



## Additional Costs Allowance

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This note charts the evolution of the Additional Costs Allowance since its introduction in January 1972.

After a brief summary of the objectives and changes to the allowance, the annual limits are presented. The note then outlines the Top and Senior Salaries Review Body's recommendations that led to the introduction and some changes to the Additional Costs Allowance and the Resolutions of the House that have been adopted to make changes to the allowance, in chronological order.

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## A. Summary

The Additional Costs Allowance was introduced by Resolution of the House in December 1971 to cover the reasonable additional cost to provincial Members of staying either in London or their constituency, when engaged on Parliamentary duties. The Top Salaries Review Body (TSRB) had proposed that the allowance should take the form of a daily subsistence rate. However, the Government proposed a scheme which reimbursed expenses within an annual limit.

The annual limit was initially set at £750, from 1 April 1972 (up to £187.50 was available for the period 1 January-31 March 1972.) The annual limit was increased in 1974. The same Resolution provided for a further change in 1975. However, this was superseded by a Resolution in 1975 which provided for an enhanced amount for 1975-76 and provided for the regular uprating of the allowance based on civil service night subsistence rates.

The Additional Costs Allowance rates were uprated in July each year from 1976 to 1979 and in August from 1980 until 1992.

The Resolutions establishing the allowance referred to a year as the period from 1 April to 31 March and required the maximum annual allowances to be calculated as a weighted average of the rates that applied. So between 1976-77 and 1979-80 the maximum amount that could be claimed in a financial year was  $\frac{1}{4}$  of the old rate +  $\frac{3}{4}$  of the new rate; and then from 1980-81 to 1992-93 the maximum amount that could be claimed in a financial year was  $\frac{1}{3}$  of the old rate +  $\frac{2}{3}$  of the new rate.

In 1985, Members were advised that “there is no reason why [they] should not claim mortgage interest payments against this allowance”.

In 1994, when the centralised civil service subsistence rates no longer pertained, the House agreed that the annual limit for 1 April 1993-31 March 1994 should be 1 per cent more than the rate payable with effect from 1 August 1992; that the 1994-95 rate should be 1.81 per cent more than 1993-94 rate; and that from 1 April 1995 onwards the annual rate should be increase in line with inflation (increases were to be based on the annual increase in the retail price index to the previous March). In March 2004, the Members Estimate Committee amended the 1994 Resolution to provide for the annual increase to be based on the change in the retail price index to the previous December.

In 2001, the SSRB made no recommendations on the Additional Costs Allowance. However, the House agreed to a backbench amendment proposing a significant increase in the maximum rate for the allowance.

In 2005 and 2006, the Members Estimate Committee agreed changes to the Additional Costs Allowance to allow for increased mortgage payments in certain circumstances and to permit overnight stays on journeys to a Member’s constituency, when it was not practicable to complete the journey in one day.

## B. Annual limits

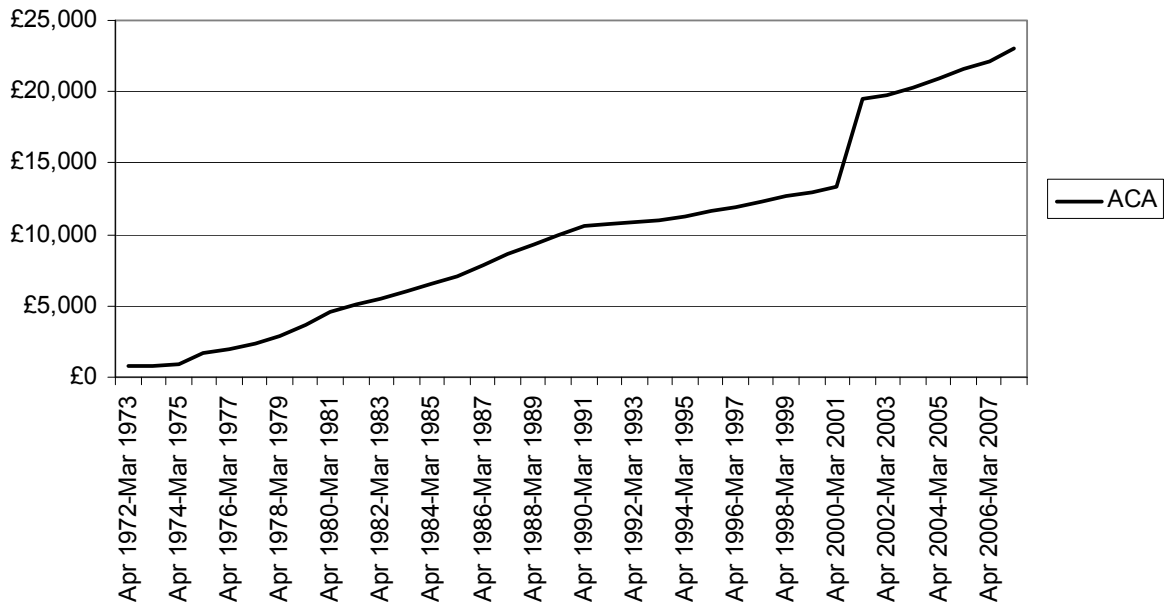
The following table sets out the maximum amount that could be claimed under the Additional Costs Allowance since 1972. More details of the derivation of these amounts are given in the Appendix.

