of dollars)	2004-2005 Main Estimates	2003-2004 Main Estimates
Parliament			
The Senate			
1	Program expenditures	45,514	41,706
(S)	Officers and Members of the Senate – Salaries, allowances and other payments to the Speaker of the Senate, Members and other officers of the Senate under the <i>Parliament of Canada Act</i> ; contributions to the Members of Parliament Retiring Allowances Account, and Members of Parliament Retirement Compensation Arrangements Account	22,381	20,425
(S)	Contributions to employee benefit plans	5,657	4,901
Total Agency		73,552	67,032

The above table is supported by explanations and other displays in the Main Estimates document. It should be noted that government departments are required to submit in support of their Estimates a document which sets out the departmental plans and priorities for the coming fiscal year. However, there is no such requirement for the House and the Senate and each Chamber determines what additional information to provide.

Resources Provided to each Chamber by Activity

The following table displays the 2004-2005 budgets for the two chambers summarized by activity.

ACTIVITY	SENATE	HOUSE
	\$ Millions (%)	\$ Millions (%)
Parliamentarians, Speaker and party leadership in the Chamber and caucus research offices – remuneration, office budgets, travel, and other support	36.4 (50%)	255.3 (74%)
Chamber operations	5.6 (8%)	19.0 (5%)
Committees and associations	8.4 (11%)	18.6 (5%)
Administration	23.1 (31%)	53.9 (16%)
Total 2004-05 Main Estimates	73.5 (100%)	324.8 (100%)

Explanatory Notes:

The size and percentage distribution of the budgets is not the same for each Chamber because of the following factors:

- The House of Commons has 308 members while the Senate has 105;
- The House sits approximately twice as many days in a year as the Senate;
- The office budget for a Member of the House is on average about twice the size of the office budget of a Senator because Members of the House have constituency offices but Senators do not;
- The Senate places a greater emphasis on committee work than the House;
- The House allocates some of the costs of its administration to the other three activities but the Senate does not.

These budgets do not include the cost of services provided without charge by Government departments such as:

- Security provided by the federal police (Royal Canadian Mounted Police);
- Certain costs of operating the Parliament Buildings (major renovations, utilities, and grounds keeping) provided by government agencies.

Resources Provided to Parliamentarians

Senators and Members of the House of Commons are provided with a wide range of facilities, goods and services to enable them to fulfill their duties. The following table summarizes the most important resources provided by each Chamber to its members.

Type Of Resource
Goods, Services and Facilities Charged to Centralized Budgets
<p>Ottawa Office Includes office furniture, equipment, and office supplies for the parliamentarian and staff including computers, printers, facsimile machine and photocopier.</p> <p>Parliamentarians can use the office budget to buy additional computers, etc.</p>
<p>Travel – 64 Point System This system regulates the travel within Canada and, to and from Ottawa. One return trip uses one point. Points can be allocated within limits for travel by staff and designated travellers (spouse and dependents).</p> <p>The rules of the Senate and the House are similar but differ in many details.</p>
<p>Moving Expenses Each Chamber pays for the cost of relocating parliamentarians, their dependents and their furniture to and from the National Capital Region. Parliamentarians are limited to one move each way.</p>
<p>Telecommunications For the Ottawa office, each Chamber pays within limits the cost of telephone lines and usage, both local and long distance.</p>
<p>Internet All offices are linked to Parliament’s intranet and to the world wide web.</p>

The access to the parliamentary intranet and the Internet includes the constituency offices of Members of the House of Commons.

Printing and copying of documents

Parliamentarians can have documents printed or photocopied subject to certain limitations such as the copyright laws, reproduction equipment available to the Chamber and volumes.

The House of Commons also pays the cost of a maximum of four mass mailings to each elector in each constituency. Each Member of the House determines the content of their householders. Senators do not have this privilege because they do not represent constituencies.

The Post Office provides free mail delivery for letter mail and the mass mailings.

Library Service

The Library of Parliament provides library and research services to parliamentarians.

Budgets Provided to Parliamentarians

Living Expenses in the Capital

Each Senator with a primary residence more than 100 kilometres from Ottawa is allocated an annual budget of \$12,000 which is used to reimburse the travel related accommodation, meal and incidental expenses.

For a Member of the House, the budget is \$20,000. The difference is due to the fact that the Members of the House incur more living expenses because the House sits almost twice as many days as the Senate.

Office Budgets

Each Chamber sets the level of the office budget for its members.

Senate:

Senate provides each Senator with an office budget, called the Research and Office Expenses Budget. The amount of the budget is set annually by the Committee on Internal Economy during the annual budget setting exercise. In 2004-2005, this budget was \$130,700 for each Senator. The budget is prorated for Senators appointed during a fiscal year.

House of Commons:

The House of Commons provides each Member with a basic office budget, called Member's Office Budget, \$258,100 in 2004-2005. This budget is increased with graduated supplements for Members who represent densely populated constituencies or who represent constituencies with an area of 500 or more square kilometres. The office budgets of Members of the House are larger than the office budgets of Senators because the Members of the House have constituency offices which require additional staff.

Budgets of Officers of the Senate and the House

Both the Senate and the House provide additional budgets to its Officers such as the Speakers, House Leaders and Whips. These additional budgets are used to pay for staff to assist them in their functions and for other costs related to their positions.

The House of Commons also provides official parties (parties having 12 or more members in the House) with a budget to pay for a party research office.

