



RESEARCH PAPER 08/31
31 MARCH 2008
(Replaces Research Paper
06/47)

Parliamentary pay, allowances and pensions

This paper summarises the current levels of pay and allowances of Members of Parliament, Members of the House of Lords and Ministers in both Houses. It provides some background on the formulae currently used to set levels of pay and allowances. It reports on the work of the Senior Salaries Review Body and the Members Estimate Committee. The Paper also outlines the background to the publication of the allowances claimed by individual Members under the *Freedom of Information Act 2000*.

Members seeking advice and information on the calculation of, or arrangements relating to, their salaries or allowances should contact the Operations Directorate, Department of Finance and Administration or refer to the handbook, *Parliamentary Salaries, Allowances and Pensions* (the "Green Book").

This edition replaces Research Paper 06/47 of 9 October 2006.

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Summary of main points

On 24 January 2008, the House debated the Senior Salaries Review Body's *Review of parliamentary pay, pensions and allowances 2007* and the Government's response to it. The House agreed to the Government's proposals:

- to limit the increase in Members' salaries to below two per cent, in the 2007/08 financial year;
- to establish a review of the level and an appropriate mechanism to uprate Members' salaries in future that would prevent Members from having to vote on their own salaries. The review is being conducted by Sir John Baker and is expected to report in time for a debate in July; and
- to refer most the SSRB's recommendations to the Members Estimate Committee (MEC).

On 28 January 2008, the Committee on Standards and Privileges published a report on *The Conduct of Mr Derek Conway*, in which it reviewed the use that Mr Conway had made of the Staffing Allowance, following a review by the Standards Commissioner. It concluded that Mr Conway had misused the Staffing Allowance.

On 31 January 2008, the Speaker told the House that the MEC would consider the SSRB's recommendation at a meeting convened on 4 February 2008. On 4 February, before the meeting, he confirmed that the MEC would also consider the report from the Committee on Standards and Privileges, and how to proceed. After the MEC's meeting, the Speaker wrote to all Members announcing that that the review would require the consideration of "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.

Since then the MEC has published two reports, in which it has announced that it:

- "will complete a report in time for debate in the House in July";
- had instructed the Department of Resources not to pay claims for £25 or more without a receipt, from 1 April 2008; and
- to limit monthly petty cash drawings to £50: Members should keep a cash book that could be subject to audit.

The MEC has also confirmed its intention to publish: a report "setting out all the issues being considered in this root and branch review and seeking comments on them" in March 2008; its emerging conclusions in May; and a final report in time for a decision by the House in July.

Table 1: Summary of current rates: House of Commons

With effect from April 2007

Members' Parliamentary Salary		
From 1 April		£61,181
From 1 November		£61,820
Staffing Allowance		£90,505 (maximum)
Incidental Expenses Provision (IEP)		£21,339
IT equipment (centrally provided)		[worth circa £3,000]
Pension provision for Members' staff		Group Stakeholder Arrangement
London Supplement		£2,812
Additional Costs Allowance		£23,083
Communications Allowance		£10,000
Winding up Allowance	£37,281 (maximum - one third of staffing provision plus IEP)	
Car Mileage First 10,000 miles		40p per mile
In excess of 10,000 miles		25p per mile
Motorcycle allowance		24p per mile
Bicycle allowance		20p per mile

With effect from April 2008

Members' Parliamentary Salary		
From 1 April		£61,820
(pending the Baker Review)		
Staffing Allowance		£100, 205*
Incidental Expenses Provision (IEP)		£22,193
IT equipment (centrally provided)		[worth circa £3,000]
Pension provision for Members' staff		Group Stakeholder Arrangement
London Supplement		£2,916
Additional Costs Allowance		£24,006
Communications Allowance		£10,400
Winding up Allowance	£40,799 (maximum - one third of staffing provision plus IEP)	
Car Mileage First 10,000 miles		40p per mile
In excess of 10,000 miles		25p per mile
Motorcycle allowance		24p per mile
Bicycle allowance		20p per mile

* The SSRB recommendation to allow for an increase in staff from 3 to 3.5 was agreed by the Members Estimate Committee (this figure includes uprating). A decision on whether to provide additional funds to cover staff employed in London has not yet been taken.

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Appendix: House of Commons resolutions on pay and allowances (24 January 2008)

I Introduction

This Research Paper provides details of Members' and Ministers' pay and allowances in both the House of Commons and House of Lords. Comparisons with the pay of Members of the European Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly are given in Section III.¹

Members' pay and allowances are periodically reviewed by the Review Body on Senior Salaries (SSRB). In its 1996 review, the SSRB recommended an automatic review mechanism for Members' salaries. The House of Commons adopted this recommendation when it debated the SSRB's report on 10 July 1996. Since its 1996 review, the SSRB has published further reviews of Members' pay and allowances in March 2001, October 2004 and January 2008. The terms of reference of the most recent review, a summary of the review, the Government's response and the debate in the House on the review are set out in Section II. Earlier reviews are outlined in Section VII.

Section IV.B sets out the current rates of Members' allowances and summarises previous rates. Section IV also outlines the establishment and work of the Members Estimate Committee.

Section V outlines the allowances available to Members of the House of Lords.

In October 2004, in advance of the implementation of the *Freedom of Information Act 2000*, both Houses of Parliament published details of the allowances claimed by Members in the 2001 Parliament. The background to the decisions in both Houses is given in Section VI, along with links to the information that was published and changes to the information that is published. Information relating to the most recent financial year has been published in October each year since 2004.

The Parliamentary Pension Scheme is briefly described in Section VIII.

Parliamentary pay and allowances are set in accordance with the specific resolutions cited in this paper. Fuller details of the resolutions are given in the *Concordance of Resolutions*.² The Operations Directorate, Department of Resources (formerly the Department of Finance and Administration), provides details of current pay and allowances for Members in its publication *The Green Book – Parliamentary Salaries, Allowances and Pensions*,³ summarised in a *Quick Guide*,⁴ and by notices to Members.

¹ More historic details are provided in the House of Commons Information Office Factsheet, *Members' pay, pensions and allowances*, Factsheet M5, <http://www.parliament.uk/documents/upload/M05.pdf>

² Members Estimate Committee, *Concordance of Resolutions*, June 2006, HC 950-II 2005-06 <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmmemest/950/950ii.pdf>

³ Department of Finance and Administration, *The Green Book – Parliamentary Salaries, Allowances and Pensions*, July 2006, <http://www.parliament.uk/documents/hofcpsap.pdf>

⁴ Department of Finance and Administration, *The Quick Guide 2007 – Salaries, Allowances etc. for Members of Parliament*, April 2007, <http://www.parliament.uk/documents/upload/HofCpsapQG.pdf>

II Review of parliamentary pay and allowances 2007

A. Terms of reference

On 25 July 2006, Jack Straw, the then Leader of the House of Commons, announced that the Prime Minister had written to the SSRB, requesting it to undertake a review of Members' pay and allowances. In his Written Ministerial Statement, he set out the terms of the review:

Terms of the review

"I understand that the Senior Salaries Review Body is ready to undertake the triennial review of parliamentary pay and allowances;

You will be aware of recent statements by the Chancellor of the Exchequer and the Chief Secretary to the Treasury on public sector pay restraint and the underlying rate of inflation. I am sure that the review body will wish to take account of this important context in its deliberations.

I am writing to confirm that the Government would like to see the following areas covered in your report:

(a) the salaries of Members of the House of Commons taking into account the benefits of the parliamentary pension scheme;

(b) the salaries of Ministers and other office holders, including those with additional responsibilities in Parliament, and the operation of severance pay;

(c) aspects of the benefits and funding of the parliamentary contributory pension fund;

(d) an appropriate approach to the annual increase to parliamentary salaries between triennial reviews to replace the current automatic link to the senior civil service given the changing recruitment and retention strategy for senior staff;

(e) the rate of allowances for Members of the House of Commons, including eligibility for the additional costs allowance and the London supplement, and the operation of the resettlement grant in the light of forthcoming age discrimination legislation;

(f) the rate of peers' expenses allowances; and

(g) the extension to unmarried partners of eligibility to spouses' travel costs, and to cover travel to devolved assemblies for Scottish, Welsh and Northern Ireland MPs.

I should also be grateful for your recommendations on the adequacy of the current provision of IT equipment for Members both in the House of Commons and in their constituencies.

I look forward to receiving your recommendations next year."

The review will also take into account the recent appointment of the Lords Speaker...⁵

⁵ HC Deb 25 July 2005 cc102WS-103WS

B. Progress of the review

On 26 July 2007, the final sitting day before the Summer Recess, in a Written Ministerial Statement, Harriet Harman, the Leader of the House of Commons, announced that the SSRB's review of parliamentary pay and allowances had been completed and that the Government planned to publish the report in the autumn.⁶

At Business Questions during the autumn of 2007, she regularly told Members that the review would be published shortly.⁷

At Business Questions on 10 January 2008, the Leader of the House announced that the SSRB's report would be published on 16 January and debated on 24 January.⁸

The review was published on 16 January 2008.⁹ On the same day, the Leader of the House published a Written Ministerial Statement setting out the Government's response to the SSRB's report.¹⁰

C. Review recommendations

At the end of the summary of its report, the SSRB argued that:

We believe this is an affordable package of adjustments to pay, pensions and allowable expenditure, justified by all the evidence we have considered. We judge it strikes a fair balance between the interests of MPs, Ministers, other office holders, the Government and the taxpayer. We invite all the relevant parties to remember that, for the fair balance to be maintained, our recommendations are intended to be taken as a package, rather than as a menu for selection.¹¹

It reiterated this point in its chapter on Members' pay, when it said:

Our recommendations are intended to form a balanced package. That balance can be lost if, as has happened to some extent on recent occasions, MPs 'cherry pick' our recommendations.¹²

⁶ HC Deb 26 July 2007 c107WS

⁷ HC Deb 26 July 2007 cc1056-1057; HC Deb 11 October 2007 c458; HC Deb 18 October 2007 c969; HC Deb 25 October 2007 c426; HC Deb 8 November 2007 c251; HC Deb 15 November 2007 c827; and HC Deb 6 December 2007 c971, c974, c978. A question was also asked during Questions to the Leader of the House on 13 December – HC Deb 13 December 2007 c455

⁸ HC Deb 10 January 2008 c535

⁹ Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, Cm 7270-1, January 2008, <http://www.ome.uk.com/downloads/Review%20of%20Parliamentary%20pay%202007%20volume%201.pdf>

¹⁰ HC Deb 16 January 2008 cc32WS-36WS

¹¹ Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, Cm 7270-1, January 2008, para 50 and para 7.12

¹² *Ibid*, para 3.30

It argued that the total effect of its recommendations was “broadly neutral”.¹³ It also stressed the importance of taking into account the “total reward” (that is both pay and pensions) to Members in making its recommendations.¹⁴

Its detailed recommendations for Members of Parliament are summarised in the following sections (and all of its recommendations are listed the Library Standard Note *Review of parliamentary pay and allowances 2008*,¹⁵ as well as in Chapter 1 of the SSRB’s report.)

1. Members’ salaries and pensions

a. Members’ salaries

Members’ salaries were increased by 0.66 per cent in April 2007, in line with the current uprating formula. The SSRB recommended that they should be increased by a further 1.9 per cent (of the November 2006 salary), giving a total increase of 2.56 per cent on the November 2006 salary (£60,277). The SSRB recommended that the new salary of **£61,820** should be paid from 1 April 2007 (Recommendation 1).

It proposed that the uprating formula should be amended. Members’ salaries were then uprated in line with movements in the mid-points of senior civil service (SCS) pay bands. It recommended that in future the uprating formula should be based on the change in the average base pay of senior civil servants or, if possible, the change in the base pay of Pay Band 1 of the senior civil service (Recommendation 2):

By ‘the average percentage increase in the base pay of the SCS’ we mean the amount by which the average base salary of all SCS members increases year on year as a result of individual performance awards. (As noted above, that figure for 2007-08 was 2.6 per cent [compared with the formula increase of 0.66 per cent].)¹⁶

The SSRB recommended that the new uprating mechanism should be used from now on. It also recommended that an additional £650 per annum should be paid in each of following three years (starting April 2008, April 2009 and April 2010), in addition to the formula-based uprating of Members’ salaries (Recommendation 3).

It recommended that the SSRB should continue to review Members’ pay and allowances on a regular basis but that these reviews should take place every four years, rather than every three years (Recommendation 4).

It recommended that in the period covered by the current review, the additional salaries of select and public bill committee chairmen should increase at the same rate as the basic Member’s salary (Recommendation 5).

¹³ *Ibid*, para 49

¹⁴ *Ibid*, para 1.17, see also para 3.3

¹⁵ House of Commons Library Standard Note SN/PC/4585, *Review of parliamentary pay and allowances 2008*, <http://www.parliament.uk/commons/lib/research/notes/snpc-04585.pdf>

¹⁶ Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, Cm 7270-1, January 2008, para 3.25

b. Members' pensions

The SSRB's recommendations on Members' pensions are discussed in Section VIII.C.

Detailed information on Members' pensions is available in the separate Standard Note, *Parliamentary Pension Scheme*.¹⁷

c. Pay and Pensions of Ministers, Speakers and other office holders

The SSRB expressed concern about "the compression of ministerial salaries over time", that is that there were not sufficient differentials between the basic Members' salary and the total salaries of ministers. In order to address this, it recommended that the salaries of ministers and certain office-holders (such as the Leader of the Opposition, the Speaker and his deputies) should be set as ratios of the Member's salary and that these ratios should be increased over the next four years (Recommendation 10).

It found that the Prime Minister's total salary was 3.11 times the Member's salary. The SSRB recommended that in April 2010 this ratio should be 3.50. (The table setting out the recommended differentials for all relevant posts is set out with Recommendation 10 in the Box below.)

It recommended that the salary of the Lord Speaker should be "pegged at its current rate on a 'mark time' basis until the next review of parliamentary pay and allowances or until reform of the House of Lords" (Recommendation 11).

It recommended that where the Lord Chancellor holds another ministerial post, that person should receive only the salary for that ministerial post (Recommendation 12).

From 1 April 2007, the salaries of ministers in House of Lords should increase by the same percentage as ministers of equivalent rank in the Commons. It also recommended that the salaries of office holders in the House of Lords should continue to be linked to ministerial rank they are currently linked to (Recommendations 13 and 14).

On severance payments for ministers, the SSRB recommended:

- where a Minister or other office holder is reappointed to a salaried government or parliamentary post within three months of leaving office, the severance payment should be reduced pro rata and the balance repaid;
- the age restriction on ministerial severance payments should be abolished; and
- the Prime Minister, Lord Chancellor and Speaker should be covered by the scheme if and when they cease to be entitled to their special pension arrangements (Recommendation 15).

¹⁷ Library Standard Note SN/BT/1844, [Parliamentary Pension Scheme](#)

Box: Pay and pensions of Ministers, Speakers and certain other office holders

Recommendation 10: We recommend that the salaries for the Prime Minister, Ministers and other office holders (excluding Select and Public Bill committee chairmen) in the Commons be set as ratios of the MP's salary, and that the ratios be increased in stages as set out in the table below:

Staged increases for the Prime Minister, Ministers and other office holders in the House of Commons

Post	Current Salary £	Current ratio to MP's salary	Ratio from 1 April 2007	Ratio from 1 April 2008	Ratio from 1 April 2009	Ratio from 1 April 2010
Prime Minister	188,848	3.11	3.20	3.30	3.40	3.50
Speaker, Cabinet Minister, Government Chief Whip	137,579	2.27	2.30	2.40	2.50	2.60
Leader of the Opposition	131,172	2.16	2.20	2.25	2.30	2.35
Solicitor General	127,683	2.10	2.15	2.20	2.23	2.25
Minister of State, Government Deputy Chief Whip, Opposition Chief Whip, Chairman of Ways and Means (Deputy Speaker)	100,567	1.66	1.70	1.75	1.80	1.90
First Deputy Chairman of Ways and Means (Deputy Speaker), Second Deputy Chairman of Ways and Means (Deputy Speaker)	95,736	1.58	1.62	1.66	1.70	1.75
Parliamentary Under Secretary of State	90,954	1.50	1.53	1.57	1.60	1.65
Government Whip, Assistant Government Whip, Deputy Opposition Chief Whip	86,348	1.42	1.44	1.46	1.48	1.50

Source: Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*

The SSRB noted that the Prime Minister, Lord Chancellor and Speaker of the House of Commons are entitled, by statute, to pensions equivalent to half their salary immediately on leaving office, irrespective of age or length of service. It recommended that these special arrangements should not be extended to new incumbents of these offices after the passing of legislation to end these arrangements. Instead, these office holders should be covered by the PCPF and the arrangements for severance payments for ministers (Recommendation 16).

For detailed information on the pension arrangements for Ministers, the Speaker, Lord Chancellor and Prime Minister see the separate Standard Note, *Pensions of Ministers, the Prime Minister, the Lord Chancellor, the Speaker and the Lord Speaker*.¹⁸

¹⁸ House of Commons Library Standard Note SN/BT/4586, *Pensions of Ministers, the Prime Minister, the Lord Chancellor, the Speaker and the Lord Speaker*, 18 January 2008

2. Allowances

The SSRB expressed its concern about calling Members' allowances "allowances". It argued that "an allowance may ... be thought to mean an amount that is allocated regardless of actual expenditure".¹⁹ In its summary, it noted:

Most of what are known as allowances for MPs are in fact mechanisms for reimbursing expenditure actually and necessarily incurred by MPs in order to do their jobs. ... We believe allowances should be renamed to make as clear as possible that this is not money which augments MPs' salaries, but is expenditure necessarily incurred to do the job their constituents and the nation expect of them.²⁰

In order to overcome these perceptions, it recommended the change of the name of a number of the allowances that are currently available (see below). It noted that there was "much comment about MPs' allowances in the press" but that it had received no substantive evidence to suggest that the system was being abused. However, it did suggest that "some additional measures should be put in place to improve the transparency of the system" – it noted that the Scottish Parliament published details MSPs' claims quarterly and in greater detail than Westminster. It also noted private sector practice in relation to the production of receipts and the auditing of expense claims.

It recommended that "the House agree that the ceiling for reimbursement of unreceipted expenditure be set at £50 per member per month", and that the House of Commons request the National Audit Office to audit the expenses of a representative sample of MPs each year (Recommendations 17 and 18). It suggested that between 5 and 10 per cent of Members' claims should be audited.²¹

a. Staffing costs

The SSRB recommended that the following allowances be renamed:

- Staffing Allowance would become Staffing Expenditure
- Temporary Secretarial Allowance would become Temporary Secretarial Expenditure (Recommendation 19).

The SSRB noted that Members' workloads have increased (as a result of easier communication and more casework) and it recommended that the Staffing Expenditure ceiling should be increased to allow Members to employ up to the equivalent of 3.5 full-time staff rather than three (Recommendation 20).

It pointed out that London-based staff normally earn more than those working elsewhere and it recommended that the ceilings on Staffing Expenditure for 3.5 staff based in and outside London should be:

¹⁹ Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, Cm 7270-1, January 2008, para 1.13

²⁰ *Ibid*, para 22

²¹ *Ibid*, para 5.5

In London: £102,650
Outside London: £96,630

The difference was based on each full-time staff member in London earning a maximum of £1,720 more than staff based outside London (Recommendations 21 and 22).

These recommendations mirror recommendations made in 2004 that the House overturned, in favour of single maximum allowance for staffing costs for all Members, irrespective of the location of their staff.

b. Expenditure on offices

The SSRB noted that Members faced different costs for renting office accommodation in their constituencies according to location. It recommended that the costs of leasing accommodation for office and “surgery” space should be met in full. The costs of up to 800 square feet would normally be met but this area would be reduced by 100 square feet for every member of staff based on the Parliamentary Estate (Recommendation 23).

It recommended that the Incidental Expenses Provision should be renamed Other Office Expenditure and that the ceiling should be “reduced by £2,500 for each member of an MP’s staff with a workstation on the Parliamentary Estate” (Recommendation 24).

The SSRB suggested that “IEP should be reduced by the average cost of premises currently met through the IEP (currently £5,000)”. It also noted that the IEP contained an element of £5,000 to cover communications and with the introduction of the Communications Allowance suggested that this be reduced by half.²² Accordingly it recommended that the new limit for Other Office Expenditure should be set at £13,839 – that is £7,500 lower than the current limit for IEP of £21,339 (Recommendation 25).

c. Communications Allowance

In its summary, the SSRB confirmed:

We have examined the new Communications Allowance and we believe it is broadly sound.