### Additional Cost Allowance - maximum annual rate

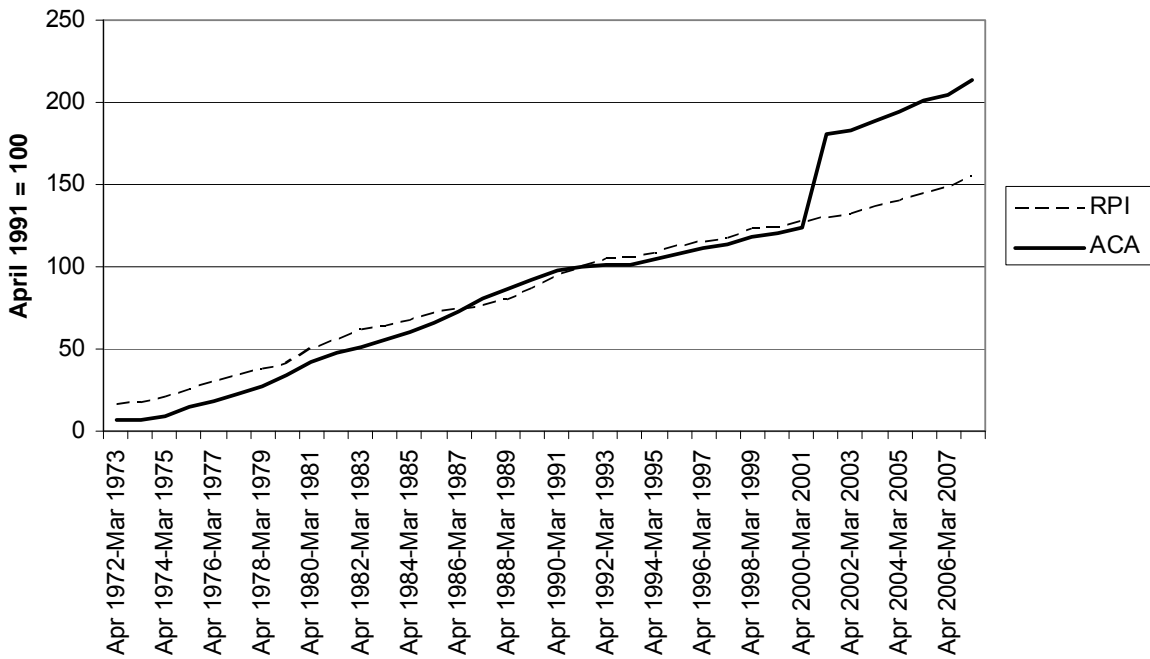
Jan-Mar 1972	£187.50
Apr 1972-Mar 1973	£750.00
Apr 1973-Mar 1974	£750.00
Apr 1974-Mar 1975	£950.00 (change effective from 1 August)
Apr 1975-Mar 1976	£1,639 (change effective from 13 June)
Apr 1976-Mar 1977	£1,982
Apr 1977-Mar 1978	£2,410
Apr 1978-Mar 1979	£2,918
Apr 1979-Mar 1980	£3,661
Apr 1980-Mar 1981	£4,558
Apr 1981-Mar 1982	£5,105
Apr 1982-Mar 1983	£5,518
Apr 1983-Mar 1984	£6,000
Apr 1984-Mar 1985	£6,518
Apr 1985-Mar 1986	£7,132
Apr 1986-Mar 1987	£7,855
Apr 1987-Mar 1988	£8,674
Apr 1988-Mar 1989	£9,298
Apr 1989-Mar 1990	£9,914
Apr 1990-Mar 1991	£10,571
Apr 1991-Mar 1992	£10,786
Apr 1992-Mar 1993	£10,901
Apr 1993-Mar 1994	£10,958
Jan-Mar 1994	£11,068 (annual rate)
Apr 1994-Mar 1995	£11,268
Apr 1995-Mar 1996	£11,661
Apr 1996-Mar 1997	£11,976
Apr 1997-Mar 1998	£12,287
Apr 1998-Mar 1999	£12,717
Apr 1999-Mar 2000	£12,984
Apr 2000-Mar 2001	£13,322
Apr 2001-Mar 2002	£19,469
Apr 2002-Mar 2003	£19,722
Apr 2003-Mar 2004	£20,333
Apr 2004-Mar 2005	£20,902
Apr 2005-Mar 2006	£21,634
Apr 2006-Mar 2007	£22,110
Apr 2007-Mar 2008	£23,083

The following charts show the increase in the Additional Costs Allowance in cash terms and then in index form to allow a comparison with the retail price index.