Parliamentarian's Office Budget – Overview

This section provides information on the types of expenses charged to the office budgets.

a. Employees

The most important use of the office budget is to pay for the salaries of the employees. The employees in a parliamentarian's office are employed and dismissed at the direction and sole discretion of the parliamentarian.

The staff can include short or long term employees. Employees whose employment term exceeds six months are eligible for a range of benefits such as pension, insurance and medical plans. The cost of the employee benefit plans is charged to a central budget. This greatly simplifies the management of the office budget and related accounting.

b. Independent Contractors

Parliamentarians at their discretion can engage independent contractors to assist in the office or to carry out special tasks such as speech writing and policy research.

c. Office Equipment

Parliamentarians may use the office budget to acquire computers and other equipment in addition to the basic allocations charged to central budgets.

d. Other Costs

The office budget is also used to pay for other costs such as books and subscriptions, registration fees for conferences and training courses for themselves or their staff.

e. Miscellaneous Expenditure Account

Both the Senate and the House allow their members to use a portion of the office budget (up to \$5,000 in the case of a Senator; 3% of the office budget in the case of a Member) to pay for expenses not otherwise allowed but necessary for the carrying out of the parliamentary functions. Eligible expenses include hospitality, and protocol gifts and small tokens to a maximum cost of \$100 per item. This account cannot be used to make donations, to buy gifts for employees or for personal expenses.

f. Constituency Office Expenses (House of Commons)

The office budget is used to pay for the costs of a constituency office including salaries, office lease, utilities, furniture and equipment and other normal costs. Every Member of the House of Commons has a constituency office; some who represent large rural constituencies have more than one office.

g. Provincial Office (Senate)

A Senator can also use the office budget to pay for the cost of a provincial office which a small number have done. However, almost all Senators have chosen to use the office budget to equip an office in the Senator's home.

Administration of the Office Budgets

This section deals with the external control, authority and accountability of the parliamentarian, the accounting and payment for transactions charged to the office budgets, and internal and external reporting on use of the office budget.

h. Control on the Use of Office Budget and Other Resources Made Available to a Parliamentarian

Every parliamentarian is responsible for the administration of their office in compliance with the law, the Chamber's internal rules such as the *Senate Administrative Rules*, and applicable policies, direction, interpretations and practices approved by Senate's COIE or the House's BOIE

The resources made available by the Chamber can only be used for the following purposes:

- i. the parliamentary functions of the Senator or the Member
- ii. the service of the Senate or the House

i. Authority of a Parliamentarian

The parliamentarian has full decision making authority and control over the office budget within the framework of Chamber's policies authorizing or prohibiting specified uses. For example the parliamentarians decide who to hire for their offices and these employees are subject to their direction and control. However, a parliamentarian may not allocate, authorize the use of, or use the resources except to carry out parliamentary functions.

In order to assist the parliamentarian in the financial administration of the office budget and other resources, the parliamentarian may file with the Chamber's Administration a delegation of financial signing authority to one or more employees.

j. Accountability of a Parliamentarian

Each Member of the House is accountable to BOIE for the use of resources provided by the House. In the case of the Senate, each Senator is accountable

to COIE and ultimately to the Senate.

k. Accounting for, and Payment of Transactions Charged to the Office Budgets

Each Chamber's Finance Directorate provides a complete accounting and payment service to its members. The parliamentarians do not receive their budgets in cash or by bank transfer; instead the Finance Directorate makes the payments on behalf of the parliamentarian. The Finance Directorate reviews every transaction before payment to ensure that the transactions are in accordance with the rules of the House or the Senate.

For example, the employees in a parliamentarian's office are entered on the Chamber's payroll and paid directly by bank transfer. This ensures that the employees are paid on time and that all the requirements for income tax deductions and for employee benefit plans are met. The invoices of contractors are approved by the parliamentarian and then sent to the Finance Directorate for review and payment.

The Finance Directorate provides detailed financial reports to each parliamentarian. The Finance Directorate also advises the parliamentarian on the use and management of the office budget.

The complete accounting and payment service provided by the Finance Directorate relieves the parliamentarian of the burden and responsibility for maintaining accounting, banking and other records required by law to account for and report on the use of the office budget. Thus parliamentarians can focus on their parliamentary duties and rely on financial professionals for accounting, paying and reporting. The Finance Directorate also ensures that all records are properly maintained for audit purposes. Thus neither parliamentarians nor their employees are turned into accountants.

External Reporting

Annually each Chamber reports publicly the expenditures of each of its members. The form and content of these public reports is determined by each Chamber.

The arrangements described above attempt to strike an appropriate balance between granting parliamentarians the independence of action and discretion over the use of resources on the one hand and the need to control and account for the use of public funds and other public resources on the other.

Financial Support for Legislative Initiatives of Parliamentarians

Each parliamentarian has access to three areas of support in drafting legislative initiatives such as bills or amendments. The three areas of support are the parliamentarian's office budget, the Library of Parliament and each Chamber's Office of the Law Clerk and Parliamentary Counsel.

The parliamentarian can use the office budget to engage experts to provide policy and technical advice on an issue. The parliamentarian can also ask the Library of Parliament to research issues.

After the parliamentarian has identified the objectives and technical matters of the legislative initiative, the Office of the Law Clerk will on request provide a central service for drafting the bill or amendment.