Recommendation 26: We recommend that the Communications Allowance be renamed Communications Expenditure and be confirmed at £10,000 a year. It should be uprated in April each year in line with movement in RPIX.²³

d. Travel allowances

The SSRB reviewed representations it received on the reduction in the motor mileage allowance that it had recommended in 2004 and that the House accepted in 2004 and 2005. It concluded that there should be no change to the current rates.²⁴

²² *Ibid*, paras 5.30 and 5.34

²³ *Ibid*, para 30

The SSRB also suggested that the House reconsider the rules that allow Members with distant or large constituencies to claim expenses for accommodation when they cannot reach either their main or second home, on the day they started their journey.²⁵

As a result of representations from Members, the SSRB recommended that “partners of MPs who are named in the Parliamentary Contributory Pension Fund as sole beneficiaries should be entitled to the same travel arrangements available to spouses and civil partners” (Recommendation 27).

e. Additional Costs Allowance

The SSRB fully endorsed the necessity of the Additional Costs Allowance. It argued that it should “be subject to the limit on reimbursement of unreceipted expenditure” (of £50), which it had recommended, see above.²⁶ It then recommended that the allowance should remain at its current level, be renamed Personal Accommodation Expenditure, and that it should continue to be uprated in line with the retail price index (Recommendation 28).

f. London Supplement

The SSRB recommended that the London Supplement be increased from £2,812 to £3,500 and that it should be uprated in line with the Average Earnings Index (AEI) for public sector workers, rather than the combined public and private sector AEI (Recommendation 29). It argued that £3,500 was more in line with the rates received by public sector employees in comparable roles in London. The SSRB also suggested that “the House review whether some constituencies currently in the outer zone should be reclassified to the inner zone, thus attracting only the London Supplement”.²⁷

g. Compensation on leaving office

At present the Resettlement Grant is available to all Members when they leave the House of Commons. The exact amount given to each Member is determined by their age and length of service. The SSRB argued that the grant was “designed to fulfil much the same purpose as redundancy payments. Such payments are not normally made to workers who retire or resign”.²⁸ It recommended changes to the structure and the coverage of the compensation scheme for Members who left:

Recommendation 30: We recommend that, with effect from the general election after next, Resettlement Grant should be paid at a rate of one month’s salary for each year of service as an MP, up to a maximum of nine months’ salary, to MPs who lose their seats at a general election or whose seats disappear as a result of boundary changes.

²⁴ *Ibid*, paras 5.42-5.47

²⁵ *Ibid*, para 5.50

²⁶ *Ibid*, para 5.54

²⁷ *Ibid*, para 5.55

²⁸ *Ibid*, para 5.62

h. Winding Up Allowance

In the light of changes to the Staffing Allowance and the Incidental Expenses Provision, the SSRB recommended that:

Recommendation 31: We recommend that the Winding Up Allowance be renamed Winding Up Expenditure and that, after the next general election, the ceiling be calculated as one third of the relevant annual Staffing Expenditure, plus one third of the limit on Other Office Expenditure and one third of the actual annual office rent or lease claimed by each MP concerned.

3. Central IT provision

The SSRB found that “On the whole MPs are satisfied with the quantity of IT provided and reported that this had improved in recent years”. However, it noted concerns about the quality of equipment and the provision of support in constituencies. It urged the House authorities to address issues raised by Members about the level of support and the question of the quality of equipment in constituencies.²⁹

D. Government response and proposals to review the pay review process

At Business Questions on 10 January 2008, when the Leader of the House announced that the SSRB’s report would be published on 16 January and debated on 24 January, she also announced that the Government intended to set up a review of the process of setting Members’ pay. She commented that “this will possibly be the last time that they will have to go through that exercise because of the review that we intend to set up”.³⁰ Later she outlined a little of the background to the review and what it would cover:

... many Members say that they find it [setting, debating and voting on their pay, pensions and allowances] unacceptable, and we know that the public do not accept that MPs should decide their own pay and pensions by voting. Therefore, we intend to review the procedures for setting MPs’ pay and pensions in the future, with a view to examining options that find objective criteria for pay determination within a framework that does not require Members to vote.³¹

The Leader said that a detailed Written Ministerial Statement, issued when the SSRB report was published, would set out the Government’s response to the SSRB report and provide the background to the Resolutions it would table at the same time.³²

²⁹ *Ibid*, paras 5.37. The Administration Committee had raised concerns in its report *Information and Communications Technology Services for Members*, 8 May 2007, HC 498 2006-07. It received a response from the House of Commons Commission: Administration Committee, *Information and Communications Technology Services for Members: Response to the Committee’s Second Report of Session 2006-07*, 21 January 2008, HC 222 2007-08

³⁰ HC Deb 10 January 2008 c536

³¹ HC Deb 10 January 2008 cc539-540

³² HC Deb 10 January 2008 c541

The following day, it was widely reported that “MPs could lose the right to set their own pay”.³³ *The Independent* reported that the review would be chaired by Sir John Baker, the outgoing chairman of the SSRB.³⁴

As announced on 10 January, the Leader of the House made a Written Ministerial Statement on 16 January 2008, when the SSRB report was published. On the same day, she tabled motions to put the Government’s response to the SSRB into effect.³⁵ Before setting out the Government’s response to the specific recommendations in the SSRB’s report, she set out the Government’s intention to review the process for determining and setting Members’ pay.

1. Reviewing the pay review process

The Leader of the House announced that the Government considered it “inappropriate that MPs should vote on their own pay and pensions”, and that Sir John Baker, who was retiring as chairman of the SSRB, had been asked to conduct a review on options for setting pay and pensions by the summer recess:

The Government therefore intend to examine options that find objective criteria for determining the appropriate comparator used for MPs’ pay awards within a framework that does not require MPs to vote in future years, and accordingly has asked Sir John Baker, CBE—the retiring chair of SSRB—to conduct a review and make proposals on options for consideration. It would be a significant constitutional reform for MPs to be explicitly removed from the process of voting on and determining their own pay and pensions. In some other countries, elected representatives’ pay and pensions are determined entirely independently of the legislature. We hope to draw on this international experience so as to find a suitable mechanism that will work within our parliamentary system. We intend this work to be completed so that the House can resolve it before the summer recess.³⁶

The Government’s motion, which was debated on 24 January 2008, included a reference to the review:

That, in the opinion of this House, the system for determining the salaries of Members of Parliament should be reviewed, in particular with a view to removing the need for final decisions on salaries to be subject to approval by this House
...³⁷

2. Response to SSRB recommendations on Members’ pay

Rather than accept the SSRB’s recommendation that Members’ pay for 2007/08 be increased by 2.56 per cent (in total), and that a new uprating mechanism be introduced

³³ Rosa Prince, “MPs could lose the right to set their own pay”, *Daily Telegraph*, 11 January 2008; Francis Elliot, “Brown instruct his ministers to quash revolt on MPs’ pay rise”, *Times*, 11 January 2008;

³⁴ Andrew Grice, “Brown to ban MPs voting on their own pay increases”, *Independent*, 11 January 2008

³⁵ The motions appeared on the Order Paper in the “Remaining Orders and Notices” section for the first time on 17 January 2008

³⁶ HC Deb 16 January 2008 c32WS

³⁷ HC Deb 24 January 2008 c1653

with effect from April 2008, with additional payments of £650 in each of 2008, 2009 and 2010, the Government proposed that the 2007/08 increase should be staged, and that new provisions for 2008 onwards should be introduced following the completion of Sir John Baker's review.

The motions tabled include provisions to end the current uprating mechanism. No alternative uprating mechanism was suggested: this would await Sir John Baker's review.

The Government accepted the SSRB's recommendation that the additional salaries of select and public bill committee chairmen should increase at the same rate as Members' basic salaries.³⁸

3. Response to SSRB recommendations on Members' pensions

The Government endorsed the SSRB's recommendations on Members' pensions (see section VIII).³⁹

4. Response to SSRB recommendations on Members' allowances

In the Written Ministerial Statement the Leader of the House announced that the Government proposed referring the recommendations on Members' allowances to the Members Estimate Committee to examine in the light of observations by the Advisory Panel on Members' Allowances.

In the motions that were laid on 16 January 2008, the House was asked to approve the implementation of the SSRB's recommendations on the Staffing Allowance, subject to the decisions of the Members Estimate Committee with regard to their timing and administration. The Motion on Members' Allowances provided for the SSRB recommendations on unreceipted expenditure, audit, central funding of constituency office costs, Incidental Expenses Provision, partners' travel, Communications Allowance, Resettlement Grant, Winding-up Allowance, and nomenclature of allowances to "be referred to the Members Estimate Committee for further consideration following consultation with the Advisory Panel on Members Allowances".

5. Response to SSRB recommendations on Ministers' pay and pensions

In the Written Ministerial Statement, the Government rejected the plans for staged increases in ministerial pay:

Ministers' pay is set under the Ministerial and Other Salaries Act 1975. SSRB recommends that the salaries for the Prime Minister, Ministers and other office holders in the Commons should increase more than the salary of MPs. The Government do not accept the proposal and believe that Ministerial salaries should increase at the same rate as MPs.⁴⁰

³⁸ HC Deb 16 January 2008 c33WS

³⁹ HC Deb 16 January 2008 cc33WS-34WS

⁴⁰ HC Deb 16 January 2008 c33WS

It accepted the SSRB's recommendations to alter the arrangements for the Prime Minister's and Lord Chancellor's pensions, but rejected changes to the arrangements for the Speaker's pension:

SSRB recommends that future holders of the offices of Prime Minister, Lord Chancellor and Commons Speaker are covered by the parliamentary pension and severance arrangements that apply to Secretaries of State rather than the pension arrangements that apply now. The Government accept this recommendation with respect to Prime Ministers and Lord Chancellors. The Government do not propose to implement this recommendation with respect to future Commons Speakers, as they consider the position of Speaker to be substantially different from that of a Prime Minister or Lord Chancellor.⁴¹

At the afternoon Lobby Briefing on 16 January 2008, the Prime Minister's Official Spokesman (PMOS) announced that:

... The Government accepted this recommendation with respect to Prime Ministers and Lord Chancellors, and in addition the current Prime Minister and current Lord Chancellor had decided that this would also apply to them. The Government did not propose to implement this recommendation with respect to future Commons Speakers as it considered the position of the Speaker to be substantially different to that of a Prime Minister or Lord Chancellor.⁴²

E. Debate

On 24 January 2008, the House agreed to the motions tabled by the Government in response to recommendations from the Senior Salaries Review Body on parliamentary pay, pensions and allowances, without a division. The Resolutions are set out in the Appendix of this Paper.

1. Pay

As a result of the House agreeing to the Government motions, Members' salaries increased from £60,277 at the end of the 2006/07 financial year, to £61,181 with effect from 1 April 2007, and to £61,820 with effect from 1 November 2007.⁴³ No mechanism is now in place for an automatic increase in salary from 1 April 2008.

The SSRB had recommended that Members' salaries should have been increased to £61,820 with effect from 1 April 2007, that a new method of uprating, based on the changes in earning of senior civil servants, rather their pay scales should have been introduced, and that in addition to the uprating formula Members' salaries should have increased by a further £650 in April 2008, April 2009 and April 2010.

⁴¹ HC Deb 16 January 2008 c34WS

⁴² 10 Downing Street, *Afternoon press briefing from 16 January 2008*, <http://www.number10.gov.uk/output/Page14293.asp>

⁴³ As a result of the automatic uprating of Members' salaries, in line with changes in the pay scales of the senior civil service, Members had been paid £60,675, since 1 April 2007.

In opening the debate, the Leader of the House sought agreement on four issues relating to pay:

Although the issue of MPs' pay, pension and allowances is a thorny one, I hope that there will be agreement across the House on at least four things: that MPs should be properly paid for the important work that they do; that MPs should be reimbursed for what they spend doing their job, as are people in any other line of work; that as MPs are paid from the public purse, we should show the same discipline in our pay increases as other public sector workers; and that, like everyone else, we should not decide on our own pay and should not vote on our pay increases.⁴⁴

She argued that abandoning the current pay uprating mechanism was an incentive to reform and prevented reverting to it in future:

Our concern is that we should clear the decks now, at this vote, showing the House's intention that we move forward to a different system. If we leave the current system in place, it can always continue.⁴⁵

However, Nick Harvey expressed some concern about this approach:

I wish to flag up some serious misgivings about what the Government now propose. They are asking us to rescind and tear up the resolution of July 1996, which has governed how such matters are dealt with for the past 12 years. Effectively they want us to sign them a blank cheque. We have to buy a pig in a poke, leave matters with them, and they will have a review conducted by someone of their choosing who will report back to them. We all just have to relax: it will all be okay because they will see us right.⁴⁶

When Martin Salter and John Maples commented that the Government should implement the recommendations of any review body, Harriet Harman replied that "Hon. Members will have seen the terms of reference that the Government set out for Sir John Baker, and it is precisely to identify proposals that would put into practice the sentiments expressed by my hon. Friend that we have asked Sir John to conduct that review and report to the House".⁴⁷

In his speech, Tony Lloyd, the chairman of the Parliamentary Labour Party, reiterated that independence had to be a crucial feature of any mechanism: "We need a mechanism that we believe to be independent and that we respect as being independent of Members of Parliament. It must also be independent of Government".⁴⁸

There was broad support for taking the determination of Members' salaries out of their hands.⁴⁹ However, the constitutional question of the sovereignty of Parliament was also

⁴⁴ HC Deb 24 January 2008 c1654

⁴⁵ HC Deb 24 January 2008 c1656

⁴⁶ HC Deb 24 January 2008 c1694

⁴⁷ HC Deb 24 January 2008 cc1656-1657. The same question was asked of Theresa May (cc1664-1665)

⁴⁸ HC Deb 24 January 2008 c1671

⁴⁹ e.g. HC Deb 24 January 2008 cc1662-1663

raised, and some Members questioned whether it was appropriate for them to give the right of setting their pay to another body.⁵⁰ John Spellar said that he was “astonished that anyone would agree to be linked to someone else’s pay rate rather than their earnings”.⁵¹ He suggested that rather than linking Members’ pay to another job, “we would be better considering a basket of agreements and taking the median or another average”.⁵² John Maples noted the widespread support for a linkage either to a job or grade, or to an index; however, he highlighted the difficulty of setting the base level of Members’ pay.⁵³

2. Pensions

The House endorsed in principle the recommendations of the SSRB to share the cost of the accrual of the Parliamentary Contributory Pension Fund (PCPF) between the Treasury and Members, that there should be a ceiling of 20 per cent on the underlying Exchequer contribution, and that if that limit looked likely to be broken there should be a major review of the Fund. (Further details are provided in Section VIII.)

3. Allowances

The House agreed to implement the SSRB recommended increase in Staffing Allowance, which would allow Members to employ the equivalent of 3½ full-time staff. The House referred the timing of the introduction of this change and whether higher rates should be paid if staff were based in London to the Members Estimate Committee (MEC). The House also referred to the MEC the SSRB’s recommendations on renaming allowances; reducing the level of the Incidental Expenses Provision; introducing a centrally funded system for paying for the renting of constituency offices; changing the rules on the requirement for receipts; the auditing of expense claims; extending the travel allowance for spouses and civil partners to named partners; limiting the scope of, and changing the formula for, payments under the Resettlement Grant; and consequential changes to the provisions for winding up allowances.

F. Baker review

In her Written Ministerial Statement of 16 January 2008, announcing the publication of the SSRB review, the Leader of the House announced that the Government had asked the retiring chairman of the SSRB, Sir John Baker, to conduct a review “to examine options that find objective criteria for determining the appropriate comparator used for MPs’ pay awards within a framework that does not require MPs to vote in future years”.⁵⁴ On 23 January 2008, the day before the debate, she announced the terms of reference that had been given to Sir John:

to examine options and make recommendations for a mechanism for independently determining the pay and pensions of Members of Parliament

⁵⁰ HC Deb 24 January 2008 cc1673-1674

⁵¹ HC Deb 24 January 2008 c1682

⁵² HC Deb 24 January 2008 c1685

⁵³ HC Deb 24 January 2008 cc1700-1705

⁵⁴ HC Deb 16 January 2008 c32WS

which does not involve MPs voting on their own pay; the appropriate comparator; and the frequency with which reviews of the use of the comparator take place;

to ensure that the independent mechanism takes account of the Government's policy on public sector pay and its target for inflation and;

to have regard to the need for any independent mechanism to maintain the support and trust of the public and Members of Parliament.

The review should seek to:

examine comparable international mechanisms and the resulting experience;

address the constitutional framework alongside legal and legislative considerations;

consider the range of evidence that should be considered by the recommended independent mechanism in determining an appropriate comparator;

consider the membership and remit of any independent body that may be part of the pay setting process;

give due consideration to consistency with other public service wage setting mechanisms and wage settlements across the public service and;

outline a recommended timetable for transition to any new system.⁵⁵

During the course of the debate, some annoyance was expressed that the terms of Sir John Baker's review had already been announced and questions were also raised about whether he was the appropriate person to undertake the review, given that he had just completed his term as chairman of the SSRB. Theresa May, the Shadow Leader of the House, expressed the following concerns:

... although it would not be right to question the independence of Sir John Baker, I question the fact that he is undertaking this review given that, in the past, he has referred to the issue and given some hints as to what he thinks might happen. Surely the task should be done by somebody who comes to the issue with a fresh face and fresh thinking.⁵⁶

David Maclean, a member of the House of Commons Commission and the Members Estimate Committee, tabled an amendment that called for the MEC to "bring forward proposals for having salaries determined by an independent body appointed by this House", as well the review commissioned by the Government.⁵⁷ At the end of the debate, following "the firm commitment by the Leader of the House that she and the

⁵⁵ HC Deb 23 January 2008 c56WS

⁵⁶ HC Deb 24 January 2008 c1667; she had intervened on the Leader of the House with a similar point (c1657); and John Bercow also questioned the appointment of Sir John Baker, given that the Government had already rejected recommendations that he had made:

"Given that he made a recommendation on pay that the Government have chosen not to accept this year, is it not bizarre, to put it mildly, for the Government to imagine that he will deal with the situation next year?" (c1696)

⁵⁷ Order of Business 24 January 2008, Motion 2, Amendment (c)

Government would welcome the MEC producing its own memorandum or report, which could be published for consideration in due course”, he withdrew his amendment.⁵⁸

But as noted above, the House concurred with the review. It resolved “That, in the opinion of this House, the system for determining the salaries of Members of Parliament should be reviewed, in particular with a view to removing the need for final decisions on salaries to be subject to approval by this House”.⁵⁹

The Office of Manpower Economics set up a webpage for Sir John Baker’s review (<http://baker-review.ome.uk.com/>). He published a consultation document in mid-March and asked for responses by 11 April so that he can report by the end of May.⁶⁰

G. MEC Review

On 24 January 2008, the House debated the Senior Salaries Review Body’s *Review of parliamentary pay, pensions and allowances 2007*, and the Government’s response to it. The House referred most of the SSRB’s recommendations on allowances to the Members Estimate Committee (MEC).

On 28 January 2008, the Committee on Standards and Privileges published a report on *The Conduct of Mr Derek Conway*, in which it reviewed the use that Mr Conway had made of the Staffing Allowance, following a review by the Standards Commissioner. It concluded that Mr Conway had misused the Staffing Allowance.⁶¹

On 31 January 2008, the Speaker told the House that the MEC would consider the SSRB’s recommendation at a meeting convened on 4 February 2008. On 4 February, before the meeting, he confirmed that the MEC would also consider the report from the Committee on Standards and Privileges, and how to proceed. After the MEC’s meeting, the Speaker wrote to all Members announcing that that the review would require the consideration of “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.

Since then the MEC has published two reports,⁶² in which it has announced that it:

- “will complete a report in time for debate in the House in July”;

⁵⁸ HC Deb 24 January 2008 c1718

⁵⁹ HC Deb 24 January 2008 c1718

⁶⁰ *Review of MPs’ pay and pensions: Consultation document prepared by Sir John Baker*, <http://baker-review.ome.uk.com/binary/documents/Sir%20John%20Baker%20Review%20of%20MPs%20Pay%20and%20Pensions%20Consultation%20Document%2019%20March.pdf>

⁶¹ Committee on Standards and Privileges, *Conduct of Mr Derek Conway*, 28 January 2008, HC 280 2007-08

⁶² Members Estimate Committee, *Review of Members’ Allowances*, 26 February 2008, HC 368 2007-08; Members Estimate Committee, *Review of Members’ Allowances: Threshold for receipts*, 11 March 2008, HC 415 2007-08

- had instructed the Department of Resources not to pay claims for £25 or more without a receipt, from 1 April 2008; and
- to limit monthly petty cash drawings to £50: Members should keep a cash book that could be subject to audit.