**Figure 1: Additional Costs Allowance**



**Figure 2: Additional Costs Allowance and Retail Price Index**



Note: April 1991 = 100

## C. Review Body recommendations and changes made by the House

### 1. December 1971

The Additional Costs Allowance was agreed to in 1971 and introduced from the beginning of 1972, following a recommendation from the Top Salaries Review Body (TSRB). The TSRB recommended:

... that a scheme should be introduced for the payment of a subsistence allowance and London Supplement. We further recommend that provision should be made for the scale of these payments to be adjusted in line with adjustments made from time to time in the appropriate Civil Service scales.<sup>1</sup>

The TSRB had identified that the additional costs of living away from home, particularly for provincial Members not resident in London, were the largest item of expenditure incurred by most MPs. It continued:

It is clear from the evidence we have received that many Members find the costs of additional accommodation, especially in London, a considerable burden, and we are of the opinion that Members should not be expected to meet them entirely out of their salary.<sup>2</sup>

The TSRB made detailed recommendations on the operation of the allowance, but also described it in summary:

Briefly, an allowance based on a fixed daily scale would be paid to cover the reasonable additional cost to provincial Members of staying either in London (£5.25 per day) or their constituency (£5 per day),\* when engaged on Parliamentary duties. ... The allowance would be paid at the same time as the Member's salary against a certificate that the amount had actually and necessarily been expended. This allowance would not be subject to tax; however Members would not normally be able to claim a deduction from their income before tax for any excess subsistence expenses incurred above the scale. London Members, and those provincial Members who opt to be regarded as resident in London, would receive a London supplement of £175 per year as an addition to their salary for the extra cost of living in London compared with other parts of the country; this addition to their salary would be subject to tax.

\* Currently the scales applying to officers in grades with a national salary minimum not less than that of Assistant Secretary.<sup>3</sup>

However, the Government did not table a resolution that implemented the TSRB's recommendations in quite the same manner. In opening the debate, on 20 December 1971, on the motions needed to implement the recommendations of the TSRB, which was combined with the second reading of the *Ministerial and Other Salaries Bill*, Willie Whitelaw, then the Leader of the House, stated:

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<sup>1</sup> Review Body on Top Salaries, First Report, *Ministers of the Crown and Members of Parliament*, December 1971, Cmnd 4836, para 41

<sup>2</sup> *Ibid*, para 39

The Review Body's proposal is that the level of hon. Members' remuneration should be assessed on a full-time basis and should be determined independently of an hon. Member's expenses which should be covered by allowances. The Government accept this new approach to the problem of dealing with the considerable expense in which many hon. Members are involved in the performance of their parliamentary duties both in attending sittings of this House and in their constituencies.<sup>4</sup>

However, he reported that the Government and the House had decided not to implement the scheme as recommended by the TSRB:

[The Government and the House of Commons authorities] have come to the conclusion that the payment of a fixed daily rate of subsistence allowance would be unduly complex, extremely difficult and unsatisfactory to operate and, in some cases, too restrictive.

In this one respect, therefore, the indications were that we should seek an alternative scheme which would secure the maximum degree of simplicity in its practical application. We have devised a scheme which is based, like the arrangements for the secretarial allowances, which have worked tolerably well, on the reimbursement within an annual limit of hon. Members' additional living costs.<sup>5</sup>

At the end of the debate, the House agreed to a resolution on parliamentary expenses, which included the following provisions on the Additional Costs Allowance:

That, in the opinion of this House, it is expedient that as from 1st January, 1972, further provision with respect to allowances, facilities and other payments for Members of this House should be made as follows:-

[...]

(2) provision should be made for Members of this House who are Members for constituencies other than those specified in the Schedule set out below to receive an allowance in respect of additional expenses necessarily incurred by any such Member in staying overnight away from his only or main residence for the purpose of performing his parliamentary duties, as follows, that is to say-

(a) where his only or main residence is in the London area (that is to say, the area consisting of the constituencies specified in the Schedule set out below), parliamentary duties performed in his constituency;

(b) where his only or main residence is in his constituency-

(i) parliamentary duties performed in the London area, except in the case of any such Member whose salary as a Member is determined in accordance with paragraph (b) of the Resolution passed this day with respect to remuneration of Members (in this paragraph referred to as 'an excepted Member'), and

(ii) parliamentary duties performed in a part of his constituency where a stay overnight is reasonably necessary in view of its distance from his only or main residence;

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<sup>3</sup> *Ibid*, para 40

<sup>4</sup> HC Deb 20 December 1971 Vol 828 c1136

<sup>5</sup> HC Deb 20 December 1971 Vol 828 c1137

(c) where his only or main residence is neither in the London area nor in his constituency, and he is an excepted Member, parliamentary duties performed in his constituency;

(d) where his only or main residence is neither in the London area nor in his constituency, and he is not an excepted Member, then (at the option of the Member, to be exercised by notice in writing to the Fees Office) either-