The MEC has also confirmed its intention to publish: a report “setting out all the issues being considered in this root and branch review and seeking comments on them”, in March 2008; and its emerging conclusions in May.⁶³

H. Other developments

1. Reporting on the use of allowances⁶⁴

a. Conservative Party announcement

On 5 February 2008, the Leader of the Conservative Party, David Cameron, announced that from the beginning of the next financial year all Conservative Front Bench members would be required to publish “full details of their office expenses”, in a ‘Right to Know’ form. A press release from the Conservative Party set out the information that the new form would contain:

The form will be used by all Front Bench members of the Conservatives to publish full details of their office expenses

It will include a comprehensive list of staff and their positions, an indication of any family members employed, and a break down of office running costs and expenditure incurred by 'staying away from main home'.⁶⁵

It was reported that David Cameron would urge backbenchers to complete the forms as well. *The Times* reported that “although he has no power to force his backbenchers to do the same, Mr Cameron made plain that he expects them to follow suit”.⁶⁶

The Conservative Party did not publish the “Right to Know” form with its press release. It was published on the *Red Box* (a blog written by Sam Coates of *The Times*).⁶⁷

⁶³ Members Estimate Committee, *Review of Members’ Allowances: Threshold for receipts*, 11 March 2008, HC 415 2007-08, para 10

⁶⁴ Fuller details, of the developments outlined in this section, are given in House of Commons Library Standard Note SN/PC/4624, *Members’ allowances – reporting requirements*, <http://www.parliament.uk/commons/lib/research/notes/snpc-04624.pdf>

⁶⁵ Conservative Party News, *The Right to Know*, 5 February 2008, http://www.conservatives.com/tile.do?def=news.story.page&obj_id=142147

⁶⁶ Philip Webster, Greg Hurst and Sam Coates, “MPs ridicule the Speaker’s leisurely enquiry: Westminster expenses”, *Times*, 6 February 2008

⁶⁷ Sam Coates, *Expenses: At half-time, Cameron 1, Brown 0*, 5 February 2008, <http://timesonline.typepad.com/politics/2008/02/expenses-at-hal.html#more>

b. Labour Party announcement

On 5 February 2008, Gordon Brown wrote to the Speaker about the Members Estimate Committee's inquiry into Members' allowances. During the afternoon press briefing, the Prime Minister's Official Spokesman indicated that the letter was a Party, rather than a Government, matter.⁶⁸

The letter was also published on Sam Coates' blog, *Red Box*, and it included a statement that Gordon Brown had told Labour Members that they would have to declare the employment of family members:

... I have made clear to all Labour MPs that they must be fully transparent in their declarations and must abide, not by April but as soon as possible, with the Committee on Standards and Privileges' opinion that the employment of family members should be declared.⁶⁹

c. Liberal Democrats

On 2 February 2008, after the suspension of Derek Conway, the *Financial Times* reported that Nick Clegg, the Leader of the Liberal Democrats, had supported the SSRB's recommendation that Members' claims should be audited and that receipts should be provided for claims of over £50:

The Liberal Democrats backed calls for spot checks on MPs' expenses and a requirement for receipts for claims over £50. Nick Clegg, Lib Dem leader, said he was "urging" all his MPs to publish details of the staff they employ "as a first step" towards meeting higher standards of transparency.

"Unless all parties take action, the public perception of politicians will continue to worsen," Mr Clegg said. "It is time for Westminster to accept that it needs to move out of the 19th century and into the 21st."⁷⁰

d. Committee on Standards and Privileges

On 5 February 2008, the Committee on Standards and Privileges announced that it would bring forward proposals that all Members of Parliament should register details of any members of their family they employed.⁷¹

The Press Association reported the announcement as follows:

⁶⁸ 10 Downing Street, *Afternoon Press Briefing 5 February 2008*, <http://www.number-10.gov.uk/output/Page14489.asp>

⁶⁹ Gordon Brown's letter to the Speaker, 5 February 2008 [Source: Sam Coates, *Expenses: Gordon equalises, but have the goal posts changed?*, <http://timesonline.typepad.com/politics/2008/02/expenses-gordon.html#more>]

⁷⁰ Jean Eaglesham, "MPs could face spot checks on expenses", *Financial Times*, 2 February 2008

⁷¹ Committee on Standards and Privileges Press Notice, *Press Notice from the Committee on Standards and Privileges*, 5 February 2008, http://www.parliament.uk/parliamentary_committees/standards_and_privileges/s_ppn6.cfm

MPs should be required to register any family members employed out of their Parliamentary expenses within two months, the Commons Standards and Privileges Committee urged today. Its call for a speedy response to concerns arising from the Derek Conway affair came after Commons Speaker Michael Martin said proposals would not be brought forward until the autumn. The standards committee issued a statement today saying it would be issuing proposals "as soon as possible" for the Commons to consider. "The Committee on Standards and Privileges believes that, by April 1 2008, the House should have in place, within the framework of the existing registers, a system for compulsory registration of members who employ family members in connection with their duties as Members and remunerate them through the staffing allowance," it said. "The committee will be bringing forward proposals as soon as possible for consideration by the House."⁷²

On 28 February 2008, the Committee published a consultation on registering the employment of family members. The Committee asked for comments on its proposals by Friday 7 March.⁷³

On 19 March 2008, the Committee on Standards and Privileges published a further report (its Seventh) on its proposals. It summarised the responses to its proposals and reiterated its recommendation that "a scheme for disclosure of family members employed through the Staffing Allowance be introduced with effect from April 1".⁷⁴ It then set out the following recommendations:

What should be disclosed in the Register?

6. We confirm the proposal in our Sixth Report that Members should be required to disclose in each case the name of the staff member, their relationship to the Member, and a description of the job they do. We consider later the changes we recommend from the proposals in that report as to the precise information and the range of relationships to be disclosed.

7. We also confirm our proposal for a *de minimis* threshold of 1% of a Member's annual salary per employee.

Whom might be covered by the disclosure requirement?

8. We recommend a simple formula requiring registration of any employee where the Member knows of, or might reasonably be expected to know of, any relationship, past or present:

- by marriage, or partnership equivalent to marriage; or
- by blood.

⁷² Daniel Bentley, "MPs should register family workers 'by April'", *Press Association Newswire*, 5 February 2008

⁷³ Committee on Standards and Privileges, *Employment of family members through the Staffing Allowance: Proposals for consultation*, 28 February 2008, HC 383 2007-08, para 5

⁷⁴ Committee on Standards and Privileges, *Employment of family members through the Staffing Allowance*, 19 March 2008, HC 436 2007-08, para 5

9. In cases where the relevant relationship ends but the employment continues, we confirm our proposal that the requirement to register should continue to apply for a period of three years.

10. We also recommend that the requirement to register should commence, in relation to permanent employment, from the date of employment. In the case of casual employment, it should commence when the *de minimis* threshold is exceeded in the course of any particular financial year.

What information should be given in the Register entry?

11. Our purpose in making these proposals is not to pass judgement on the practice of employment of family members; it is merely to introduce transparency.

12. We now recommend a revised heading as follows:

Category 11

<p>Family members employed and remunerated through the Staffing Allowance.</p>
--

and a Register entry along the lines of:

I employ my [*relationship*], [*name*], as my Office Manager, and my [*relationship*], [*name*], as a Parliamentary Assistant.

13. We proposed in our Sixth Report that details of the standard job descriptions and pay ranges should be placed on the Parliamentary web-site. CSPL has suggested that this is unnecessarily opaque. We still consider that this information should be available on the Parliamentary website, but propose in addition to include it in the Register, in the interests of transparency.⁷⁵

On 20 March 2008, at Business Questions, Harriet Harman, the Leader of the House, announced that, on 27 March, she would debate a “motion relating to the Seventh Report of the Standards and Privileges Committee”.⁷⁶

On 27 March 2008, the House debated the following motion:

That this House approves the Seventh Report of the Committee on Standards and Privileges (House of Commons Paper No. 436) on Employment of family members through the Staffing Allowance; and endorses the changes proposed by the Committee in the purpose and form of the Register of Members’ Interests.⁷⁷

In opening the debate, Sir George Young, the Chairman of the Committee on Standards and Privileges outlined the options that he considered his Committee had before it after its report on Derek Conway:

⁷⁵ *Ibid*, paras 6-13

⁷⁶ HC Deb 20 March 2008 c1083

⁷⁷ HC Deb 27 March 2008 c382

Essentially, faced with the situation following our fourth report, there were three possible options concerning the employment of family members. One was to do nothing, the second was to ban the practice and the third was to introduce greater transparency. I simply do not believe that the do-nothing option is tenable against the climate of public opinion. The second is the possibility of a ban, as the chair of the Committee on Standards in Public Life accepted in his statement of 30 January, although he conceded that it could

“seem a rather harsh answer to the problem”.

He went on to say that

“an alternative approach would be to insist on greater transparency and proper monitoring of existing requirements, which is generally better than creating new rules and prohibitions.”

I agree with that; we should not compel hon. Members to dismantle arrangements that have enabled them to provide a high-quality service to their constituents. In proposing a formal mechanism for disclosure of employment of relatives, we have taken steps to introduce greater transparency, while at the same time not precluding changes that may emerge from the MEC review, with which my Committee will continue to keep in close touch on issues where we have a common interest.⁷⁸

At the end of the debate, the House agreed to the motion without a division.⁷⁹

e. *Committee on Standards in Public Life*

Tony Wright, the Chairman of the Public Administration Committee wrote to Sir Christopher Kelly, Chairman of the Committee on Standards in Public Life (CPSL), on 5 February 2008, requesting that the CPSL undertake an inquiry into the “whole system of MPs’ allowances”. Sir Christopher responded on 6 February 2008. He said that the CPSL had not ruled out such an inquiry but his expectation was that “we will want to be clearer about the nature and possible outcome of the various Parliamentary and political Party initiatives announced over the last few days before making a decision”. The exchange of letters was published alongside a press release by the CPSL on 7 February 2008.⁸⁰

III Salary Entitlement

A. Members’ pay

Pending the completion of the SSRB review, Members’ salaries rose on 1 April 2007 from £60,277 to £60,675. The increase was announced by the then Prime Minister,

⁷⁸ HC Deb 27 March 2008 c384

⁷⁹ HC Deb 27 March 2008 c394

⁸⁰ Committee on Standards in Public Life News release, *MPs’ Pay and Allowances – Correspondence between Dr Tony Wright MP and Sir Christopher Kelly KCB*, 7 February 2008, http://www.public-standards.gov.uk/news/07_02_08.aspx

Tony Blair, in a Written Ministerial Statement, on the publication of the Twenty-Ninth report on Senior Salaries from the SSRB,⁸¹ on 2 March 2007:

The Review body's recommendations on SCS Pay mean that Minister's and MP's pay, which is linked to the average increase in the midpoint of SCS pay, will increase by 0.66 per cent. The Review Body is also currently conducting a triennial review of MPs' and Ministers' pay which is due to report in summer 2007.⁸²

However, on 24 January 2008, following the publication of the SSRB's *Review of parliamentary pay, pensions and allowances 2007*,⁸³ the House agreed with the Government's proposal that Members' pay for the year 2007/08 should be staged as follows:

	Annual salary (£)
From 1 April 2007	61,181
From 1 November 2007	61,820

At the same time the House agreed to abolish the uprating formula that had been set in 1996 and to endorse a review by Sir John Baker, the former chairman of the SSRB, "to examine options and make recommendations for a mechanism for independently determining the pay and pensions of Members of Parliament which does not involve MPs voting on their own pay; the appropriate comparator; and the frequency with which reviews of the use of the comparator take place".⁸⁴

Uprating formula: Pay increases for Members are linked automatically to the increase in pay bands for the Senior Civil Service. This follows the recommendation of the Review Body on Senior Salaries (SSRB) report of 4 July 1996. Further changes to the pay levels were made on 5 July 2001. On 18 May 2006, it was agreed that the 2006/07 formula increase should be paid in two stages. On 24 January 2008, it was agreed that a revised 2007/08 increase should be paid in two stages and that the formula for annual increases should be abolished.

Resolution debated and agreed: 10 July 1996, no division.⁸⁵

Resolution debated and agreed: 5 July 2001, on division (276 to 42).⁸⁶

⁸¹ Review Body on Senior Salaries, *Twenty-Ninth Report on Senior Salaries*, Report No 63, Cm 7030, March 2007,

<http://www.ome.uk.com/downloads/29th%20Report%20on%20Senior%20Salaries%20-%202007.pdf>

⁸² HC Deb 2 March 2007 cc110WS-112WS

⁸³ Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, Cm 7270-1, January 2008,

<http://www.ome.uk.com/downloads/Review%20of%20Parliamentary%20pay%202007%20volume%201.pdf>

⁸⁴ HC Deb 24 January 2008 cc1653-1720; the terms of reference of Sir John Baker's review were announced the previous day, HC Deb 23 January 2008 c56WS

⁸⁵ HC Deb 10 July 1996 cc488-543, at c533 (motion approving SSRB report including these proposals agreed to 279-154, c530)

⁸⁶ HC Deb 5 July 2001 cc469-71

Resolution debate and agreed: 18 May 2006, no division.⁸⁷

Resolution debate and agreed: 24 January 2008, no division.⁸⁸

Table 2 and the following chart show recent trends in Members' pay:

Table 2: Members' pay since 1997

1 April 1997	£43,860
1 April 1998	£45,066
1 April 1999	£47,008
1 April 2000	£48,371
1 April 2001	£49,822
20 June 2001 (a)	£51,822
1 April 2002 (b)	£55,118
1 April 2003	£56,358
1 April 2004	£57,485
1 April 2005	£59,095
1 April 2006 (c)	£59,686
1 November 2006 (c)	£60,277
1 April 2007 (d)	£61,181
1 November 2007 (d)	£61,820

(a) Comprises formula increase of 3 percent, paid in April 2001, plus £2,000 from 20 June 2001

(b) Comprises formula increase of 2.5 percent plus £2,000 from 1 April 2002

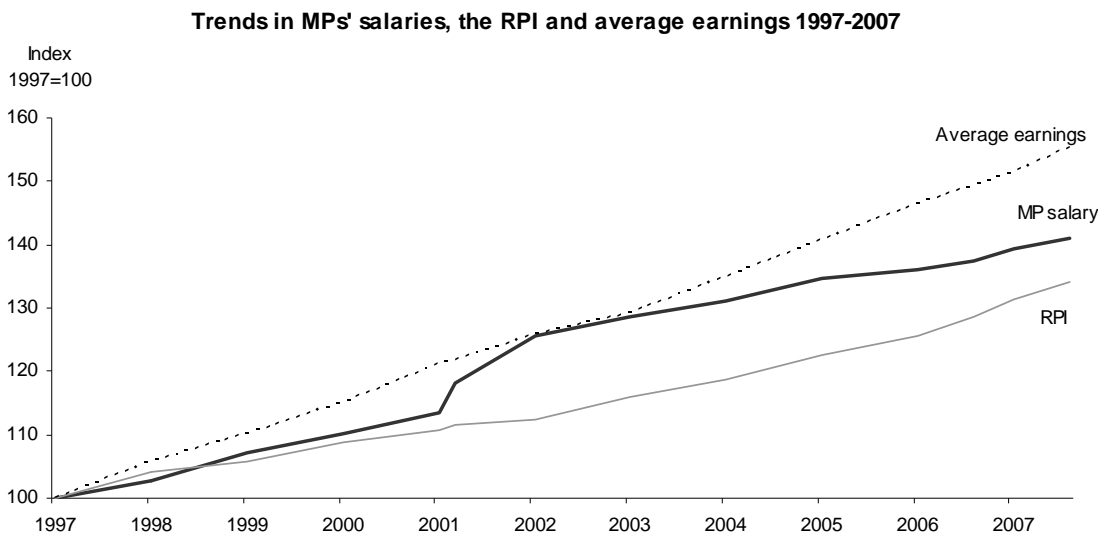
(c) In 2006/07 the formula increase (2 per cent) was implemented in two equal stages

(d) In 2007/08 the increase recommended by SSRB was staged

The chart below compares trends in Members' pay with the Retail Price Index (RPI) and average earnings. The data are presented in index form, so 1997 equals 100 in each case.

⁸⁷ HC Deb 18 May 2006 cc1152-1164

⁸⁸ HC Deb 24 January 2008 cc1719-1720



When the full 2007/08 pay rise was implemented, in November 2007, Members' pay had increased by 41 per cent since 1997. This compares with a 34 per cent increase in the RPI and a 56 per cent increase in average earnings.⁸⁹

B. European Parliament and Devolved Legislature Members

1. Dual Mandate MPs

Members of Parliament who are also members of devolved legislatures receive a full parliamentary salary, currently **£61,820** per annum. In addition, they receive one third of the salary in respect of their membership of the devolved legislature.

Since the European Parliamentary elections in June 2004, members of national parliaments (including the House of Lords), but not the devolved legislatures, have no longer been permitted to hold a dual mandate in the European Parliament, although a derogation exists until 2009 for Members who previously had seats in both the European Parliament and a national Parliament.⁹⁰ After the June 2004 elections there were no dual mandate MPs in the European Parliament (although two peers, Baronesses Ludford and Nicholson, still sit there).⁹¹

There are no statutory provisions preventing Members of Parliament from becoming Members of the Scottish Parliament, the Welsh Assembly or the Northern Ireland Assembly. The Labour Party has a general policy of having no dual mandate MPs, although party rules are not quite as inflexible.⁹² Other parties seem to have similar policies. Following the elections to the devolved legislatures in 2007, one Member of the

⁸⁹ National Statistics series CHAW and LNMQ; comparisons of 1st quarter 1997 and 2007 data

⁹⁰ Foreign and Commonwealth Office, *Council Decision of 25 June and 23 September 2002 amending the Act concerning the election of the representatives of the European Parliament by direct universal suffrage, annexed to Decision 76/787/ECSC, EEC, EURATOM (2002/772/EC, Euratom)*, Cm 6093, December 2003, pp5-6

⁹¹ See RP 05/42 section II. B. 1 for further details.

⁹² HC Deb 21 October 1999 c658; Labour Party, *Rule Book 2004*, January 2004, rule 5C.2

Scottish Parliament and 16 Members of the Northern Ireland Assembly have dual mandates. No Members of the National Assembly for Wales have seats in the House of Commons but one has a seat in the House of Lords. One peer also sits in the Scottish Parliament. In addition four Members of the Greater London Assembly sit in either the House of Commons or the House of Lords.⁹³

2. National Assembly for Wales

With effect from 4 May 2007 the salary payable to Members of the National Assembly for Wales has been set at 82 per cent of that of Members of Parliament. Assembly Members who are also Members of Parliament or Members of the European Parliament have their Assembly salary reduced by two-thirds.⁹⁴ Certain Members who hold office in the Welsh Assembly are entitled to receive an additional salary.

On 10 January 2008, the *South Wales Echo* reported that a panel had been established to review the salaries, pensions and allowances of Members of the National Assembly for Wales. It reported that: "The five members will present a report next month which could see salaries and pensions backdated to the last elections in May. A report on allowances is due in April".⁹⁵

On 6 March 2008, the Assembly Commission announced that, in the 2007/08 financial year, the salaries of AMs would be uprated in the following ways:

- from 1 April 2007, Assembly Members' salaries would be set at 76½ per cent of a (Westminster) Member of Parliament's salary; and
- from 4 May 2007, that percentage was increased to 82 per cent – this reflected the date on which the Third Assembly, with additional responsibilities, came into being.

⁹³ **MSP**

Alex Salmond (SNP) is the First Minister; he sits for Banff and Buchan in the House of Commons and for Gordon in the Scottish Parliament;

George Foulkes (Lab/Co-op) represents Lothians in the Scottish Parliament and sits in the House of Lords as Lord Foulkes of Cumnock.

AMs

Lord Elis-Thomas is the Presiding Officer of the National Assembly for Wales and Member for Dwyfor Meirionnydd; he sits in the House of Lords.

MLAs

The following 16 MPs also hold seats in the Northern Ireland Assembly: Gerry Adams (Sinn Fein); Gregory Campbell (DUP); Nigel Dodds (DUP); Pat Doherty (Sinn Fein); Jeffrey Donaldson (DUP); Mark Durkan (SDLP); Michelle Gildernew (Sinn Fein); Rev William McCrea (DUP); Alasdair McDonnell (SDLP); Martin McGuinness (Sinn Fein); Conor Murphy (Sinn Fein); Rev Ian Paisley (DUP); Iris Robinson (DUP); Peter Robinson (DUP); David Simpson (DUP); and Sammy Wilson (DUP).