- (i) parliamentary duties performed in the London area, or
- (ii) parliamentary duties performed in his constituency;

(3) the allowance to be provided in accordance with paragraph (2) of this Resolution should not exceed-

- (a) £187.50 for the period from 1st January 1972 to 31st March 1972, or
- (b) £750 for the period of twelve months beginning on 1st April 1972 of any subsequent period of twelve months beginning on 1st April.<sup>6</sup>

The Resolution was agreed to without a division.<sup>7</sup>

## 2. July 1974

In its subsequent review of the Additional Costs Allowance, the TSRB reviewed the introduction of the allowance and discussed the reasons why the Government and House authorities “while accepting our recommendation in principle ... decided against the introduction of a daily allowance on the grounds of its complexity and practical difficulty in operation, and introduced instead an annual allowance (also subject to a limit)”.<sup>8</sup>

It then went on to recommend that the allowance be increased:

The present maximum rate payable is £750 a year. This is slightly higher than the total of a daily subsistence allowance at the Cass A (1) civil service “regular visitor” rate for London (£5.25 in December 1971), for four nights a week over 34 weeks (the average period since 1964 in which the House of Commons sat in one year). Adopting the same approach, but making use of the latest for the “regular visitor” rate for London (£7.20) and the duration of the average Parliamentary session since 1971 (36 weeks), we recommend that the subsistence allowance for provincial Members should be increased from £750 to £1,050 a year.<sup>9</sup>

In an oral statement on 29 July 1974, Edward Short, the Leader of the House of Commons, announced that the Government accepted the recommendation and that the operative date for the changes would be 1 August 1974.<sup>10</sup>

The following day, the House agreed, without a division, a Resolution that included provision to increase the allowance to £950 (for the year from 1 April 1974, but effective from 1 August) and to £1,050 a year thereafter:

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<sup>6</sup> HC Deb 20 December 1971 Vol 828 cc1249-1250

<sup>7</sup> HC Deb 20 December 1971 Vol 828 ccc1248-1252

<sup>8</sup> Review Body on Top Salaries, Fifth Report, *Members of Parliament Allowances*, July 1974, Cmnd 5701, para 7

<sup>9</sup> *Ibid*, para 8

<sup>10</sup> HC Deb 29 July 1974 Vol 878 cc30-31

(2) the limit of £750 on the allowance which, under the Resolution of 20th December 1971, is now payable in respect of additional expenses necessarily incurred by certain Members of this House staying overnight away from their only or main residences for the purposes of performing their parliamentary duties should be replaced by a limit of-

- (a) £950 for the period of twelve months from 1st April 1974 to 31st March 1975,
- or
- (b) £1,050 for any subsequent period of twelve months beginning on 1st April.<sup>11</sup>

### 3. July 1975

On 15 January 1975, the TSRB was invited to review and recommend changes to the allowances and expenses of Members and Ministers. Its report was published in July.<sup>12</sup>

On the additional costs allowance, the TSRB recommended that:

... the maximum of the additional costs allowance should be increased to £1,350 a year. The basic element within this maximum, related to the civil service Class A(i) "regular visitor" London rate of subsistence for four nights a week over 36 weeks a year, should in future be adjusted automatically in line with that formula and following changes in the civil service rate.<sup>13</sup>

The House debated the report on 22 July 1975 and agreed that the allowance should be set at £1,639, a higher rate than that recommended by the TSRB (£1,350). In line with the TSRB recommendation, the House also agreed a mechanism for the automatic uprating of the allowance.<sup>14</sup>

Edward Short explained the difference between the rate recommended by the TSRB and that contained in the motion:

A number of Members have asked me about some of the more obscure figures in the motion. In the case of additional costs and secretarial allowance, the annual limits are expressed in cash terms for the current financial year. These amounts are those which are obtained for the current financial year by implementing the increases recommended in the Boyle [TSRB] Report with effect from 13th June 1975 and, in the case of the additional costs allowance, take account of a further increase now being introduced with effect from 1st July in the Civil Service rate of night subsistence allowance. This means that the additional costs allowance will go up to £1,639 this year and to £1,814 in a full year on the basis of the current subsistence rate for the Civil Service.<sup>15</sup>

The Resolution was agreed to without a division.<sup>16</sup> It included the following provisions:

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<sup>11</sup> HC Deb 30 July 1974 Vol 878 cc740-741

<sup>12</sup> Review Body on Top Salaries, Report no 7, *Ministers of the Crown and Members of Parliament and the Peers' expense allowance*, July 1975, Cmnd 6136

<sup>13</sup> *Ibid*, para 35

<sup>14</sup> HC Deb 22 July 1975 Vol 896 cc441-516

<sup>15</sup> HC Deb 22 July 1975 Vol 896 cc445-446

<sup>16</sup> HC Deb 22 July 1975 Vol 896 cc511-513

(2) the annual limit on the additional costs allowance (£1,050 under the 1974 Resolution) to be-