The five Sinn Fein Members' Northern Ireland Assembly salaries are not abated as they do not receive Westminster salaries.

GLAM

Bob Neill (Conservative); Andrew Pelling (Conservative); Baroness Hamwee (Liberal Democrat); and Lord Tope (Liberal Democrat)

⁹⁴ The *National Assembly for Wales (Assembly Members)(Salaries)(Limitation) Order 1999*, SI 1999/1083, sets this reduction

⁹⁵ "Panel will review AM's pay", *South Wales Echo*, 10 January 2008

The salary changed again from 1 November 2007 as all figures reflect the salaries set by Members of Parliament when they debated the SSRB's report on 24 January 2008.

Table 3: National Assembly for Wales salaries: 2006/07 and 2007/08

	from 1 April 2006		from 1 April 2007		from 4 May 2007		from 1 Nov 2007	
	Addition	Total	Addition	Total	Addition	Total	Addition	Total
Assembly First Minister	£76,491	£122,682	£77,546	£124,350	£77,546	£127,715	£78,355	£129,047
Assembly Minister	£39,677	£85,868	£40,225	£87,029	£40,225	£90,394	£40,645	£91,337
Presiding Officer	£39,677	£85,868	£40,225	£87,029	£40,225	£90,394	£40,645	£91,337
Leader of the largest non-cabinet party	£39,677	£85,868	£40,225	£87,029	£40,225	£90,394	£40,645	£91,337
Deputy Presiding Officer	£24,438	£70,629	£25,301	£72,105	£25,301	£75,470	£25,566	£76,258
Chairs of Subject Committees	£5,781	£51,972	£5,873	£52,677	£5,873	£56,042	£5,934	£56,626
Counsel General (if AM)			£40,225	£87,029	£40,225	£90,394	£40,645	£91,337
Assembly Member		£46,191		£46,804		£50,169		£50,692
AMs who are also MPs or MEPs		£15,397		£15,601		£16,723		£16,897

Salaries will remain at the November 2007 level from the beginning of April 2008, pending the outcome of the Baker Review. However, a number of additional offices will qualify for an additional salary from 1 April 2008:

Government Chief Whip	£25,566
Opposition Chief Whip	£11,331
Assembly Commissioners	£11,331
Chairs of other Committees (excluding Business and Standards)	£5,934
Leader of opposition parties (other than the largest)	£11,331

The National Assembly for Wales published the Review in March 2008.⁹⁶

On 8 March 2008, Sir Michael Wheeler Booth, who chaired the Assembly Review, said that there should be a longer term review of AMs' salaries:

The independent panel which recommended Assembly Members receive 82% of an MP's salary was chaired by Sir Michael Wheeler-Booth ...He believes the method of setting an AM's pay is in need of major overhaul.

"What we have suggested is there should be a long-term review," he said. Sir Michael argues there should be "some kind of automatic link to something else".

However, he was convinced that AMs deserved an increase in wages, saying, "We thought there was enough evidence they were working harder and had more responsibility."⁹⁷

Details of allowances available to Members of the National Assembly for Wales are available in the *National Assembly for Wales (Assembly Members and Officers) (Salaries, Allowances, etc) Determination 2006*, which came into force on 30 November 2006 but applied to salaries and allowances from 1 April 2006.⁹⁸ The Determination also provides for the annual uprating of certain allowances.

⁹⁶ Review Panel on Financial Support for Assembly Members, *Assembly Members' Salaries*, First Report, 3 March 2008, <http://www.assemblywales.org/firstreport-salaries.pdf>

⁹⁷ "Chairman says there should be a long-term review of AMs' pay", *Western Mail*, 8 March 2008

3. Northern Ireland Assembly⁹⁹

The Northern Ireland Assembly was restored on 8 May 2007. Whilst the Assembly was suspended Members received reduced salaries. On restoration MLAs' salaries were initially paid at pre-suspension levels. They were subsequently increased (with effect from 8 May 2007). Details of these changes and the additional salaries for Ministers and office-holders are set out in the following table:

Table 3: Northern Ireland Assembly salaries

	Pre-suspension (1)	Suspension (2)	Dissolution (3)	Current Salaries (4)
Members	£41,321	£31,817	£20,660	£43,101
Members (abated - dual mandate)	£13,774	£10,606	£6,887	£14,367
<i>Additional salaries</i>				
First Minister	£69,862	-	-	£71,434
Deputy First Minister	£69,862	-	-	£71,434
Speaker	£36,241	£17,033	£17,033	£37,801
Ministers	£36,241	-	-	£37,801
Junior Ministers	£18,800	-	-	£19,609
Commission Members	£10,864	-	-	£11,331
Statutory Committee Chairs	£10,864	-	-	£11,331
Non-statutory Committee Chairs	£10,864	-	-	£11,331
Deputy Chairs	£5,433	-	-	£5,667

(1) 1 April - 14 November 2002

(2) 15 November 2002 - 31 May 2003; these rates applied in post-election periods: 5 December 2003 - 7 March 2007; and 13 March - 7 May 2007

(3) 1 June 2003 - 27 November 2003

(4) Immediately after the elections in 2003 and 2007, MLAs received no salaries over the periods 27 November - 4 December 2003, and 8 - 12 March 2007

In 2002, the SSRB recommended that MLA's salaries should be set at £45,250, with effect from 1 April 2002,¹⁰⁰ but the Assembly turned down this recommendation.¹⁰¹

In the summer of 2007, the Northern Ireland Assembly Commission requested the SSRB to undertake a review of the remuneration and allowances of MLAs. Publication is awaited.

4. Scottish Parliament

On 21 March 2002¹⁰² the Scottish Parliament approved a new *Scottish Parliament Salaries Scheme*.¹⁰³ This provided for an annual review of MSPs' salaries. Since 1 April 2003 the objective of the annual reviews has been to maintain those salaries at 87.5 per cent of the salary payable to Members of the House of Commons. Officeholders' salaries were increased to retain differentials. In 2006/07, in line with the staging of Members' and Ministers' salaries at Westminster, MSPs' salary increases were also staged. At the time of writing, MSPs' salaries for 2007/08 had not been updated to reflect the changes agreed in the House of Commons on 24 January 2008. MSPs' salaries

⁹⁸ *The National Assembly for Wales (Assembly Members and Officers) (Salaries, Allowances etc.) Determination 2006*, <http://www.assemblywales.org/mem-pay-salaries.pdf>

⁹⁹ Source: Northern Ireland Assembly Personnel Office and Finance Office

¹⁰⁰ Review Body on Senior Salaries, *Northern Ireland Assembly: Review of Pay and Allowances*, Report No 52, May 2002, para 2.8, <http://www.ome.uk.com/downloads/Senior%20Salaries%20NI.pdf>

¹⁰¹ Northern Ireland Assembly Official Report 25 June 2002

¹⁰² SP OR 21 March 2002, cols 10577-10587, cols 10592-10600

¹⁰³ See Scottish Parliament Paper 554

continued to be paid at 87.5 per cent of £60,675 (the amount that had been payable at 1 April 2007, following the application of the now defunct uprating formula).

Table 4 summarises current salaries in the Scottish Parliament:

Table 4: Scottish Parliament salaries: 2007/08

	From 1 April 2007	
	Addition	Total
First Minister	£76,907	£129,998
Presiding Officer	£39,897	£92,988
Deputy Presiding Officer	£24,989	£78,080
Lord Advocate (a)	£52,123	£105,214
Solicitor General for Scotland (a)	£37,690	£90,781
Scottish Minister	£39,897	£92,988
Junior Scottish Minister	£24,989	£78,080
MSP		£53,091

(a) Law Officers need not be MSPs, as is the case at present. They are paid the total salary regardless.

Details of allowances available to Members of the Scottish Parliament can be found in the Scottish Parliament Official Report.¹⁰⁴

On 20 June 2007, the Scottish Parliamentary Corporate Body (SPCB) agreed that there should be “a full scale review of parliamentary allowances”.¹⁰⁵ The SPCB appointed a panel that is described as bringing “together expertise from the public and private sectors, with an emphasis on experience in finance, accountancy and corporate governance”.¹⁰⁶ The panel was given the following remit:

To carry out a review of the Members’ Allowances Scheme, Party Leaders’ Allowance Scheme and Equipment and Furniture Scheme. As part of its consideration, the review panel is to have regard to the following:

- What are the tasks expected of Members of the Scottish Parliament?
- What are the tasks expected of party leaders and should there be a numerical qualification in terms of numbers of Members to qualify for payment, and if so, what should this be?

¹⁰⁴ SPOR 21 June 2001, cols 1907-17; current rates are detailed in Scottish Parliament Information Centre briefings, <http://www.scottish.parliament.uk/business/research/subject/index.htm>; see also SPICE, *Parliamentary allowances and pay*, SPICE briefing 07/51, 4 October 2007, <http://www.scottish.parliament.uk/business/research/briefings-07/SB07-51.pdf>

¹⁰⁵ Parliamentary Allowances Review, *Review of allowances at the Scottish Parliament*, <http://allowancesreview.scottish.parliament.uk>

¹⁰⁶ Parliamentary Allowances Review, *Review of allowances at the Scottish Parliament – Review Panel*, http://allowancesreview.scottish.parliament.uk/review_panel.htm

- What resources are required to enable those tasks to be undertaken effectively and efficiently on behalf of constituents and the Parliament
- What resources could be best provided centrally, or through other financial support mechanisms and what resources could be provided through an Allowances Scheme

The review panel shall invite evidence submissions from MSPs and such persons, parties and other organisations as it deems appropriate, and shall otherwise conduct the review as it sees fit.

The review panel may consider comparators with other support mechanisms both within the United Kingdom and beyond.

The review panel shall prepare a report setting out its findings and recommendations, with reasons, for submission to the SPCB by around the end of March 2008.¹⁰⁷

The Review Panel has published the evidence that it received during its inquiry, on its website, and its review was published on 12 March 2008.¹⁰⁸ The Review Panel concluded that “‘allowances’ really means ‘reimbursement of expenses’”. It took the view that it was in MSPs’ interests “to maintain a transparent system”. It set out the principles which it believed should underpin any consideration of its recommendations. It made a total of 68 recommendations.

5. European Parliament

The salary payable to UK Members of the European Parliament is the same as for Members of Parliament. Accordingly, during 2007/08, MEPs’ salaries were **£61,181** from 1 April 2007 and **£61,820** from 1 November 2007.¹⁰⁹

C. Parliamentary salary for ministers, etc.

Ministers’ pay is currently made up of two elements, the parliamentary salary (Members’ pay) and a ministerial salary. Until 1 July 1996 ministers received a reduced parliamentary salary. Since then they have received the full rate.

D. Ministers’ pay

Before 1996, ministerial salaries had been uprated by Order in line with Members’ salaries but this had not been enshrined in legislation or parliamentary resolution.¹¹⁰ However the

¹⁰⁷ Parliamentary Allowances Review, *Review of allowances at the Scottish Parliament – Remit of the review*,

<http://allowancesreview.scottish.parliament.uk/remmit.htm>

¹⁰⁸ Independent Review of Parliamentary Allowances, *Report to the Scottish Parliament Corporate Body on the Reimbursement of Expenses for Members of The Scottish Parliament*, March 2008,

http://allowancesreview.scottish.parliament.uk/report/AllowancesReviewReport_final.pdf

¹⁰⁹ House of Commons Library Standard Note SN/IA/3049, *The Statute for Members of the European Parliament*, gives details of the changes to MEPs’ pay and allowances that will be introduced following the 2009 European Parliamentary elections

1996 SSRB report,¹¹¹ which was accepted by the Commons, recommended that the uprating formula and 1 April implementation date should also apply to ministers and other paid office holders.

Uprating formula: Pay increases for ministers are linked automatically to the increase in pay bands for the Senior Civil Service, under a formula set out in section 1 of the *Ministerial and other Salaries Act 1997*. This is, in effect, the same formula that is used for uprating Members' pay.

The *Ministerial and other Salaries Act 1997* amended the 1975 Act of the same title to take into account the SSRB recommendations.

The following three tables summarise trends in ministerial pay since 1997/98.

The formula set out in the *Ministerial and other Salaries Act 1975*, as amended, was not changed following the SSRB's 2007 report and the Government's decision to stage Members' pay increases in 2007/08. The ministerial element of ministers' salaries therefore increased by 0.66 per cent in April 2007, in line with the uprating formula enshrined in the Act.

Table 5: Ministers and office-holders in Commons: Ministerial salary entitlements, £

	1997/98	2001/02	2005/06	1 Apr 2006	1 Nov 2006	2007/08
Prime Minister (a)	100,000	113,596	124,837	126,085	127,334	128,174
Cabinet Minister (a)	60,000	68,157	74,902	75,651	76,400	76,904
Minister of State	31,125	35,356	38,854	39,243	39,631	39,893
Parliamentary Under Secretary	23,623	26,835	29,491	29,786	30,081	30,280
Government Chief Whip (b)	36,613	68,157	74,902	75,651	76,400	76,904
Government Deputy Chief Whip	31,125	35,356	38,854	39,243	39,631	39,893
Government Whip	20,029	22,753	25,005	25,255	25,505	25,673
Assistant Government Whip	20,029	22,753	25,005	25,255	25,505	25,673
Leader of the Opposition	55,000	62,479	68,662	70,035	70,035	70,947
Opposition Chief Whip	31,125	35,356	38,854	39,631	39,631	39,893
Opposition Deputy Chief Whip	20,029	22,753	25,005	25,505	25,505	25,673
Opposition Assistant Whip	20,029	22,753	25,005	25,505	25,505	25,673
Speaker	60,000	68,157	74,902	75,651	76,400	76,904
Chairman of Ways and Means	31,125	35,356	38,854	39,243	39,631	39,893
First Deputy Chairman	27,355	31,073	34,148	34,489	34,831	35,061
Second Deputy Chairman	27,355	31,073	34,148	34,489	34,831	35,061
Attorney General (c)	63,756		In Lords			
Solicitor General (d)	In Lords	59,386	65,263	65,916	66,569	67,008
Advocate General for Scotland (e)		59,386	65,263	In Lords		

¹¹⁰ Such an Order would have been required for an 'uprating' increase from 1 April 1997, but there was no such Order, and therefore no uprating for the year beginning 1 April 1997

¹¹¹ Review Body on Senior Salaries, *Review of Parliamentary pay and allowances*, Report No. 38, Cm 3330-I, 1996, <http://www.ome.uk.com/downloads/volume1.pdf>

Table 6: Ministers and office-holders in Commons: Full salary entitlements, £

	1997/98	2001/02	2005/06	1 Apr 2006	1 Nov 2006	1 Apr 2007	1 Nov 2007
Prime Minister (a)	143,860	163,418	183,932	185,771	187,611	189,355	189,994
Cabinet Minister (a)	103,860	117,979	133,997	135,337	136,677	138,085	138,724
Minister of State	74,985	85,178	97,949	98,929	99,908	101,074	101,713
Parliamentary Under Secretary	67,483	76,657	88,586	89,472	90,358	91,461	92,100
Government Chief Whip (b)	80,473	117,979	133,997	135,337	136,677	138,085	138,724
Government Deputy Chief Whip	74,985	85,178	97,949	98,929	99,908	101,074	101,713
Government Whip	63,889	72,575	84,100	84,941	85,782	86,854	87,493
Assistant Government Whip	63,889	72,575	84,100	84,941	85,782	86,854	87,493
Leader of the Opposition	98,860	112,301	127,757	129,721	130,312	132,128	132,767
Opposition Chief Whip	74,985	85,178	97,949	99,317	99,908	101,074	101,713
Deputy Chief Opposition Whip	63,889	72,575	84,100	85,191	85,782	86,854	87,493
Assistant Opposition Whip	63,889	72,575	84,100	85,191	85,782	86,854	87,493
Speaker	103,860	117,979	133,997	135,337	136,677	138,085	138,724
Chairman of Ways and Means	74,985	85,178	97,949	98,929	99,908	101,074	101,713
First Deputy Chairman	71,215	80,895	93,243	94,175	95,108	96,242	96,881
Second Deputy Chairman	71,215	80,895	93,243	94,175	95,108	96,242	96,881
Attorney General (c)	107,616			In Lords			
Solicitor General (d)	In Lords	109,208	124,358	125,602	126,846	128,189	128,828
Advocate General for Scotland (e)		109,208	124,358		In Lords		

Table 7: Ministers and office-holders in Lords: Full salary entitlements, £

	1997/98	2001/02	2005/06	1 Apr 2006	1 Nov 2006	2007/08
Lord Speaker (f)				102,685	103,701	104,386
Cabinet Minister (a)	77,963	88,562	101,668	102,685	103,701	104,386
Minister of State	51,838	68,283	79,382	80,176	80,970	81,504
Parliamentary Under Secretary	43,632	58,961	69,138	69,829	70,521	70,986
Government Chief Whip	51,838	68,283	79,382	80,176	80,970	81,504
Government Deputy Chief Whip	43,632	58,961	69,138	69,829	70,521	70,986
Government Whip	39,462	54,224	63,933	64,572	65,212	65,624
Leader of the Opposition	43,632	58,961	69,138	70,521	70,521	70,986
Opposition Chief Whip	39,462	54,224	63,933	65,212	65,212	65,624
Lord Chancellor (g)	140,665	173,875	213,899	102,685	103,701	(h)
Chairman of Committees	51,838	68,283	79,382	80,176	80,970	81,504
Principal Deputy Chairman	47,739	63,626	74,265	75,008	75,750	76,250
Solicitor General (d)	78,072		In Commons			
Attorney General (c)	In Commons	92,826	106,358	107,422	108,485	109,201
Advocate General for Scotland (e)		In Commons		93,249	94,173	94,794

Notes on ministers' pay tables:

(a) On 8 May 1997 the new Government stated that the Prime Minister and Cabinet Ministers would not take the post-election increases. The postholders drew a reduced ministerial salary.

Following the election in May 2001 the Government announced that ministers would take their full salary entitlement.

(b) Government Chief Whip in Cabinet as from 28 July 1998, so receives Cabinet Minister's salary.

(c) Office in Lords from 29 July 1999 [*Attorney General's Salary Order 2000*, SI 2000/1827] - implementing 1996 SSRB recommendation that the salary should have same differential over the rate for a Cabinet Minister in Lords as it had in the Commons. From April to July 1999, the Commons ministerial salary was £68,332.

(d) Office in Commons in 1992-1997 Parliament, and as from 28 July 1998.

(e) The Office of Advocate General for Scotland was created by the *Scotland Act 1998*: the Lord Advocate and the Solicitor General for Scotland became Ministers in the Scottish Executive.

- (f) The Lord Speaker took office on 4 July 2006; the *Constitutional Reform Act 2005* no longer required the Lord Chancellor to fulfil this role.
- (g) From 1 April 1997, in line with the staged increase for the Lord Chief Justice. The *Ministerial and Other Pensions and Salaries Act 1991*, as amended by the *Ministerial and Other Salaries Order 1996* [SI 1996/1913], determined that the Lord Chancellor should receive £2,500 a year more than the salary for the time being payable to the Lord Chief Justice. However, the Lord Chancellor has elected to receive the same salary as other Cabinet members in the Lords.
- (h) The Lord Chancellor no longer has to sit in the House of Lords. The position is now held by Jack Straw, Secretary of State for Justice.

E. Parliamentary salary for select committee chairmen

On 30 October 2003, the House agreed to pay certain select committee chairmen £12,500 per annum in addition to their salary as a Member, following a recommendation to that effect from the Review Body on Senior Salaries (SSRB). The new arrangements came into effect from the beginning of the 2003-04 Session. In 2007/08, following the implementation of Resolutions passed on 24 January 2008, the additional salary was **£13,571** from 1 April 2007 and **£13,713** from 1 November 2007.