(a) for the period 1st April 1975 to 31st March 1976, £1,639, and

(b) for any subsequent period of twelve months ending with 31st March, an amount equal to 144 times the Class A(i) London rate (regular visitors) for a night subsistence, as obtaining in the Civil Service in that period, and allowing for any change in the rate in the period by taking a weighted average.<sup>17</sup>

#### **4. May 1983**

In its May 1983 report, the SSRB reviewed the introduction of and increases to the Additional Costs Allowance since the uprating formula was introduced in 1975. It commented that:

The present arrangements appear to work well and most MPs seem content with them, although some have suggested that the maximum of the allowance should be higher. We have obtained information about the level of recent claims made by MPs. For some the allowance is insufficient, particularly those who claim in respect of costs in London, but this is only to be expected with any flat rate payment designed to meet the needs of the majority of MPs. We conclude that there is no need for any radical change in the present allowance.<sup>18</sup>

The SSRB then made some specific recommendations about aspects of the allowance. It argued for discretion to reimburse the additional costs necessarily incurred by disabled Members and recommended to that effect. It also expressed some concern about “accountability in respect of claims against the additional costs allowance” and felt that “a more thorough claims procedure is required”.<sup>19</sup>

#### **5. July 1983**

On 19 July 1983, the House rejected a motion to reduce the number of nights on which the Additional Costs Allowance was based. The Government proposed the following motion, which was rejected by 233 votes to 160:

That, in the opinion of this House, paragraph 2(b) of the second Resolution of this House of 22nd July 1975 (overnight expenses allowance to be 144 times the Class A (i) London rate for a night’s subsistence as obtaining in the Civil Service) should have effect for the period of 12 months ending with 31st March 1985 and every subsequent period of 12 months ending with 31st March as if for ‘144’ there were substituted: ‘136’.<sup>20</sup>

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<sup>17</sup> HC Deb 22 July 1975 Vol 896 c512

<sup>18</sup> Review Body on Senior Salaries, Report No 20, *Review of Parliamentary Pay and Allowances*, July 1996, Volume 1, Cmnd 8881-I, para 155

<sup>19</sup> *Ibid*, para 156-160

<sup>20</sup> HC Deb 19 July 1983 Vol 46 cc341-344

## 6. February 1985

In February 1985, in response to a written question, the Leader of the House of Commons, John Biffen, confirmed that claims for mortgage interest payments were allowable against the Resolution on Additional Costs Allowance:

**Mr. Eggar** asked the Lord Privy Seal what representation he has received from hon. Members with regard to the additional costs allowance.

**Mr. Biffen:** A number of hon. Members have approached me in recent months on the question of whether mortgage interest payments should be allowable against this allowance which is governed by the resolution of the House dated 20 December 1971.

In claiming this allowance the responsibility is upon hon. Members to satisfy themselves that any moneys claimed have been necessarily incurred in pursuance of their Parliamentary duties and that they met all other requirements set out in the resolution. After further consultations, I have been advised that there is no reason why Members should not claim mortgage interest payments against this allowance so long as the above conditions are met.<sup>21</sup>

## 7. July 1994

On 13 July 1994, the House agreed a Resolution on allowances, which included the following provisions:

Part C. Additional costs allowance

- (1) The annual limit on the additional costs allowance
  - (a) for the year beginning with 1st April 1993, should be the amount obtained by increasing the relevant limit by 1 per cent;
  - (b) for the year beginning with 1st April 1994, should be the amount obtained by increasing the annual limit determined in accordance with sub-paragraph (a) of this paragraph by 1.81 per cent ; and
  - (c) for any subsequent year, should be the amount obtained by increasing the limit for the immediately preceding year by the percentage by which the retail prices index for March in that immediately preceding year has increased compared with the retail prices index for the previous March.
- (2) For the purposes of paragraph (1)(a) of this Part of this Resolution the relevant limit is the amount equal to 144 times the Class A(i) London rate for a night's subsistence which took effect in the Civil Service on 1st August 1992.
- (3) Any limit determined in accordance with this Part of this Resolution should be calculated to the nearest pound.
- (4) In this Part of this Resolution "the additional costs allowance" means the allowance payable in accordance with paragraph (2) of the Resolution of 20th December 1971 relating to Parliamentary expenses ;

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<sup>21</sup> HC Deb 8 February 1985 Vol 72 cc475w-478w

"year" means a period of twelve months beginning with 1st April. (5) The references in paragraph (1)(c) of this Part of this Resolution to the retail prices index are references to the general index of retail prices (for all items) published by the Central Statistical Office ; but if that index is not published for a month which is relevant for the purposes of this Part of this Resolution, those references in that paragraph shall be construed as references to any index or index figure published in place of that index.<sup>22</sup>

The changes were necessary because, with devolved pay bargaining in the civil service, the previous arrangements for linkage to civil service rates were also breaking down. Tony Newton, the Leader of the House of Commons, explained:

The additional costs allowance, to help with the problem of Members needing accommodation in two locations, was formerly uprated in August by reference to civil service overnight subsistence rates. With greater delegation to individual Departments, that too has ceased to be viable.