Details of the background to the introduction of the additional salary, of historic levels of the additional salary and of the select committees whose chairmen receive an additional salary are given in the Library Standard Note, *Modernisation: Select committees – pay for chairmen*.¹¹²

The House endorsed all the SSRB's recommendations on 30 October 2003:

Resolution debated and agreed: 30 October 2003, on division (86 to 59).¹¹³

On 13 July 2005, the House agreed to increase the number of committees whose chairmen qualified for an additional salary:

Resolution debated and agreed: 13 July 2005, on division (232 to 59).¹¹⁴

On 18 May 2006, the House agreed to pay the increase in Members' pay for 2006/07 in two stages, and one further chairman (the chairman of the *Crossrail Bill* Committee) was added to the list of those who qualified for an additional salary, with effect from 13 December 2005.¹¹⁵ That arrangement ended when the Committee was formally wound up on 18 October 2007.¹¹⁶

The 2007/08 additional salary increases were implemented following the debate on the SSRB's 2007 review of pay and allowances:

¹¹² House of Commons Library Standard Note SN/PC/2725, *Modernisation: Select committees – pay for chairmen*, <http://www.parliament.uk/commons/lib/research/notes/snpc-02725.pdf>

¹¹³ HC Deb 30 October 2003 Vol 412 cc448-507

¹¹⁴ HC Deb 13 July 2005 cc840-930

¹¹⁵ HC Deb 18 May 2006 cc1152-1164; **Resolution debated and agreed:** 18 May 2006, no division

¹¹⁶ Crossrail Bill Select Committee, http://www.parliament.uk/parliamentary_committees/crossrail.cfm

Resolution debated and agreed: 24 January 2008, no division.¹¹⁷

F. General Committee chairmen

On 13 July 2005, when the House debated the membership of select committees, it also agreed to introduce additional salaries for the chairmen of general committees (standing committees, at the time), following an SSRB review which, “on balance” considered that:

... a good case can be made for additional payment for at least those Chairmen of Standing Committees undertaking more substantial duties. Payment could support membership of the Panel as a possible step in a career path leading ultimately to the role of Deputy Speaker, or possibly even Speaker.¹¹⁸

The new arrangements, which came into effect from 1 November 2005, allowed for a tiered salary structure, based on length of service. Under this approach the most experienced chairmen receive an additional salary that is equivalent to that of a select committee chairman.

Resolution debated and agreed: 13 July 2005, on division (226 to 74).¹¹⁹

The tiers are shown in Table 8, which also shows the salaries that applied in 2005/06, 2006/07 and the current year.

Table 8: Committee Chairmen additional salaries 2005/06, 2006/07 and 2007/08

	2005/06 (a)	2006/07		2007/08	
		From 1 April	From 1 Nov	From 1 April	From 1 Nov
Select Committee Chair	£13,107	£13,239	£13,370	£13,571	£13,713
Standing Committee Chair					
Tier 1 <i>Less than 1 year</i>	£2,615	£2,642	£2,668	£2,708	£2,737
Tier 2 <i>1-3 years</i>	£7,340	£7,414	£7,487	£7,600	£7,679
Tier 3 <i>3-5 years</i>	£9,960	£10,060	£10,160	£10,313	£10,421
Tier 4 <i>At least 5 years</i>	£13,107	£13,239	£13,370	£13,571	£13,713

Note (a): Standing Committee Chair salaries were introduced with effect from 1 November 2005

The resolutions agreed on 18 May 2006 and 24 January 2008, which have been mentioned above, were required to stage the increases in the additional salaries of members of the Chairmen’s panel in 2006/07 and in 2007/08.¹²⁰

Details of the background to the introduction of the additional salary are given in the Library Standard Note, *Standing committees: pay for chairmen*.¹²¹

¹¹⁷ HC Deb 24 January 2008 cc1719-1720

¹¹⁸ Review Body on Senior Salaries, *Pay for Standing Committee Chairmen in the House of Commons*, July 2005, Cm 6566, para 2.11

¹¹⁹ HC Deb 13 July 2005 cc840-930

¹²⁰ HC Deb 18 May 2006 cc1152-1164; HC Deb 24 January 2008 cc1719-1720

¹²¹ House of Commons Library Standard Note SN/PC/3718, *Standing committees: pay for chairmen*, <http://www.parliament.uk/commons/lib/research/notes/snpc-03718.pdf>

IV Members' Allowances

A. Members Estimate Committee

1. Establishment

On 29 January 2004, the House agreed to delegate a number of responsibilities concerning the House of Commons: Members Estimate (the budget from which Members are paid and their allowances funded) and some responsibilities previously conferred on the Speaker relating to allowances and insurance, to the House of Commons Members Estimate Committee.

The House agreed a new Standing Order which set the terms of reference of the Committee, stipulated that its membership should be the same as that of the House of Commons Commission, and required it to report to the House at least once a year.

The new Standing Order¹²² was agreed without a division.¹²³

The Members Estimate Committee is advised by the Advisory Panel on Members' Allowances (formerly the Speaker's Advisory Panel).

2. Work of the Committee in 2006/07¹²⁴

The House of Commons: Members Resource Accounts included a brief review of the work of the MEC in 2006/07. The Committee met on eight occasions during the year. In June 2006, the second edition of the "Concordance" was published,¹²⁵ and an updated edition of *The Green Book* was published.¹²⁶ The report highlighted the following:

- revisions of the rules for the Additional Costs Allowance to allow for the reimbursement 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 other allied changes to the rules";¹²⁷
- drawing up a scheme for the Communications Allowance;

¹²² HC Deb 29 January 2004 c406; Standing Order No. 152D

¹²³ HC Deb 29 January 2004 c418. More details of the debate are given in RP 05/42, section III.A.1

¹²⁴ The work of the Members Estimate Committee in the years 2004/05 and 2005/06 was reviewed in the previous edition of this paper (RP 06/47)

¹²⁵ Members Estimate Committee, *Concordance of Resolutions*, June 2006, HC 950-II 2005-06
<http://www.publications.parliament.uk/pa/cm200506/cmselect/cmmemest/950/950ii.pdf>

¹²⁶ Department of Finance and Administration, *The Green Book – Parliamentary Salaries, Allowances and Pensions*, July 2006, <http://www.parliament.uk/documents/upload/HofCpsap.pdf>

¹²⁷ Members Estimate Committee, *Formal Minutes*, 19 June 2006,
http://www.parliament.uk/parliamentary_committees/mec/mecfm190606.cfm

- agreeing to make “annual contributions to DEFRA’s Government Carbon Offsetting Fund to cover the carbon costs of Members’ air travel paid for from the Members Estimate”;¹²⁸
- extending the European travel scheme to include all countries belonging to the Council of Europe;¹²⁹ and
- approving the arrangements for the publication of “details of expenditure on allowances and entitlements attributable to individual Members, in accordance with the House’s scheme of publication under the *Freedom of Information Act*”; and providing guidance on handling Fol requests.¹³⁰

In addition, the MEC agreed that:

... Members should be put on the same basis as Members’ staff and staff of the House and that a single childcare voucher scheme should be developed.¹³¹

3. Advisory Panel on Members’ Allowances

The Advisory Panel on Members’ Allowances (APMA) was set up (as the Speaker’s Advisory Panel) in 2001 to advise the Speaker on the application of the allowances and arrangements for the provision of IT and training. It was given the following terms of reference:

Advisory Panel

(4)—(1) It should be the responsibility of a Panel appointed by Mr. Speaker to advise him on:

- (i) directions he may give as to the application of the provisions of this Resolution under paragraphs (2) and (3) above;
- (ii) his authorisation of expenditure not otherwise specified in this Resolution but within the ambit of the Vote, pursuant to paragraph (3)(f) thereof; and
- (iii) the application of the provisions of this Resolution to individual cases of difficulty.

(2) The Panel should advise Mr. Speaker and the Leader of the House on the potential development of the arrangements made by or under the Resolutions in force from time to time regarding Members’ allowances &c.¹³²

¹²⁸ *Ibid*

¹²⁹ Members Estimate Committee, *Formal Minutes*, 29 January 2007,

http://www.parliament.uk/parliamentary_committees/mec/mecfm290107.cfm

¹³⁰ House of Commons, *House of Commons: Members – Annual Report, Resource Accounts and Audit Committee Annual Report 2006-07*, July 2007, HC 832, paras 10-15,

<http://www.publications.parliament.uk/pa/cm/cmresource/832.pdf>

¹³¹ Members Estimate Committee, *Formal Minutes*, 29 January 2007,

http://www.parliament.uk/parliamentary_committees/mec/mecfm290107.cfm

¹³² HC Deb 5 July 2001 c422; approved HC Deb 5 July 2001 cc463-466

On 29 January 2004, when the House established the MEC, it confirmed the APMA's role but provided for it to advise the MEC rather than the Speaker. However, the Speaker was to continue to appoint the members of the APMA.¹³³

B. Allowances and rates

The rules relating to allowances are published in *The Green Book* and the resolutions in the *Concordance of Resolutions*.¹³⁴

A summary of the current and recent maximum amounts is given in Table 9, on page 51. It is permissible to transfer money from the Staffing Allowance to the Incidental Expenses Provisions, within limits, and from either of these allowances to the Communications Allowance.

1. Staffing allowance

The 2001 SSRB review created a new staffing allowance.¹³⁵ Initially different maxima were set for MPs depending on whether their constituency was in London or not. The 2004 SSRB review recommended that this practice continue; it recommended an increase in excess of the uprating formula; and that the allowance should be increased annually, with effect from 1 April 2005, in line with the Average Earnings Index for public and private sectors combined, in place of the previous “to reflect changes in pay levels for equivalent jobs outside the House”. However, the House agreed that all Members should be entitled to the higher level of allowance, and that up to 10 per cent of the allowance could be used to fund constituency offices.¹³⁶

Uprating formula: the staffing allowance will be uprated annually to reflect changes in the Average Earnings Index for public and private sectors combined.

Resolution debated and agreed: 5 July 2001, as amended, agreed to.¹³⁷

Resolution debated and agreed: 3 November 2004, as amended, agreed to.¹³⁸

The maximum entitlement to staffing allowance is **£90,505**, for the financial year 2007/08.

2. Incidental expenses

As a result of the changes to the Office Cost Allowance in 2001, a new provision called an Incidental Expenses Provision was established, at the initial rate of £18,000 per year

¹³³ HC Deb 29 January 2004 c406; c418

¹³⁴ Department of Finance and Administration, *The Green Book – Parliamentary Salaries, Allowances and Pensions*, July 2006, <http://www.parliament.uk/documents/upload/HofCpsap.pdf>; and Members Estimate Committee, *Concordance of Resolutions*, June 2006, HC 950-II 2005-06, <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmmemest/950/950ii.pdf>

¹³⁵ Staffing costs had previously been met from an Office Costs Allowance

¹³⁶ HC Deb 3 November 2004 cc362-363

¹³⁷ HC Deb 5 July 2001 c466

¹³⁸ HC Deb 3 November 2004 cc362-363

for each Member,¹³⁹ to meet any other expenditure which Members incurred wholly necessarily and exclusively in discharging their duties as Members. The current maximum entitlement is **£21,339** for the financial year 2007/08.

Uprating formula: The Incidental Expenses Provision is uprated annually on 1 April by the percentage increase in the RPI (the general index for all items) in the year to December.

Resolution debated and agreed: 5 July 2001, as amended, agreed to¹⁴⁰

3. Supplementary London Allowance

The Supplementary London Allowance (“London Supplement”) is payable to Members for Inner London seats, and certain others, to reflect higher costs in London. The current rate is **£2,812**.

Until March 2005, it was uprated in line with the Retail Price Index but the SSRB recommended that this should change. From April 2005, it also proposed that the London Supplement should increase to £2,500 plus uprating, as it was previously “low by comparison with London allowances in the public sector generally”.¹⁴¹ In line with backbench MPs, from April 2005 Ministers can claim the London Supplement only if they do not claim the Additional Cost Allowance.

Uprating formula: The London Supplement is uprated annually on 1 April by the Average Earnings Index for public and private sectors combined.

Resolution debated and agreed: 3 November 2004, no division¹⁴²

The House resolved on 27 June 1997 that the following constituencies are specified as ‘Inner London constituencies’:

Battersea; Bethnal Green and Bow; Camberwell and Peckham; Cities of London and Westminster; Dulwich and West Norwood; Eltham; Greenwich and Woolwich; Hackney North and Stoke Newington; Hackney South and Shoreditch; Hammersmith and Fulham; Hampstead and Highgate; Holborn and St. Pancras; Islington North; Islington South and Finsbury; Kensington and Chelsea; Lewisham, Deptford; Lewisham East; Lewisham West; North Southwark and Bermondsey; Poplar and Canning Town; Putney; Regent's Park and Kensington North; Streatham; Tooting; Vauxhall.¹⁴³

¹³⁹ The SSRB had recommended that the IEP should be initially set at £14,000 but an amendment (£18,000) was agreed to during the debate on 5 July 2001

¹⁴⁰ HC Deb 5 July 2001 c463

¹⁴¹ Review Body on Senior Salaries, *Review of Parliamentary pay and allowances 2004*, Report No 57, Cm 6354-I, October 2004, para 4.48

¹⁴² HC Deb 13 November 2004 c368

¹⁴³ HC Deb 27 July 1997 c1130

4. Additional Costs Allowance

The Additional Costs Allowance (ACA) reimburses Members with constituencies outside inner London for expenses incurred in staying overnight away from home whilst performing parliamentary duties. The current maximum entitlement is **£23,083** for the financial year 2007/08.

Uprating formula: Since 1994, the ACA has been uprated annually on 1 April by the percentage increase in the RPI (the general index for all items) in the year to the preceding December [from April 2004] until, exceptionally, during the debate on pay and allowances on 5 July 2001, a backbench amendment was agreed which increased the ACA by some 42%.

Resolution debated and agreed: 13 July 1994, no division.¹⁴⁴

Resolution debated and agreed: 5 July 2001, on division (229 to 117).¹⁴⁵

The Library Standard Note, *Additional Costs Allowance*, outlines the introduction and evolution of the Allowance.¹⁴⁶

5. Communications Allowance

On 28 March 2007, the House endorsed proposals from the MEC to introduce a new allowance – the Communications Allowance – to assist Members with expenditure incurred wholly, exclusively and necessarily in communicating with the public on parliamentary business. The Allowance was set at **£10,000** per annum for 2007/08; annual uprating would take place in line with increases in the Retail Price Index. The House was also informed that, if it agreed to introduce the Communications Allowance, “Mr Speaker has already indicated that he will cap the provision of paid-for envelopes at £7,000”.¹⁴⁷ The MEC had also proposed that the Communications Allowance could be supplemented with transfers from the Staffing Allowance of up to 10 per cent of the value of the Staffing Allowance.¹⁴⁸

Uprating formula: The allowance shall be set at £10,000 [for 2007/08] per year for each Member, uprated annually in line with any increase in the Retail Price Index.

Resolution debated and agreed: 28 March 2007, on a division by 283 to 188.¹⁴⁹

The House had previously agreed in principle to introducing the new allowance on 1 November 2006, by 290 votes to 199.¹⁵⁰

¹⁴⁴ Debated: HC Deb 13 July 1994 Vol 246 cc1105-1114, no division. The basis of the formula, and the previous arrangements, were explained by the Leader of the House, Tony Newton, at cc1107-9

¹⁴⁵ HC Deb 5 July 2001 Vol 371 cc464-6

¹⁴⁶ House of Commons Library Standard Note SN/PC/4641, *Additional Costs Allowance*, <http://www.parliament.uk/commons/lib/research/notes/snpc-04641.pdf>

¹⁴⁷ HC Deb 28 March 2007 c1515

¹⁴⁸ Members Estimate Committee, *Communications Allowance*, 19 March 2007, HC 319 2006-07, para 17

¹⁴⁹ HC Deb 28 March 2007 cc1548-1551

¹⁵⁰ HC Deb 1 November 2006 cc411-414

Following the agreement in principle, the MEC drew up proposals for the allowance, which it published on 19 March 2007.¹⁵¹ The background to the introduction of the Communications Allowance is set out in the Library Standard Note *Communications Allowance*.¹⁵²

6. Motor Mileage Allowance

The Motor Mileage Allowance (MMA) reimburses Members for the cost of travel by car between Westminster and their constituencies and homes and for other approved journeys on parliamentary business. From 1 April 2005, in line with SSRB recommendations, the MMA was reduced. It is now set in line with approved Inland Revenue rates which are calculated to “represent the actual cost of motoring, including fuel costs, wear and tear (including servicing and depreciation), road fund licence, and insurance”.¹⁵³ The current rates are **40.0 pence** per mile for the first 10,000 miles and **25.0 pence** per mile thereafter.

Uprating formula: the Motor Mileage Allowance is set in line with approved Inland Revenue rates.

Resolution debated and agreed: 3 November 2004, no division (but a proposed amendment had been negated).¹⁵⁴

7. Motorcycle Allowance

On 29 January 2004, the House introduced a new allowance: the Motorcycle Allowance, which reimburses Members for journeys by motorcycle. The current rate is **24 pence** per mile.

Uprating formula: The Motorcycle Allowance shall be payable at the same rate as the motorcycle mileage rate approved by the Inland Revenue and then in force.

Resolution debated and agreed: 29 January 2004, no division.¹⁵⁵

8. Bicycle Allowance

The Bicycle Allowance first took effect from 1 April 1998.¹⁵⁶ Following its introduction, it was uprated annually by the percentage increase in the RPI (the general index for all items) in the year to March.

¹⁵¹ Members Estimate Committee, *Communications Allowance*, 19 March 2007, HC 319 2006-07

¹⁵² House of Commons Library Standard Note SN/PC/4615, *Communications Allowance*, <http://www.parliament.uk/commons/lib/research/notes/snpc-04615.pdf>

¹⁵³ Review Body on Senior Salaries, *Review of Parliamentary pay and allowances 2004*, Report No 57, Cm 6354-I, October 2004, para 4.51

¹⁵⁴ HC Deb 3 November 2004 cc315-367

¹⁵⁵ HC Deb 29 January 2004 cc406-418

¹⁵⁶ HC Deb 20 March 1998 c1597

In January 2004, the House agreed to rescind the resolution of 20 March 1998 and set mileage allowances for bicycles at the rate approved by the Inland Revenue. The current rate is **20 pence** per mile.

Upating formula: The Bicycle Allowance shall be payable at the same rate as the bicycle mileage rate approved by the Inland Revenue and then in force.

[Resolution debated and agreed: 29 January 2004, no division.](#)¹⁵⁷

9. Temporary Secretarial Allowance

A Temporary Secretarial Allowance (TSA) is available to meet the extra cost of obtaining temporary secretarial/research assistance while a salaried permanent secretary/RA is absent from work through paid sickness, maternity or adoption leave.

Resolution debated and agreed: *5 June 1981, no division.*¹⁵⁸

In order to qualify for payment of the allowance a Member's secretary or researcher for whom the temporary cover is being provided must:

- be absent from work on paid maternity leave, or
- be absent on sick leave for **more** than two continuous weeks, or
- be absent on paid adoption leave
- continue to receive a salary paid from the Member's allowances
- submit supporting medical certificates, or a MATB1 form (for evidence of pregnancy), or a matching certificate from the adoption agency
- have a valid contract of employment specifying the periods of paid absence

In the case of sickness absence, once the "more than two week" rule has been met TSA will be retrospective to the first day of absence if applicable.

The maximum entitlement will be based on the amount of the absent employee's salary for the following periods:

Maternity: 26 times the total of the gross weekly pay and Employers' National Insurance contributions of the absent employee. TSA will not cover maternity leave in excess of the contractual 26 weeks, whether paid or unpaid after that time.

If the same employee goes on maternity leave again in the future the Member is eligible for a further TSA allowance.

Adoption: 26 times the total of the gross weekly pay and Employers' National Insurance contributions of the absent employee. TSA will not cover adoption leave in excess of the contractual 26 weeks paid leave.

¹⁵⁷ HC Deb 29 January 2004 cc406-418

¹⁵⁸ HC Deb 5 Jun 1981 cc1201-1260. See brief explanation by the then Leader of the House, Mr Pym, at c1205. Based on proposal in TSRB report no. 17, Cmnd 8244, para 13

Sickness: In any four year period, twelve times the gross monthly salary of the employee concerned.

These arrangements provide for an allowance which is completely separate from the Members' Staffing Allowance. Where a member of staff is absent on half-pay, part of the Staffing Allowance must be used towards the cost of the replacement. Likewise, when the permanent employee reaches their contractual limits for salary entitlement the costs of the replacement will no longer be additional to the normal salary costs and full costs will come from the staffing allowance

More than one claim for temporary assistance may be admitted in relation to an employee's absence on sick leave provided the limit of 52 weeks sick pay in any four years is not breached.¹⁵⁹

10. Winding Up Allowance

An allowance equivalent in value to one third of the current level of the sum of the Staffing Allowance and Incidental Expenses Provision is available to meet the cost of completing outstanding parliamentary and constituency business undertaken by or on behalf of a former Member in the event of their death, defeat or retirement. The maximum rate is **£37,281** in 2007/08.

Upating formula: One third of the sum of the staffing provision and the Incidental Expenses Provision (IEP).

[Resolution debated and agreed: 5 July 2001.](#)¹⁶⁰

Until 2001 it was based on the Office Costs Allowance.¹⁶¹

11. Summary of trends in allowance rates

Table 9 summarises recent trends in allowance rates.