[...]

We therefore decided that far and away the simplest, most straightforward and most sensible solution was to link them all to the retail prices index. That also has what I, and I suspect the House, regard as the inestimable advantage of being the most durable solution—that is, the one most likely to remain workable on an automatic basis, and thus to avoid the need for the House to have to keep passing new resolutions.

That is what the first four parts of this resolution do: they provide for all four allowances to be uprated with effect from April 1994 by reference to the RPI, and henceforth to be uprated with effect from each succeeding April by reference to the RPI. The only reason for the slight variation in the actual percentage increases from April 1994 is that we have also taken the opportunity to make another sensible simplification, which is to end the variations of uprating date and to put everything on to an April to March basis.

Thus, the office costs and motor mileage allowances rise by 2.3 per cent., which is the RPI increase from April 1993 to April 1994. The London supplement rises by 1.9 per cent., which represents 1.5 per cent. due from January 1994 in respect of an earlier increase in the civil service inner London weighting, plus 0.4 per cent. for the RPI increase in the three months from January. The additional costs allowance rises by a little more—2.8 per cent.—but only, I emphasise, because that relates not to 12 months but to a 20-month period since its last uprating in August 1992.<sup>23</sup>

## 8. July 1996

In July 1996, the SSRB reported that it had received “no representations that the level of this allowance is inappropriate”, and it saw no case for increasing it. It also argued against any changes to structure of the allowance (it mentioned disaggregating the allowance).<sup>24</sup>

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<sup>22</sup> HC Deb 13 July 1994 Vol 246 cc1105-1114

<sup>23</sup> HC Deb 13 July 1994 Vol 246 c1108

<sup>24</sup> Review Body on Senior Salaries, Report No 38, *Review of Parliamentary pay and allowances*, July 1996, Volume 1, Cm 3330-I, paras 112-115

## 9. July 2001

The SSRB was not asked to review the Additional Costs Allowance and therefore made no recommendation on the allowance.<sup>25</sup> However, the House supported an amendment tabled by Labour backbencher Clive Betts to increase the Additional Costs Allowance.

On 5 July 2001, the House debated the report of the Review Body on Senior Salaries on parliamentary pay and allowances. Clive Betts moved the following amendment to increase the Additional Costs Allowance:

Amendment proposed: (e) in paragraph (2), at end insert—  
'(2A) The House of Commons Additional Costs Allowance should be increased by the same proportion as that proposed for the House of Lords Overnight Allowance under Recommendation 16 of the Review Body on Senior Salaries Report No. 48.'—[Mr. Betts.]

In opening the debate, Robin Cook, then the Leader of the House of Commons, described the amendment in the following way:

There is no report before the House on the additional costs allowance. However, I recognise the widespread feeling among Members that the present allowance does not reflect the current realities of the London housing market. This is a particular problem for new Members seeking accommodation for the first time at current rates.

An amendment has been tabled by my hon. Friend the Member for Sheffield, Attercliffe (Mr. Betts), and many, many other Members. ... the terms of the amendment would result in a very large increase indeed and would produce a new ceiling of £19,300, an increase of 42 per cent.

I fully understand why some Members demand parity with the new overnight allowance recommended for the House of Lords and define parity as 144 nights at £120. However, under the amendment as drafted, we would end up with £2,000 more a year than such parity with the House of Lords allowance would afford. This, I suspect, would be challenging to explain to Members of the House of Lords, let alone to justify to members of the public. But as I said, I recognise that there is a problem with the additional costs allowance. For some years, it has been uprated only in line with the retail prices index, while the London housing market has tended to uprate itself faster than RPI.<sup>26</sup>

In his speech, Clive Betts compared the Additional Costs Allowance to the recommendations made by the SSRB on the Lords overnight allowance:

The two allowances have the same purpose, as the SSRB has decided in the past. It has also decided that they should be calculated on essentially the same basis. I

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<sup>25</sup> Review Body on Senior Salaries, Report No. 48, *Review of Parliamentary Pay and Allowances*, March 2001, Cm 4997-I, para 3.52

<sup>26</sup> HC Deb 5 July 2001 c427

therefore conclude that the same percentage increase—of 42 per cent.—should apply.<sup>27</sup>

The House agreed, on a division, to support Mr Betts' amendment by 229 votes to 117.<sup>28</sup>

## 10. March 2004

On 15 March 2004, the Members Estimate Committee<sup>29</sup> amended the 1994 Resolution to provide for the annual increase to be based on the change in the retail price index to the previous December.