¹⁵⁹ Department of Resources, *Members' Staff Temporary Secretarial Allowance*, April 2003

¹⁶⁰ HC Deb 5 July 2001 c466

¹⁶¹ HC Deb 13 July 1994 cc1105-1114. [Resolution debated and agreed: 13 July 1994, no division](#)

Table 9: MPs allowances: summary 1997/98 - 2007/08**(a) Staffing and Office etc Costs, Additional Costs Allowances and London Supplement**

	Old Office Costs Allowance (max)	Staffing (max)	Additional costs	Incidental expenses	Communi- cations Allowance	London	Maximum winding- up
1997/98	£47,568		£12,287			£1,358	£15,856
1998/99	£49,232		£12,717			£1,406	£16,411
1999/00	£50,264		£12,984			£1,436	£16,755
2000/01	£51,572		£13,322			£1,473	£17,191
2001/02	£52,760		£19,469			£1,507	£17,587
2002/03	£53,446	£72,310	£19,722	£18,234		£1,527	£30,181
2003/04		£74,985	£20,333	£18,799		£1,574	£31,261
2004/05		£77,534	£20,902	£19,325		£1,618	£32,286
2005/06		£84,081	£21,634	£20,000		£2,613	£34,694
2006/07		£87,276	£22,110	£20,440		£2,712	£35,905
2007/08		£90,505	£23,083	£22,319	£10,000	£2,812	£37,281

(b) Mileage rates

	Vehicle mileage (pence per mile)			
	Car (a)		Motorcycle	Bicycle
	<10,000	>10,000		
1997/98	48.8	22.3		
1998/99	50.1	23.1		6.4
1999/00	51.2	23.6		6.5
2000/01	52.5	24.2		6.7
2001/02	53.7	24.8		6.9
2002/03	54.4	25.1		7.0
2003/04	56.1	25.9		7.2
2004/05	57.7	26.6	24.0	20.0
2005/06	40.0	25.0	24.0	20.0
2006/07	40.0	25.0	24.0	20.0
2007/08	40.0	25.0	24.0	20.0

Note: (a) Higher rate was paid for up to 20,000 miles per year before 2005/06

12. Reimbursement of costs due to recall during a recess

This allowance was introduced in 1994 to cover the necessary expenses of Members returning to Westminster in the event of a recall of Parliament during a recess. Members can reclaim any “extra costs” they may incur due to a parliamentary recall.

[Resolution debated and agreed: 13 July 1994, no division.](#)¹⁶²

13. Members’ Resettlement Grant

A person who is a Member immediately before the dissolution of Parliament and does not stand for re-election or is defeated may claim a Resettlement Grant to assist with the costs

¹⁶² HC Deb 13 Jul 1994 cc1105-14. Tony Newton, then Leader of the House, explained the basis of this new allowance during his remarks in the 13 July 1994 debate, c1110

of 'adjusting to non-parliamentary life'. The grant was introduced in 1991 following a Top Salaries Review Body recommendation.

The grant is calculated as a proportion of final salary; the proportion payable depends on both age and length of service. The relevant percentages are shown in the table below. Only whole years of service are counted, and any period of service which was taken account of in the payment of a previous Resettlement Grant is not counted.¹⁶³

The SSRB was asked to look at the calculation of the Resettlement Grant in its review that commenced in October 2000. It considered evidence arguing that the calculation should not be based on full years' service, as small differences in length of service could result in significant variations between Members. It concluded, however, that no change was warranted.¹⁶⁴

[Resolution debated and agreed: 22 May 1991, no division.](#)¹⁶⁵

Table 10 below shows resettlement grant rates by age and length of service:

Table 10: Resettlement grant

Percentages of final annual salary

MP's age	Full years served						
	Under 10	10	11	12	13	14 15 or more	
Under 50	50	50	50	50	50	50	50
50	50	50	52	54	56	58	60
51	50	52	55	58	62	65	68
52	50	54	58	63	67	72	76
53	50	56	62	67	73	78	84
54	50	58	65	72	78	85	92
55 to 64	50	60	68	76	84	92	100
65	50	58	65	72	78	85	92
66	50	56	62	67	73	78	84
67	50	54	58	63	67	72	76
68	50	52	55	58	62	65	68
69	50	50	52	54	56	58	60
70 or over	50	50	50	50	50	50	50

Members who retire through ill health, during a Parliament, are entitled to receive an ill health retirement grant, calculated in the same way as the resettlement grant.

¹⁶³ Any period of service which was *disregarded* when a previous Resettlement Grant was paid is also disregarded when any subsequent claim is made

¹⁶⁴ *Review of Parliamentary Pay and Allowances*, Review Body on Senior Salaries report no 48, Cm 4997, chapter 5

¹⁶⁵ HC Deb 22 May 1991 cc1033-1038

14. Travel by Members to National Parliaments and European Union Institutions

The House passed a [resolution](#) on 9 May 2002 to allow the reimbursement of Members travelling on parliamentary duties to European Union institutions and national parliaments for up to three journeys.¹⁶⁶ It replaced a previous resolution which had allowed one journey per year.¹⁶⁷ In February 2004, the Members Estimate Committee further extended the scope of the resolution:

Provision should be made for reimbursing Members in respect of the cost of travelling on parliamentary duties between the United Kingdom and any European Union Institution or agency and the national parliament of an EU state, of a candidate or applicant country, or of a European Free Trade Association Member State, and any additional expenses necessarily incurred in such travelling ...¹⁶⁸

The MEC extended the scope of the allowance further in January 2007, when it decided that the allowance could be used to reimburse travel to any Parliament in the countries belonging to the Council of Europe.¹⁶⁹

15. Travel by a Member's spouse, children and staff

Special travel provisions are available for Members' spouses, and children under the age of 18. They can claim a certain number of free journeys between London and the constituency and/or London and home. From 1971 this concession applied to Members' spouses. On 10 June 1982, it was extended to include Members' children under 18 years of age. In December 2005, it was further extended to include 18 year olds in full-time secondary education and civil partners.¹⁷⁰ The arrangements permit up to 15 return journeys between London and the Member's constituency or London and the Member's home each year (April to March).

Arrangements are also in place for travel for Members' staff. They permit 12 return journeys between London and the Member's constituency each year (April to March), shared between all employees of a Member.

16. Rates of allowances in 2008/09

The annual increase in the maximum amounts that can be claimed under the various allowances will take effect from 1 April 2008. The following rates will apply:

¹⁶⁶ HC Deb 9 May 2002 c401

¹⁶⁷ HC Deb 26 May 1999 cc411-426

¹⁶⁸ Members Estimate Committee, *List of provisions of the Resolutions of the House relating to expenditure charged to the Estimate for House of Commons: Members, as modified by the House of Commons Members Estimate Committee*, First Edition, December 2004, para 7.8 [The Concordance]

¹⁶⁹ Members Estimate Committee, *Formal Minutes*, 19 June 2006, http://www.parliament.uk/parliamentary_committees/mec/mecfm190606.cfm

¹⁷⁰ Members Estimate Committee, *Formal Minutes*, 12 December 2005, http://www.parliament.uk/parliamentary_committees/mec/mecfm121205.cfm

Staffing Allowance	£100,205*
Incidental Expenses Provision	£22,193
Additional Costs Allowance	£24,006
Communications Allowance	£10,400
Winding Up Allowance	£40,799

* The Staffing Allowance has been uprated in line with the SSRB's recommendation that each Member should be able to employ 3½ staff (the SSRB recommendation for outside London was £96,630 and this has been uprated to reflect inflation). A decision is yet to be taken on the SSRB's recommendation on the London differential.

Further changes could be made to these rates and the rules that apply to the claiming of these allowances as a result of the current review of allowances being undertaken by the Members Estimate Committee. Specific changes to the Staffing Allowance and the Incidental Expenses Provision were recommended by the SSRB. These recommendations are being considered by the MEC as part of its "root and branch" review of allowances.

The motor mileage rates will be unchanged.

The London Supplement, for inner London Members, will increase to £2,916.

C. Allowances for ministers

1. Ministers' severance payments

Generally, a lump sum, equivalent to three months of annual ministerial salary, is payable when a minister ceases to hold office. Full details are set out in section 4 of the *Ministerial and other Pensions and Salaries Act 1991*, as amended:

4 Grants to persons ceasing to hold ministerial and other offices

(1) Where a person who has not attained the age of sixty-five—
 (a) ceases at any time ("the material time") after the passing of this Act to hold a relevant office; and
 (b) does not again become the holder of a relevant office within the period of three weeks beginning at the material time,
 he shall be entitled to a payment under this section.

(2) Subject to subsection (3) below, the amount of the payment to which a person who has ceased to hold a relevant office is entitled under this section is an amount equal to one-quarter of the annual amount of the salary which was being paid to that person in respect of that office immediately before the material time.

(3) If that person was immediately before the material time a Member of the House of Commons the amount mentioned in subsection (2) above shall be reduced by an amount equal to one-quarter of the difference between—
 (a) the annual amount of the salary which was then being paid under a Resolution of that House to Members who are Officers of that House or receiving a salary under the Ministerial and other Salaries Act 1975 or a pension under section 26 of the Parliamentary and other Pensions Act 1972; and

(b) the annual amount of the salary which was then being paid under that Resolution to other Members.

(4) A payment under this section shall not be made until the end of the period mentioned in subsection (1)(b) above.¹⁷¹

2. Former Prime Ministers' Public Duties Allowance

The Public Duties Allowance (PDA) is a financial allowance, paid from the Cabinet Office vote, to help former Prime Ministers to meet the continuing additional office costs which they are liable to incur because of their special position in public life.¹⁷² The allowance is not payable to a former Prime Minister occupying the position of Leader of the Opposition and therefore in receipt of "Short money".¹⁷³

The allowance was introduced in April 1991. It was not subject to a resolution of the House but was announced by the then Prime Minister, John Major.¹⁷⁴ Following the changes to Office Costs Allowance made on 5 July 2001 the Prime Minister, Tony Blair, made an announcement about the PDA:

Public Duties Allowance

Andrew Bennett: To ask the Prime Minister what effect the abolition of the Office Costs Allowance will have on the Public Duties Allowance payable to former Prime Ministers.

The Prime Minister: The Public Duties Allowance can be claimed by former Prime Ministers for expenses incurred for their continuing work for the public service and charity. The allowance, which was formerly linked to the Office Costs Allowance, will from 5 July 2001 be set at the same level as the ceiling under the new centralised arrangements for the payment by the House Authorities of the support and secretarial staff of Members of Parliament with London constituencies. This is currently £70,000.¹⁷⁵

Table 11 below shows recent trends in this allowance.

¹⁷¹ *Ministerial and other Pensions and Salaries Act 1991* (chapter 5), section 4, as amended

¹⁷² HC Deb 27 March 1991 c428W

¹⁷³ See Library Standard Note SN/PC/1663, *Short Money*, <http://www.parliament.uk/commons/lib/research/notes/snpc-01663.pdf>

¹⁷⁴ HC Deb 27 March 1991 c428W

¹⁷⁵ HC Deb 19 July 2001 c318W

Table 11: Former Prime Ministers' Public Duties Allowance: 1997/98 - 2007/08

	Allowance	Office staff pension contributions	Total
1997/98	£47,568	£4,757	£52,325
1998/99	£49,232	£4,923	£54,155
1999/00	£50,264	£5,026	£55,290
2000/01	£51,572	£5,157	£56,729
2001/02	£52,760	£5,276	£58,036
5 July 2001 (a)	£70,000		£70,000
2002/03	£72,310		£72,310
2003/04	£74,985		£74,985
2004/05	£77,534		£77,534
2005/06	£84,081		£84,081
2006/07	£87,276		£87,276
2007/08	£90,505		£90,505

(a) Paid pro rata

V Allowances for Members of the House of Lords

The current regime for the main allowances for Peers was debated and agreed on 20 July 1994.¹⁷⁶ The Lords ministers' night subsistence allowance was introduced by section 5 of the *Ministerial and other Pensions and Salaries Act 1991*,¹⁷⁷ and the Lords ministers' and office holders' secretarial allowance by a House of Lords resolution of 22 July 1980.¹⁷⁸ On 27 November 1996, the then Leader of the House, Viscount Cranborne, announced a new facility for the reimbursement of travel expenses of peers' spouses "in connection with attendance at parliamentary occasions".¹⁷⁹ In 2004, this facility was extended to allow up to six (from two) visits to Parliament by spouses, and six visits by the children (up to age 18) of peers.¹⁸⁰ In December 2006, further changes were made that extended the provisions to civil partners and over 18s in full-time secondary education (fuller details of these travel provisions are given below).

The SSRB review, published in October 2004, made recommendations on Lords allowances, which were debated on 10 November 2004. The changes agreed to were implemented with immediate effect.

[Resolutions debated and agreed: 10 November 2004, no division.](#)¹⁸¹

No fundamental changes were proposed to the House of Lords allowances' regime by the SSRB in its 2007 report.

¹⁷⁶ HL Deb 20 July 1994 cc235-250. For a detailed explanation, see Viscount Ullswater's speech (cc235-238).

¹⁷⁷ *Ministerial and other Pensions and Salaries Act 1991* (chapter 5), section 5, as amended. The allowance is uprated in accordance with the formula specified in the *Lords Office-holders Allowance Order 1991*, SI 1991/772

¹⁷⁸ HL Deb 22 July 1980 cc201-6

¹⁷⁹ HL Deb 27 November 1996 c273

¹⁸⁰ HL Deb 10 November 2004 c929, cc932-933

¹⁸¹ HL Deb 10 November 2004 cc928-933

Allowances for backbench peers are uprated from 1 August each year, in line with previous resolutions. On 11 October 2006, Lord Brabazon of Tara, the Chairman of Committees, made a Written Ministerial Statement on the annual uprating of peers' expenses allowances.¹⁸² He made a similar statement on 8 October 2007.¹⁸³ Rates for 2005/06, 2006/07 and 2007/08 are shown in Table 12 below.

Table 12: Main Peers' allowances: current summary (August 2005-July 2008)

Backbench peers			
	1 Aug 05- 31 Jul 06	1 Aug 06- 31 Jul 07	1 Aug 07- 31 Jul 08
Subsistence			
Day	£77.00	£79.50	£82.50
Overnight	£154.50	£159.50	£165.50
			Per day the House sits (usually about 150 days per year)
Office costs	£67.00	£69.00	£71.50
			Per sitting day and for up to 40 additional days per year
<hr/>			
Travel	1 Apr 06- 31 Mar 07	1 Apr 07- 31 Mar 08	
Motor mileage allowance	40p	40p	Per mile up to 10,000
	25p	25p	Per mile further
Motorcycle allowance	24p	24p	Per mile
Bicycle Allowance	20p	20p	Per mile
Spouse/civil partner/children's expenses			Six return journeys for parliamentary occasions per year
<hr/>			
Lords Ministers and paid office holders			
	1 Aug 05- 31 Jul 06	1 Aug 06- 31 Jul 07	1 Aug 07- 31 Jul 08
Ministers' Night Subsistence Allowance	£33,990	£35,090	£36,410
			For those who maintain a second home in London
London Supplement	£1,710	£1,766	£1,833
			Except those in receipt of Lords' Ministers Night Allowance or with an official residence
Secretarial allowance	£5,025.50	£5,192.00	£5,389.00
Family travel expenses			Expenses for up to 15 return journeys per calendar year for spouses and children aged under 18

1. Travel expenses

a. Background

On 27 November 1996, the House of Lords agreed to provisions to allow the spouses of peers to make two journeys per year to attend Parliamentary occasions. The House approved:

(1) The facilities available to a Member of this House in respect of journeys made in connection with attendance at the House shall be made available in respect of journeys made by the spouse of a Member in connection with attendance at a Parliamentary occasion.

(2) A Member may not make claims under this Resolution in relation to more than two Parliamentary occasions in any year (beginning with 1st January).

(3) This Resolution does not apply in respect of journeys made by the spouse of a Member in whose case paragraph (4) of the Resolution of 25th July 1983 applies.¹⁸⁴

¹⁸² HL Deb 11 October 2006 ccWS53-WS54

¹⁸³ HL Deb 8 October 2007 cWS12

¹⁸⁴ HL Deb 26 November 1996 cc273-275

On 10 November 2004, following a recommendation from the Senior Salaries Review Body (SSRB),¹⁸⁵ the House of Lords agreed to increase the number of occasions to six. The House of Lords also agreed to extend the provisions to “any child aged under 18 of a Member”. The House agreed:

That this House approves the following proposals with respect to travel expenses incurred by spouses and children of Members of this House on or after 10 November 2004—

(1) The Resolution of 27 November 1996 is amended as follows.

(2) In paragraph (1) after "spouse of a Member" insert "or by any child aged under 18 of a Member".

(3) For paragraph (2) substitute—

"(2) Claims under this Resolution as it applies to journeys made by any person may be made by a Member in relation to attendance by that person at no more than 6 Parliamentary occasions in any year (beginning with 1 January)."

(4) In paragraph (3) after "spouse of a Member" insert "or by any child aged under 18 of a Member".¹⁸⁶

b. 2006 change

On 19 December 2006, the House of Lords agreed two further changes to the Resolution. Its scope was extended to allow the civil partners of peers and 18 year olds in full-time secondary education to attend no more than six Parliamentary occasions per year. These changes were effective from 1 January 2006:

To resolve that this House approves the following proposals with respect to travel expenses incurred by spouses, civil partners and children of Members of this House on or after 1 January 2006—

(1) The Resolution of 27 November 1996 is amended as follows.

(2) In paragraph (1) after “spouse” insert “or civil partner” and after “18” insert “, or any child in full-time secondary education, during the academic year in which they become aged 18”.

(3) In paragraph (3) after “spouse” insert “or civil partner” and after “18” insert “, or any child in full-time secondary education, during the academic year in which they become aged 18”.¹⁸⁷

¹⁸⁵ Review Body on Senior Salaries, *Review of Parliamentary Pay and Allowances 2004*, Report No 57, Cm 6354, October 2004, para 5.26 and Recommendation 29, <http://www.ome.uk.com/downloads/SSRB%20pay%20review%20Cm%206354%20part%201.pdf>

¹⁸⁶ HL Deb 10 November 2004 cc932-933

¹⁸⁷ HL Deb 19 December 2006 c1896

The change to eligibility brought the House of Lords into line with the House of Commons.

VI *Freedom of Information Act 2000* and the publication of Members' allowances

Under the provisions of the *Freedom of Information Act 2000*, from 1 January 2005 there has been a statutory right to request information from public authorities, including both Houses of Parliament. The Act also specified that it is "the duty of every public authority ... to adopt and maintain a scheme which relates to the publication of information by the authority".¹⁸⁸ As part of their preparations for the full implementation of the Act in January 2005, both Houses decided to publish additional information in relation to Members' allowances.

A. House of Commons

In October 2004, the House of Commons published "details of each Member's spend against the allowances" for each of the previous three financial years (2001/02 to 2003/04, although only from the start of the current Parliament in 2001), in three separate tables. Data for the 2004/05 financial year were published in October 2005. Before the first information was published, the Speaker announced what information would be made available:

The figures will include the annual total for each Member for:

- Additional Costs Allowance or London Supplement,
- Incidental Expenses Provision,
- Staffing allowance,
- Members' travel,
- Members' staff travel,
- centrally purchased stationery,
- central IT provision, and
- other central budgets (such as the winding up allowance or temporary secretarial allowance).

The figures for Members' travel will cover travel on parliamentary business within the UK plus individual travel to designated European destinations.¹⁸⁹

The information on Members' receipt of allowances was published electronically on the United Kingdom Parliament's website.¹⁹⁰ Details for later financial years have been published in October each year.

By the end of 2006 over 100 FoI requests had been made to the House in relation to Members' allowances. Most requests were refused mainly on the grounds of the

¹⁸⁸ The *Freedom of Information Act 2000* (chapter 36), s19

¹⁸⁹ House of Commons Commission Press Notice, *The Speaker sets out his timetable for the publication of Members' allowances under the Freedom of Information Act 2000*, 18 June 2003

¹⁹⁰ House of Commons: Members' Allowances, http://www.parliament.uk/site_information/allowances.cfm

personal data exemption in section 40 of the Fol Act 2000.¹⁹¹ The Information Commissioner has already ruled against the House of Commons on a number of allowance cases, but the House Authorities appealed to the Information Tribunal, which has the power to review decision notices issued by the Commissioner. The Information Tribunal issued a decision on two applications for information on allowances on 16 January 2007. One of the appellants was Norman Baker MP, the other was the *Sunday Times*. The Tribunal found in favour of disclosure:

93. Having considered all these interests we find that the legitimate interests of members of the public outweigh the prejudice to the rights, freedoms and legitimate interests of MPs. We consider our decision will only result in a very limited invasion of an MP's privacy considered in the context of their public role and the spending of public money. In coming to this decision we have noted that the Scottish Parliament has for some years disclosed the detailed travel claims of MSPs supporting mileage, air travel, car hire and taxis. Also we note that in the Scottish Information Commissioner's Decision 033/2005 in *Paul Hutcheon, The Sunday Herald and the Scottish Parliamentary Corporate Body* (SPCB) the Scottish Commissioner went further and ordered the release of the destination points of taxi journeys of an MSP.