The annual limit on the Additional Costs Allowance should be the amount obtained by increasing the limit for the immediately preceding year<sup>10</sup> by the percentage by which the Retail Prices Index<sup>11</sup> for December in that immediately preceding year has increased compared with the Retail Prices Index for the previous December. (*13 July 1994; Members Estimate Committee, 15 March 2004*)<sup>30</sup>

## 11. October 2004

In its *Review of Parliamentary Pay and Allowances 2004*, the Senior Salaries Review Body recommended no changes to the Additional Costs Allowance:

We do not recommend that any change should be made to the Additional Costs Allowance at present, beyond the normal annual uprating in line with movements in the Retail Prices Index.<sup>31</sup>

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<sup>27</sup> HC Deb 5 July 2001 c457

<sup>28</sup> HC Deb 5 July 2001 c464

<sup>29</sup> The Members Estimate Committee was established by Standing Order No. 152D passed on 29 January 2004. Its functions are:

- to codify and keep under review the provisions of the Resolutions of the House of Commons relating to expenditure charged to the Estimate for the House of Commons: Members, and to modify those provisions from time to time as the committee may think necessary or desirable in the interests of clarity, consistency, accountability and effective administration, and conformity with current circumstances, but without creating a new form of charge on the Estimate or increasing any rate of change or payment determined by Resolution of the House;
- to provide advice, when requested by the Speaker, on the application of those provisions in individual cases;
- to carry out the responsibilities conferred on the Speaker by the Resolution of the House of 5th July 2001, in relation to directions as to the application of the provisions of that Resolution, and authorisation of expenditure not otherwise specified in the ambit of the Members estimate.

The Committee normally meets once a month, in private, at the same time as the House of Commons Commission, whose membership is identical.

<sup>30</sup> Members Estimate Committee, *List of provisions of the Resolutions of the House relating to expenditure charged to the Estimate of the House of Commons: Members, as modified by the House of Commons Members Estimate Committee*, Second Edition, June 2006, HC 950-ii 2005-06, <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmmemest/950/950ii.pdf>

<sup>31</sup> Review Body on Senior Salaries, Report No. 57, *Review of Parliamentary Pay and Allowances 2004*, October 2004, Cm 6354-I, Recommendation 13, <http://www.ome.uk.com/downloads/SSRB%20pay%20review%20Cm%206354%20part%201.pdf>

## 12. July 2005 and February 2006

On 18 July 2005, the MEC agreed that:

... the Department of Finance and Administration should allow repayment from the ACA of increased mortgage interest payments arising as a result of Members moving house, subject only to the existing annual ACA ceiling.<sup>32</sup>

Then on 27 February 2006 it “endorsed changes to the Green Book section relating to rules on the Additional Costs Allowance”.<sup>33</sup>

The subsequent edition of the *Green Book* stated:

Re-mortgaging is permissible if moving to different accommodation or if repairing or improving your existing ACA home.

Members should consult the DFA before making any major commitments.<sup>34</sup>

## 13. June 2006

On 19 June 2006, the MEC agreed to allow claims against the Additional Costs Allowance for overnight stays on journeys to a Member’s constituency, when it was not practicable to complete the journey in one day:

The Committee agreed to allow for reimbursement under the Additional Costs Allowance of overnight stays on journeys to and from the constituency when it was not practicable to complete the journey in one day, so long as any such arrangements were cleared in advance with the Department of Finance and Administration: and endorsed the exceptional concessions given in relation to certain ACA claims.<sup>35</sup>

## 14. January and February 2008

In the summary of its *Review of parliamentary pay, pensions and allowances 2007*, the SSRB made the following observations on the ACA:

33. Because of their pattern of work, most MPs need regular accommodation in two places – in their constituency and near Westminster – and many choose to meet this need by owning two homes. Others rent accommodation or stay in hotels. The Additional Costs Allowance (ACA) reimburses MPs for expenditure wholly, exclusively and necessarily incurred when staying overnight away from their main home for the purpose of performing parliamentary duties. We are satisfied that ACA is necessary and set at an appropriate level, but believe it should be renamed in line

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<sup>32</sup> Members Estimate Committee, *Formal Minutes*, 18 July 2005, [http://www.parliament.uk/parliamentary\\_committees/mec/mecfm180705.cfm](http://www.parliament.uk/parliamentary_committees/mec/mecfm180705.cfm)

<sup>33</sup> Members Estimate Committee, *Formal Minutes*, 27 February 2006, [http://www.parliament.uk/parliamentary\\_committees/mec/mecfm270206.cfm](http://www.parliament.uk/parliamentary_committees/mec/mecfm270206.cfm)

<sup>34</sup> Department of Finance and Administration, *The Green Book – Parliamentary Salaries, Allowances and Pensions*, July 2006, para 3.7.3, <http://www.parliament.uk/documents/hofcpsap.pdf>

<sup>35</sup> Members Estimate Committee, *Formal Minutes*, 19 June 2006, [http://www.parliament.uk/parliamentary\\_committees/mec/mecfm190606.cfm](http://www.parliament.uk/parliamentary_committees/mec/mecfm190606.cfm)

with our recommendations on all expenses and be subject to the limit on reimbursement of unreceipted expenditure set out in Recommendation 17 above.