It is only possible to appeal from the Information Tribunal to the courts on a point of law. The full text of the Information Commission decision may be found on the website.¹⁹²

The Commons has complied with two Information Tribunal decisions on travel allowances. It released details of Members' travel allowances from 2001/02 on 16 February 2007.¹⁹³ Information has been provided in response to requests following an Information Tribunal decision relating to the release of travel allowances for Members' families.¹⁹⁴

On 7 and 8 February 2008 the Information Tribunal considered three appeals in relation to the Additional Costs Allowance. It ruled that details of items claimed under the Additional Costs Allowance should be released.¹⁹⁵ On 25 March 2007, Nick Harvey, the Commission and MEC spokesman, outlined the MEC's response to the Information Tribunal's decision:

The Members Estimate Committee is concerned that the Information Tribunal (in its decision of 26 February ...) misdirected itself in law in deciding that home addresses of Members of Parliament should always be published subject only to limited exceptions. The House will therefore appeal. A second ground will be that the Information Tribunal paid insufficient attention to the reasonable expectations of Members about disclosure of personal information in the statutory publication

¹⁹¹ See Research Paper 07/18 p8 for further details

¹⁹² Tribunals Service Information Tribunal, EA/2006/0015 and 0016,
http://www.informationtribunal.gov.uk/Files/ourDecisions/corpo officer_house_of_commons_v_infocomm.pdf

¹⁹³ Details are given on the Commons website at http://www.parliament.uk/site_information/allowances.cfm

¹⁹⁴ Tribunals Service Information Tribunal, EA2006/0074, 0075, 0076,
<http://www.informationtribunal.gov.uk/Documents/decisions/HOCfinaldecision08071.pdf>

¹⁹⁵ Tribunals Service Information Tribunal, EA/2007/0060, 0061, 0062, 0063, 0122, 0123, 0131,
<http://www.informationtribunal.gov.uk/Documents/decisions/HOCfinaldecisionwebsite260208.pdf>

scheme. The MEC remains committed to reviewing the allowance system and ensuring that there is probity and transparency.¹⁹⁶

B. House of Lords

In 2003, the House Committee of the House of Lords recommended:

- a) The House of Lords' Publication Scheme should be amended to include information relating to Members' expenses. This information should be published annually (related to financial years), broken down by the main categories of expenses available, namely: travelling expenses, day subsistence, night subsistence, secretarial etc. costs and the costs of the post-paid envelope scheme for correspondence on parliamentary business. Since travel costs vary widely, an indication should be given of the location of each Member's main residence.
- b) Details of expenditure on select committee and parliamentary delegation travel should be published separately.
- c) Details held by the House of claims for Financial Assistance to the Opposition parties and the Convenor of the Crossbench Peers ("Cranborne money") should also be published.
- d) This information should be made available before the rights of access under the Freedom of Information Act come into force on 1 January 2005. It should be published in Autumn 2004, once all claims by Lords for the financial year 2003-04 have been submitted and paid. The House should also publish information in respect of the financial years 2001-02, 2002-03 and 2003-04 because the Act is fully retrospective and records of expenses are retained in the Accountant's Office for a period of three years, as agreed by the National Audit Office.¹⁹⁷

In 2003, the House Committee made recommendations about how the information should be published:

- a) Following the Lord Chairman's undertaking made in the House on 14 January, there should be an opportunity for Members to give an indication of the location of their main residence if they so wish. The indication should be expressed by reference to county or equivalent region.
- b) The number of days each Member attended the House or a committee of the House should be published along with the data on expenses claims.
- c) All claims for the Office Costs allowance should be aggregated and a single figure published of the total sums claimed under this head.
- d) Information about reimbursement of Members' travel costs should be given on a single aggregated basis encompassing all the three schemes: travel from the principal place of residence to Westminster; UK travel on parliamentary business; and EU travel on parliamentary business.
- e) Information about claims for travelling expenses by spouses of Members or Officeholders should not be published.
- f) Information about additional expenses incurred by disabled Members in attending the House and reimbursed on account of their disability should not be published.

¹⁹⁶ HC Deb 25 March 2008 cc89W-90W

¹⁹⁷ House Committee, *First Report*, 17 December 2002, HL 19 2002-03, para 7

- g) A simple indication should be given whether or not a Member is provided by the House with IT equipment on loan. This should be accompanied by a general description of the support available.
- h) The information to be published should include that relating to Members of the House who have died, retired or otherwise left the House during the year in question.¹⁹⁸

The House of Lords agreed the House Committee's *Fifth Report* on 21 January 2004.¹⁹⁹

The information on peers' receipt of allowances was published electronically on the United Kingdom Parliament's website.²⁰⁰ Details for later financial years have been published in October each year.

VII Reviews of pay and allowances (1996-2004)

1. The 1996 Review

In its 1996 review of Members' pay and allowances, the Review Body on Senior Salaries (SSRB) recommended an automatic review mechanism for Members' salaries.²⁰¹ The House of Commons adopted this recommendation when it debated the SSRB's 1996 report on 10 July 1996.

2. The 2001 Review

Following a request from the Prime Minister in October 2000, the SSRB's next review of Parliamentary pay and allowances was published in March 2001.²⁰² It included reviews of peers' expenses, the Office Costs Allowances in the House of Commons, and the system of calculating the resettlement grant. The SSRB recommended significant changes to the Members' allowances system and the central provision of ICT equipment. These changes are described in more detail in earlier Library Research Papers.²⁰³

In its 2001 report, the SSRB also concluded that Members' pay had fallen behind that of their comparators, and recommended that the parliamentary salary, in addition to the usual formula increase, should be increased by £2,000 in both 2001 and 2002. The SSRB also recommended that the salaries of House of Lords Ministers and other office holders be similarly increased by £2,000 in each of the next two years, in addition to the usual increase; and that the Prime Minister and Cabinet Ministers should draw their full salary entitlement (which they did not then do) so as to remedy the perceived distortion in the

¹⁹⁸ House Committee, *Fifth Report*, 20 November 2003, HL 176 2002-03

¹⁹⁹ HL Deb 21 January 2004 cc1033-1039

²⁰⁰ House of Lords: Members' Allowances,

http://www.parliament.uk/about_lords/holallowances/hol_expenses04.cfm

²⁰¹ Review Body on Senior Salaries, *Review of Parliamentary pay and allowances*, Report No. 38, Cm 3330-I, 1996, recommendation 14, paras 66-78, <http://www.ome.uk.com/downloads/volume1.pdf>

²⁰² Review Body on Senior Salaries, *Review of Parliamentary pay and allowances*, Report No. 48, Cm 4997-I, 2001

²⁰³ *Parliamentary Pay, Pensions and Allowances: the 2001 Review*, Research Paper 01/86, 8 November 2001, <http://www.parliament.uk/commons/lib/research/rp2001/rp01-086.pdf>;

Members' Office Costs: the new system, Research Paper 01/88, 8 November 2001, <http://www.parliament.uk/commons/lib/research/rp2001/rp01-088.pdf>

parliamentary pay system.²⁰⁴ This last recommendation was implemented in June 2001 following the general election.

The proposals were adopted by the Government and debated by the House on 5 July 2001, together with other motions on Members' pay, etc.²⁰⁵

3. The 2004 Review

In November 2003, the Government asked the SSRB to conduct its next review of Parliamentary pay and allowances. The SSRB published its report in October 2004.²⁰⁶ It recommended no changes to the structure of allowances but it did recommend some increases. One major change was a recommendation that the Motor Mileage Allowance should be reduced considerably, to be paid in line with rates recommended by the Inland Revenue. It recommended no changes to either Members' or ministers' salaries beyond the formula increases recommended in the 1996 report.

On 3 November 2004, the House debated the SSRB's recommendations. Debate centred on the staffing allowance and the motor mileage allowance. On the staffing allowance, an amendment to delete the reference to a base level and to allow up to 10 per cent of the allowance to be used in funding constituency offices was agreed to (on a division by 239 votes to 109). An amendment to hold motor mileage allowances at existing rates until the Inland Revenue rates reached them was rejected (on a division by 193 votes to 118).²⁰⁷

VIII The Parliamentary Pension Scheme – in brief

The Parliamentary Pension Scheme is a funded final salary scheme, where Members pay a fixed contribution, and the Exchequer is liable for the balance. The rules of the Parliamentary Contributory Pension Fund (PCPF) are made in regulations under the *Parliamentary and Other Pensions Act 1987*.²⁰⁸ The PCPF has a supplementary section for Ministers, paid Select Committee Chairmen, paid members of the Chairman's Panel and paid Office Holders. The scheme is administered by the House of Commons Department of Resources for the Trustees.

On 16 January 2008 the *Review of Parliamentary Pay, Pensions and Allowances* was published by the SSRB,²⁰⁹ along with a written ministerial statement from the Leader of the House setting out the Government's position on MPs' pay and pensions.²¹⁰ The SSRB recommended that "any increase or decrease in the cost of accrual should be

²⁰⁴ Review Body on Senior Salaries, *Review of Parliamentary pay and allowances*, Report No. 48, Cm 4997-I, 2001, para 2.13, para 2.21 and para 2.17

²⁰⁵ HC Deb 5 July 2001 cc421-77

²⁰⁶ Review Body on Senior Salaries, *Review of Parliamentary Pay and Allowances 2004*, October 2004, Cm 6354,

<http://www.ome.uk.com/downloads/SSRB%20pay%20review%20Cm%206354%20part%201.pdf>

²⁰⁷ HC Deb 3 November 2004 cc315-369

²⁰⁸ *Parliamentary Pensions (Consolidated and Amendment Regulations)*, SI 1993/3243, as amended.

²⁰⁹ Review Body on Senior Salaries, *Review of Parliamentary Pay and Allowances*, 2008, Cm 7270-1

²¹⁰ HC Deb 16 January 2008 c34WS

shared equally between the Exchequer and members".²¹¹ They also recommended that if the costs of benefit accrual were to rise above 20% of pay roll, there should then be a major review of the Fund.²¹² The Government has accepted these recommendations.²¹³ A debate was held in the House of Commons on 24 January on Members' salaries, pensions and allowances. The House broadly endorsed the SSRB's recommendations on the pension scheme. The House will have to approve any detailed proposed changes to the scheme that follow.

A. A brief history of the scheme

The first pension arrangements for MPs were introduced in 1965, as explained by the House of Commons Information Office Factsheet, *Members' Pay and Allowances*:

...The Committee on the Remuneration of Ministers and Members of Parliament (the Lawrence Committee, Cmnd 2516) recommended that a pension scheme for MPs should be introduced. This was done by the Ministerial Salaries and Members' Pensions Act 1965. The scheme was unusual in that both benefits and contributions were fixed in money terms.

In December 1970 the Government announced that the recently established Review Body on Top Salaries (TSRB) would undertake subsequent reviews of the arrangements for salaries, allowances and pensions of Ministers and MPs.

The first report of the TSRB (Cmnd 4836) recommended a restructured pension scheme with pension related to "final salary", accruing at 1/60th for each year of service. The scheme was to be extended to include Ministers and certain other office holders who wished to participate. The new scheme was established under the terms of the Parliamentary and Other Pensions Act 1972. Subsequent reviews resulted in amending Acts in 1976, 1978 and 1981.

The next major change resulted from the 20th Report of the TSRB (Cmnd 8881) which recommended an accrual rate of 1/50th, with effect from 20 July 1983. The contribution payable by Members was increased to 9% of salary. These changes and other minor matters were given legal force by the Parliamentary Pensions etc. Act 1984. The 31st Report of the TSRB, (Cm 1576), approved by Parliament on 18 July 1991, then recommended that the contribution payable by Members be reduced to 6% of salary; this took effect from 1 April 1992.

Pressure for a single consolidation document had grown throughout this period, and resulted in the Parliamentary and Other Pensions Act 1987. This Act meant that the detailed arrangements could be set out in regulations. This led to the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (SI 1993/3253) and the Parliamentary Pensions (Additional Voluntary Contributions Scheme) Regulations (SI 1993/3252), which came into force on 21 January 1994. The AVC Scheme enables Members to purchase additional pension benefits within limits proscribed by the Fund Regulations. In 1995 the House voted to increase the accrual rate from 1/60th to 1/50th for service prior to 20 July 1983,

²¹¹ Review Body on Senior Salaries, *Review of Parliamentary Pay and Allowances*, 2008, Cm 7270-1, p26

²¹² *Ibid*, p28

²¹³ HC Deb 16 January 2008 c34WS

for Members who were serving as at 1 April 1995. Other regulations affecting the scheme have been laid. A comprehensive listing of the entire scheme's primary and secondary legislation can be found in Halsbury's Statutes.²¹⁴

In July 2001 the House of Commons voted to improve the scheme in a number of respects, as had been recommended by the report of the Senior Salaries Review Body. However, it also voted to increase the accrual rate to 1/40th from 1/50th despite Government opposition to this amendment.²¹⁵ The Government referred the question of how to fund the increase to the SSRB, which recommended that the increased cost should be met by an increase in Members' contributions.²¹⁶

The Parliamentary Pensions (Amendment) Regulations 2002 increased the contribution rate to 9% to fund the improved accrual rate. Members were able to choose to retain the 1/50th accrual rate and the 6% contribution rate if they wished. The SSRB also recommended that the cost of the remaining 2.1% would remain with the Exchequer in the short term, but that this additional Exchequer contribution should be taken into account in future reviews of Members' salaries so that eventually the full cost of increased accrual rate would be borne by MPs. In 2004 the House agreed to an SSRB recommendation that the contribution rate for those who choose the more generous accrual rate should increase from 9% to 10%.²¹⁷ The 2008 SSRB Report found that this increase in contribution rate had paid for the increased accrual rate and recommended that no further increase in MPs' pensions contributions was needed simply to pay for the 1/40th accrual rate.²¹⁸

B. The current features of the Parliamentary Pension Scheme

1. Contributions

When Members join the scheme they can choose to make contributions of 10% of their salary and gain an accrual rate of 1/40th, or to make contributions of 6% of their salary for an accrual rate of 1/50th.²¹⁹ A Member's contributions to the Fund stop when they build up sufficient Pensionable Service to qualify for the maximum benefits that can be provided from the Fund. A person who remains as an MP after the age of 65 and has not built up the maximum possible benefit may continue to make contributions.²²⁰

Pension rights may be transferred in and out of the scheme in certain circumstances. Members of the scheme can increase their retirement benefits by purchasing extra years of pensionable service and additional voluntary contributions. However, any additional contributions or benefits will be subject to tax limits.

²¹⁴ House of Commons Information Office, *Members' pay, pensions and allowances* (factsheet M5), April 2007, pp7-8, <http://www.parliament.uk/documents/upload/M05.pdf>

²¹⁵ HC Deb 5 July 2001 c471

²¹⁶ See letter from John Baker OBE, chairman of the SSRB, to Robin Cook, 18 July 2002 and also HC Deb 15 July 2002 c83-84

²¹⁷ Review Body on Senior Salaries, *Review of Parliamentary Pay and Allowances*, 2004, Cm 6354

²¹⁸ Review Body on Senior Salaries, *Review of Parliamentary Pay and Allowances*, 2008, Cm 7270-1, para 3.43

²¹⁹ *Parliamentary Pensions (Amendment) Regulations*, SI 1993/3253, Part D, as amended

²²⁰ *Parliamentary Contribution Pension Fund: Members' Booklet – MP's section*, p12

2. Normal retirement age

Members of the scheme can only draw their pension if they have ceased to be an MP, are not standing again for election as an MP, and do not hold a qualifying office as a paid minister or Office Holder. The normal retirement age is 65 and the minimum retirement age is 50 (although this will rise to 55 from 6 April 2010). If a member of the scheme takes early retirement their pension is normally actuarially reduced to take account of its early payment. The amount of the reduction will vary according to the length of qualifying service.

However, Members elected before 4 November 2004 can currently draw an early retirement pension without any reduction being applied for early payment if they are aged 60 or above and their combined age and service under the scheme totals 80 or more at date of retirement. When the House decided to phase out this retirement provision in 2004, it agreed that only service up to 1 April 2009 or the next General Election, whichever was later, would count towards the qualifying period for early retirement.²²¹ MPs that have Qualifying Service of between 15 and 20 years as at the later of April 2009 and the General Election after the Election held in May 2005 will have more generous early retirement factors applied to their early retirement pension. This will not apply to service after April 2009 (or the General Election if later).²²²

An MP who is still an active member of the scheme at the age of 75 may cease participation in the scheme, despite continuing as a Member of the House of Commons, a Minister or other office holder, and take their tax-free lump sum at that point if they wish, with the accrued pension suspended until final retirement.²²³

3. Ill-health benefits

An active Member of the scheme can apply for an ill-health pension if he or she ceases to be an MP before the age of 65, is not a candidate for election or an office holder, and has had to stand down as a direct consequence of his ill-health, and that this ill-health would prevent him or her from performing adequately the duties of an MP.²²⁴ An application must include medical evidence and Trustees can require the Member to attend a medical examination. The ill-health early retirement pension is payable, based on the MP's final pensionable salary at the time of leaving the fund and on the pensionable service that would have been completed if the person had continued as an active Member until their 65th birthday.²²⁵ The usual minimum retirement age of 50 (age 55 from 2010) does not apply when taking ill-health retirement.

²²¹ HC Deb 30 October 2006 c22W

²²² *The Parliamentary Contributory Pension Fund, Members Booklet*, p6 and p12. See also *Parliamentary Pensions (Consolidation and Amendment Regulations) SI 1993/3253*, Part H1, as amended

²²³ *Parliamentary Pensions (Amendment) Regulations 2007, SI 2007/270*, Explanatory Note

²²⁴ *Parliamentary Pensions (Consolidation and Amendment Regulations) SI 1993/3253*, Part J, as amended

²²⁵ *The Parliamentary Contributory Pension Fund, Members Booklet – Basic Section*, July 2005, page 13

4. Survivors' benefits

A lump sum death gratuity on death in service, equal to four times annual basic Parliamentary salary is payable at the Trustee's discretion. In addition, a spouse or surviving partner's pension is payable, at 5/8th of the prospective pension. Survivors' pensions are paid to both spouses and civil partners on the same basis. Unmarried partners will only receive a survivor's pension if they have been nominated using the correct Trustees' nomination form, and other requirements may apply, for example the proof of financial dependency or interdependency over a minimum of two years. A pension is also payable to dependent children, at the rate of 4/16ths (one quarter) of the basic or prospective pension of the Member if there is one child, or 3/16ths per child if there is more than one.

5. Members' pensions benefits

For each year of pensionable service the Member will normally receive a pension of either 1/40th or 1/50th of their final pensionable salary, depending on the contribution rate they will have chosen.²²⁶ Members can choose to exchange part of their pension for a tax-free lump sum, normally with a maximum value of 25% of the capital value of the pension fund. Under the *Finance Act 2004*, it is not possible for a member of a pension scheme who is over 75 to take part of their pension as a tax-free lump sum. There is a limit on the benefits the Fund can pay when a Member reaches retirement.²²⁷

6. Ministers and Office Holders

The PCPF has a supplementary section for Ministers, paid Select Committee Chairmen, paid members of the Chairman's Panel and paid Office Holders. The basic MPs' pension scheme and the supplementary Ministerial scheme are identical in many respects. The main difference is that the final pension in the basic scheme is calculated on final salary while that in the supplementary scheme is, effectively, calculated on re-valued career average earnings. Ministers are members of both the basic scheme and the supplementary scheme. Their "salary" for the purposes of the supplementary scheme is – effectively – the difference between their MP's salary and the aggregate of their Ministerial and Parliamentary salaries. The contribution and accrual rates for the basic and supplementary schemes are the same. This takes account of the fact that Ministers may be in office for one or several short periods at a time and that they may revert to being backbenchers for several years before they retire.