**Recommendation 28:** We recommend that Additional Costs Allowance should remain at its current rate and should be renamed Personal Accommodation Expenditure.

34. However, we are also aware that at times the ACA may have been seen by MPs as a means of supplementing their pay, and although it is now properly treated as a reimbursement of costs, it is still regarded by some as ambiguous. We therefore believe a fuller review of ACA might be appropriate.<sup>36</sup>

The House debated the SSRB report on 24 January 2008. It referred the question of the renaming of the ACA and other allowances and a number of other recommendations on changes to other allowances to the Members Estimate Committee.<sup>37</sup>

On 28 January 2008, the Committee on Standards and Privileges published its Fourth Report of 2007-08, *Conduct of Mr Derek Conway*, in which it reported on the misuse of the Staffing Allowance.<sup>38</sup> Following that report, the Members Estimate Committee announced that it would widen the scope of its review of allowances:

In my Statement to the House today I promised to tell Members of the deliberations of the Members' Estimate Committee, which met this evening, following referral by the House on 24 January, of the Review Body on Senior Salaries recommendations on Members allowances. The MEC also considered related matters following the findings of the Fourth Report from the Committee on Standards and Privileges, which was debated in the House last week.

The review must consider a wide range of complex issues. The MEC agreed that this will require a root and branch examination of the current system and that the review should build its options for reform on the existing regime governing allowances.

This will be a major exercise over the next few months and the Committee will be assisted by a team from the Department of Resources. The MEC aims to contribute to the Baker Review in time for a debate in July and to present its options on expenses and allowances to the House in the autumn.

The first task of the Committee will be to draw up a work programme, and this will take place later this week. I shall keep Members informed of progress.

Michael Martin  
Speaker

To all Members of Parliament<sup>39</sup>

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<sup>36</sup> Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, January 2008, Cm 7270-I, paras 33-34, <http://www.ome.uk.com/downloads/Review%20of%20Parliamentary%20pay%202007%20volume%201.pdf.pdf>

<sup>37</sup> HC Deb 24 January 2008 cc1653-1720

<sup>38</sup> Committee on Standards and Privileges, *Conduct of Mr Derek Conway*, 28 January 2008, HC 280 2007-08

<sup>39</sup> Letter from the Speaker to all Members of Parliament, 4 February 2008, <http://www.parliament.uk/documents/upload/speakerletter-080205.pdf>

## Appendix

### *(a) Periodic increases by Resolution*

The maximum rate of Additional Costs Allowance for a financial year was originally set by Resolution of the House of Commons in December 1971, at £750. It remained at this level until it was increased by Resolution to £950, with effect from 1 August 1974. It was increased again by Resolution in from previous work

### *(b) Regular increases: formula linked to civil service overnight subsistence rates*

Annual limit April-March	(£)	Annual uprating effective date	Amount (£)	Calculation
		1.7.1975	1,814	
1976-77	1,982	1.7.1976	2,038	$\frac{1}{4} * 1,814 + \frac{3}{4} * 2,038$
1977-78	2,410	1.7.1977	2,534	$\frac{1}{4} * 2,038 + \frac{3}{4} * 2,534$ etc
1978-79	2,918	1.7.1978	3,046	
1979-80	3,661	1.7.1979	3,866	
1980-81	4,558	1.8.1980	4,903	$\frac{1}{3} * 3,866 + \frac{2}{3} * 4,903$
1981-82	5,105	1.8.1981	5,206	$\frac{1}{3} * 4,903 + \frac{2}{3} * 5,674$ etc
1982-83	5,518	1.8.1982	5,674	
1983-84	6,000	1.8.1983	6,163	
1984-85	6,518	1.8.1984	6,696	
1985-86	7,132	1.8.1985	7,351	
1986-87	7,855	1.8.1986	8,107	
1987-88	8,674	1.8.1987	8,957	
1988-89	9,298	1.8.1988	9,468	
1989-90	9,914	1.8.1989	10,138	
1990-91	10,570	1.8.1990	10,786	
1991-92	10,786	1.8.1991	10,786	
1992-93	10,901	1.8.1992	10,958	

### *(c) Regular increases by Resolution: civil service formula no longer available*

The 1993/94 rate was 1 per cent more than the rate payable on 1 August 1992, that is:  
 $£10,958 \times 1.01 = £11,068$

The 1994/95 rate was 1.81 per cent more than the 1993/94 rate, that is:  
 $£11,068 \times 1.0181 = £11,268$

### *(d) Regular increases: formula linked to retail price index*

The 1995/96 rate was an increase over the rate paid in 1994/95 in line with the increase of the retail price index in March 1995 compared with the RPI in March 1994.

From 2004/05 onwards increases were based on the annual change in the RPI in the preceding December.