²²⁶ *Parliamentary Pensions (Consolidation and Amendment Regulations) SI 1993/3253*, Part F2, as amended

²²⁷ For those contributing 6% of pay, the number of years needed for a full MPs pension is 33 years and 4 months. Those contributing a higher percentage of earnings will need a shorter period of pensionable service to reach the maximum. Although their benefits will build up faster, the maximum amount of pension payable by the Fund is unchanged. The pension fund benefit is limited to the larger of:

1. 1/60th for each year of service, without taking into account retained benefits; and
2. the lower of:
 - 2/3rds salary less retained benefits; or
 - 1/30th for each year of service.

For most members of the scheme the limit in (2) produces a higher amount than (1) as a consequence of the fund accrual rate.

Different arrangements exist for the Prime Minister, Lord Chancellor and Speaker. Their pensions are paid from the Consolidated Fund and which pays out a proportion of their salary from their retirement.²²⁸

C. The 2008 Senior Salary Review Body Report

The SSRB's report explained that the Government had asked them to address three issues in relation to MPs' pensions:

- How the outstanding cost of the improved accrual rate should be recovered from members;
- Whether the retained benefits restriction in the PCPF regulations should be removed;²²⁹ and
- How to fund the scheme, in a way that is fair to both the Exchequer and members, so as to ensure that it remains affordable.²³⁰

In addition, in a submission to the SSRB, the Association of Former Members of Parliament asked it to consider the following issues:

- The number of trustees who are pensioner members;
- Accrual rates for service prior to 1983;
- The requirement to repay pension overpayments; and
- The possibility to increase a spouse's pension.

1. Sustainable funding of the scheme

The PCPF is a funded scheme where Members pay a fixed contribution and the Exchequer is liable for the balance. The SSRB explained the current size of the Exchequer contribution:

The current position is that, following the 2005 valuation of the scheme, the Exchequer contributes 18.1 per cent of payroll for the accrual of benefits while members collectively contribute 9.3 per cent. (Most members contribute 10 per cent for 1/40th accrual but some contribute 6 per cent for a 1/50th rate.) In addition to the underlying contribution rate of 18.1 per cent, the Exchequer is also currently contributing an additional amount of 8.7 per cent of payroll required over 15 years to amortise the accumulated deficit that has arisen because at times the

²²⁸ Pensions arrangement for these positions are considered in the Standard Note, SN/BT/ 4586, *Pensions of Ministers, the Prime Minister, the Lord Chancellor, the Speaker and the Lord Speaker*.

²²⁹ The Chairman of the PCPF Trustees also asked them to examine the possible removal of the retained benefits restriction.

²³⁰ Review Body on Senior Salaries, *Review of Parliamentary pay, pensions and allowances 2007*, Cm 7270, p22

Exchequer contribution has been below the cost of accrual of benefits, as was the case between 1989 and 2003 while the scheme was in surplus...²³¹

They went on to recommend that any increase or decrease in the cost of accrual for MPs in service in the PCPF should be shared equally between the Exchequer and members.²³²

The Government had requested that there should be a “recommended maximum level above which the Exchequer contribution should not rise in future”. The SSRB commented that:

On the one hand we recognise that ceilings on the employer’s contribution have been introduced as part of the revision of several public sector schemes. For example, the intention is to limit the employer’s contribution to the civil service pension scheme to no more than 20 per cent of pay, while the ceiling on employer contributions for the teachers and NHS schemes is 14 per cent. On the other hand, those are all ‘pay as you go’ rather than funded schemes. However, we think the public would find it hard to understand why the taxpayer should have an unlimited liability to contribute to the PCPF when members of so many pension schemes in both the private and public sector are facing increased contributions, reduced benefits or both to take account of increasing longevity and, in the case of some funded schemes, reduced investment returns. We therefore recommend that there should be a ceiling of 20 per cent on the underlying Exchequer contribution (i.e. excluding the 8.7 per cent to amortise the current deficit).²³³

The SSRB also recommended that:

...if it becomes likely that, unless action is taken, the Exchequer contribution to the cost of accrual benefits for MPs in service in the Parliamentary Contributory Pension Fund (excluding payments to amortise the accumulated deficit identified in the 2005 valuation of the Fund) would rise above 20 per cent of payroll, then there should be a major review of the Fund.²³⁴

In their report for the SSRB the actuarial consultants Watson Wyatt had recommended a more fundamental review of the PCPF:

Our conclusion is that the PCPF is operating in an environment of significant change to the pension arrangements in both the public and private sectors. Also, many of the complicated issues referred to the SSRB for consideration (such as retained benefits and the increase in the Exchequer contribution) arose due to the defined benefit final salary nature of the PCPF. We believe it would be appropriate for the review of the pension arrangements provided to MPs,

²³¹ *Ibid*, para 3.52

²³² The following were not to be included in the cost of accrual: payments to amortise the accumulated deficit identified in the 2005 valuation of the Fund; changes to allow members with retained benefits to opt for a 1/60th accrual rate (i.e. the consequence of Recommendation 6); and changes to the assumptions about the investment return on assets.

²³³ *Ibid*, para 3.55

²³⁴ Review Body on Senior Salaries, *Review of Parliamentary pay, pensions and allowances 2007*, Cm 7270, p28

Ministers and Office Holders since we anticipate that alternative arrangements could be put in place that:

- Are fairer to members across different career patterns, ages and backgrounds;
- Are more transparent when subject to public scrutiny
- Will allow the Exchequer better to control costs.²³⁵

Watson Wyatt suggested that a defined contribution arrangement could be more beneficial to MPs who leave the House sooner than expected and for younger MPs, while a career average scheme could also have some advantages and give the Exchequer greater control over costs.

2. The cost of the improved accrual rate

The SSRB considered whether a further increase in the contribution rate by Members was required to pay for the 1/40th accrual rate. Watson Wyatt (actuarial consultants) were commissioned to report on pensions for the SSRB. They found that “The increase in members’ contribution from 9% to 10% of pay in 2004 (in addition to the increase from 6% to 9% at the time of its introduction) can be considered to have borne the increase in cost in full”.²³⁶ The SSRB therefore recommended that no increase in MPs’ pension contributions was needed simply to pay for the 1/40th accrual rate.

3. The retained benefits restriction

Before 6 April 2006, tax legislation required that benefits built up in other pension schemes (retained benefits) had to be taken into account in calculating the maximum benefits payable under all pension schemes approved by HMRC. In 2006 the law was changed so that schemes no longer were required to take retained benefits into account, although they were not prevented from doing so. The SSRB explained that:

The PCPF rules have not been changed, so retained benefits are still taken into account in calculating the normal maximum pension of two-thirds of final salary, and the pension of an MP with retained benefits may be reduced accordingly, although not below a pension based on an accrual rate of 1/60th final salary. This means that some MPs with retained benefits who are currently contributing for an accrual rate of 1/40th or 1/50th of final salary will receive a pension based on 1/60th accrual rate only. We understand that a number of MPs have opted for the 1/40th accrual rate in the expectation that the retained benefits restriction would be dropped following the change in legislation.²³⁷

The SSRB concluded that they were “satisfied” that the balance of arguments was clearly in favour of removing the retained benefits restriction. As the Government had said in their evidence, the pay and pensions available to Members “can amount to less

²³⁵ Watson Wyatt report in Review Body on Senior Salaries, *Review of Parliamentary pay, pensions and allowances 2007*, Cm 7270-2, para 5.24

²³⁶ Watson Wyatt report in Review Body on Senior Salaries, *Review of Parliamentary pay, pensions and allowances 2007*, Cm 7270-2, para 2.30

²³⁷ Review Body on Senior Salaries, *Review of Parliamentary pay, pensions and allowances 2007*, Cm 7270, para 3.44

for those MPs who have been prudent and accumulated pension saving when they were younger, or those who have given up well-paid jobs for public service". Members who are caught up by the retained benefits restriction are basically subsidising the scheme.

However, making this change would have a cost which would need to be met either from Members of the scheme, the Exchequer, or both. The Exchequer had already stated that it was unwilling to meet such a cost. The Government suggested that the cost should be met by increased members' contributions, or reductions in other scheme benefits, or both. The SSRB stated that "this would mean that members with retained benefits were now subsidised by those without".²³⁸ The SSRB therefore proposed what they considered to be "the least bad" option."²³⁹

... with the retained benefits restriction retained, MPs should be offered an additional option to accrue pension at 1/60th in return for reduced contributions, for example 3 per cent of pay, enabling MPs with retained benefits to pay contributions more reflective of the value of the scheme to them.²⁴⁰

Although this option would have a small cost (because it would reduce the savings to the scheme, and hence to the Exchequer, which currently arise from the retained benefit restriction) it was thought that it would be lower than that of removing the retained benefit restriction (3.5 to 5 per cent). The SSRB suggested that the residual costs should be borne by the Exchequer.²⁴¹

4. Other matters

The SSRB concluded that the number of trustees who are pensioner members and the requirement to repay certain pension payments was not a matter for them.²⁴² The matter relating to the accrual rate for service prior to 1983 – that in 1995 the House voted to increase the accrual rate to 1/50th but only for members still in the House and that this was unfair to those who left between 1983 and 1995 – would have a cost that would have to be met by the Exchequer, increased contributions or both. The SSRB concluded that they did not believe it appropriate to apply such a further retrospection.²⁴³

The SSRB also considered the possibility to increase a spouse's pension. They pointed out that some other schemes (such as the Principal Civil Service Pension) do allow members to forgo part of their own pension to increase the pension of their spouse, under certain conditions to avoid abuse. The SSRB decided, however, not to recommend its introduction.²⁴⁴

²³⁸ *Ibid*, para 3.45

²³⁹ *Ibid*, para 3.50

²⁴⁰ *Ibid*, para 3.50

²⁴¹ *Ibid*, para 3.50

²⁴² *Ibid*, para 3.60

²⁴³ *Ibid*, para 3.61

²⁴⁴ *Ibid*, para 3.63

5. Office holders and ministers²⁴⁵

The SSRB also made recommendations about the pensions of Ministers and office holders, and that of the Speaker, Prime Minister and Lord Chancellor. In short the SSRB recommended that:

...the special pension arrangements in place for the Prime Minister, the Speaker of the House of Commons and the Lord Chancellor not be extended to new incumbents of these offices after the passing of the necessary legislation to end the existing arrangements. Instead those three office holders should be covered by the Parliamentary Contributory Pension Fund and arrangements for ministerial severance payments.²⁴⁶

6. Concerns about the SSRB report

During the debate on the SSRB report in the House of Commons on the 24 January 2008, Sir John Butterfill, chair of the trustees, stated that “Unfortunately... it appears that there are many factual errors in the Watson Wyatt report”.²⁴⁷ John Gummer questioned why, if these mistakes had been so obvious, Watson Wyatt did not go through the facts with the Trustees and the officials in the House administration.²⁴⁸ Sir John replied that:

I share my right hon. Friend's puzzlement. I can only hope that if Messrs. Watson Wyatt or some other distinguished firm of actuaries was asked to perform a similar operation in the future, there would be such discussions. Then we could avoid difficulties...²⁴⁹

7. The Written Ministerial Statement of 16 January 2008

In a Written Ministerial Statement published alongside the SSRB report on 16 January 2008, the Leader of the House set out a summary of the Government's position. In broad terms, they proposed that “changes to MPs pay and pensions are consistent with the outcomes sought elsewhere in the public sector”. The Government stated that:

In respect of pensions, the SSRB has proposed the introduction of an optional 1/60th accrual rate. The Government accepts this proposal in principle and is prepared to introduce it when the change can be made as part of a cost neutral package.

SSRB makes a number of recommendations aimed at limiting the cost to the taxpayer of Parliamentary pensions. These include the 50:50 sharing between members and the Exchequer of future increases or decreases in pension cost pressures, and restricting the underlying Exchequer contribution to the scheme (other than in respect of the deficit identified at last valuation) to a maximum of

²⁴⁵ More detail is available in the separate Standard Note SN/BT/4586, *Pensions of Ministers, the Prime Minister, the Lord Chancellor, the Speaker and the Lord Speaker*.

²⁴⁶ Review Body on Senior Salaries, *Review of Parliamentary pay, pensions and allowances 2007*, Cm 7270, p41

²⁴⁷ HC Deb 24 January 2008 c1708

²⁴⁸ A summary of the points made by Sir John Butterfill are available in the Library Standard Note, SN/BT/1844, *The Parliamentary Pension Scheme*

²⁴⁹ HC Deb 24 January 2008 c1710

20% of payroll. The SSRB also recommends that there should be a review of parliamentary pension provision if the costs are rising significantly such that the 20% cap on the Exchequer contribution is likely to be breached. These recommendations are consistent with the approach being taken in public service pension schemes generally and the Government accepts them. The Government proposes that the detail of the arrangements should be worked up in consultation with the Trustees of the parliamentary pension scheme so that it can be taken into account by the Government Actuary in his 2008 valuation of the scheme.²⁵⁰

On office holders, the Government stated that:

SSRB recommends that the future holders of the offices of Prime Minister, Lord Chancellor and Commons Speaker are covered by the parliamentary pension and severance arrangements that apply to Secretaries of State rather than the pension arrangements that apply now. The Government accepts this recommendation with respect to Prime Ministers and Lord Chancellors. The Government does not propose to implement this recommendation with respect to future Commons Speakers, as it considers the position of Speaker to be substantially different to that of a Prime Minister or Lord Chancellor.²⁵¹

In the Downing Street Press Briefing on the afternoon of 16 January 2008 it was also announced that the current Prime Minister and Lord Chancellor had decided that the new arrangements would apply to them.²⁵²

8. The Conservative Party Democracy Task Force

The Conservative Party Democracy Task Force, chaired by Ken Clarke, published a report *Trust in Politics* on Monday 14 January 2008, just two days before the publication of the SSRB report and Written Ministerial Statement. The report, which was launched by the Conservative Party leader David Cameron, recommended the closure of the current pension scheme to new members, to be replaced with a defined contribution scheme. The Task Force stated that:

...Over the last ten years, there have been radical changes in private sector pension provision, resulting in sharp cuts in the number of final salary schemes and their replacement by defined contribution schemes. We believe that MPs' current pension arrangements – a generous index-linked and final salary scheme, based on historic civil service arrangements – are out of line with expectations of public and private sector pension plans in future years and are no longer acceptable. The Democracy Task Force therefore recommends the closure of the current scheme to new entrants and its replacement by a defined contribution scheme, with employer and employee contributions at a level set by the review body. We anticipate that, in accordance with the private sector practice of recent

²⁵⁰ HC Deb 16 January 2008 c34WS

²⁵¹ *Ibid.*

²⁵² Downing Street Press Briefing, Afternoon of 16 January 2008, <http://www.number10.gov.uk/output/Page14293.asp> (last viewed 12 February 2008)

years, these employer contributions are likely to be less generous than those of the current scheme.²⁵³

D. Debate in the House of Commons 28 January 2008

1. The Motion for debate

The motion on Parliamentary Pensions which was tabled by the Leader of the House, Harriet Harman, to be debated and decided on 24 January was:

That this House endorses in principle Recommendations 7, 8 and 9 of the report of the Review Body on Senior Salaries on parliamentary pay, pensions and allowances (Cm 7270-I) a copy of which was laid before this House on 16th January, relating to the Parliamentary Pension Scheme, and endorses the change to the Scheme rules outlined in Recommendation 6 if it can be implemented in conjunction with changes identified by the Trustees which produce sufficient savings to be cost neutral.

One amendment was tabled to the motion by Peter Bottomley:

Line 1, leave out from 'House' to end and add 'believes Members of this House should have pension entitlements based on average, rather than final, salary.'

The recommendations referred to by the Government motion were:

Recommendation 6: We recommend that Parliamentary Contributory Pension Fund members with retained benefits should be allowed to opt for a 1/60th accrual rate in return for reduced contributions to be calculated by the Government Actuary's Department, with any additional costs being met by the Exchequer.

Recommendation 7: We recommend that any increase or decrease in the cost of accrual for MPs in service in the PCPF should be shared equally between the Exchequer and members. We consider the following to be some of the elements excluded from the cost of accrual:

- payments to amortise the accumulated deficit identified in the 2005 valuation of the Fund;
- changes to allow members with retained benefits to opt for a 1/60th accrual rate (i.e. the consequence of Recommendation 6); and
- changes to the assumptions about the investment return on assets.

Recommendation 8: We recommend that the Exchequer contribution to the cost of accrual of benefits for MPs in service in the PCPF (excluding payments to amortise the accumulated deficit identified in the 2005 valuation of the Fund) should in principle be limited to 20 per cent of the payroll of scheme members.

²⁵³ Conservative Party Democracy Task Force, *Trust in Politics*, 14 January 2008, http://www.conservatives.com/tile.do?def=news.story.page&obj_id=141661 (last viewed 14 February 2008)

Recommendation 9: We recommend that if it becomes likely that, unless action is taken, the Exchequer contribution to the cost of accrual of benefits for MPs in service in the PCPF (excluding payments to amortise the accumulated deficit identified in the 2005 valuation of the Fund) would rise above 20 per cent of payroll, then there should be a major review of the Fund.

2. The Debate

The Leader of the House, Harriet Harman, introduced the motions:

...The SSRB has proposed the introduction of a new optional one-sixtieth accrual rate. The Government accept that proposal in principle and are prepared to introduce it, if and when the change can be made as part of a cost-neutral package. The SSRB makes a number of recommendations on parliamentary pensions. They include a 50:50 sharing between Members and the Exchequer of future increases or decreases in pension cost pressures, and restricting the underlying Exchequer contribution to the scheme to a maximum of 20 per cent. of payroll. The SSRB also recommends that there be a review of parliamentary pension provision if the costs rise significantly, such that the 20 per cent. cap on the Exchequer contribution is likely to be breached.

The recommendations are consistent with the approach being taken in public sector pension schemes generally. The Government propose that the detail of the arrangements be worked up in consultation with the trustees of the parliamentary pension scheme, chaired by the hon. Member for Bournemouth, West (Sir John Butterfill), to whom we all owe a debt of gratitude. Charing the parliamentary pension scheme on behalf of all hon. Members and the House is unsung but important work. Once the detail has been worked up, any changes on pensions will have to be brought back to the House for decision.²⁵⁴

The Shadow Leader of the House of Commons, Theresa May, stated that;

...I will support the proposals on pension arrangements. The SSRB has come forward with an attempt at a solution on the issue of retained benefits, which offers a way out for colleagues whose contribution rate exceeds what is necessary to achieve the pension available given their retained benefits. It is important that that is looked at, albeit that the Government motion asks for that to be done in a cost-neutral way. I think that there is merit in the proposals put forward by the Conservative party's democracy taskforce, chaired by my right hon. And learned Friend the Member for Rushcliffe (Mr. Clarke), to consider different pension arrangements in future, after the next election. We need to be very wary and aware of the circumstances in which many people in the private sector fin themselves in terms of their pension arrangements.²⁵⁵

The Liberal Democrat Shadow Leader of the House, Simon Hughes, noted that he supported the Government's recommendation on pensions.²⁵⁶

²⁵⁴ HC Deb 24 January 2008 c1655

²⁵⁵ *Ibid*, cc1666-1667

²⁵⁶ *Ibid*, c1677

However, John Spellar, who chairs the Advisory Panel on Members Allowances, issued a note of concern about references made to other public sector pension schemes:

... I am concerned, however, about reference to so-called gold-plated schemes compared with other public sector schemes. We as MPs have a high contribution rate, much less security of tenure and later retirement. We do not have the early retirement enjoyed by many of the uniformed services – I hasten to add that those schemes are provided for understandable operational reasons. At the same time, however, we abrogated the option of retirement at 60 on the grounds that that example would be followed by those in the wider public sector. Unfortunately, they have not found that example particularly inspirational.²⁵⁷

The most expansive contribution on the subject of pensions came from Sir John Butterfill, the chairman of the trustees of the PCPF. He expressed a concern that the costs of the pension scheme, as assessed by Watson Wyatt, “contain a number of fundamental and serious factual errors by Watson Wyatt”.²⁵⁸ Sir John went on to describe some of the features of the parliamentary pension scheme:

It is important to get it on the record that the parliamentary contributory pension fund – PCPF – is rather a good scheme. It is similar to a number of others in the public sector, but despite what frequently appears in the press, the cash benefits that are provided under the PCPF are not a king’s ransom. The average pension in payment to former Members in the last Government Actuary Department’s valuation in 2005, excluding what was being paid to widows, was £15,700 per annum, yet if one looks at what is published in the papers, they give the impression that MPs have to do only one or two terms here to be on £25,000 a year. The average pension in payment is £15,700 for Members who have done many more years than that.²⁵⁹

Sir John went on to explain that:

...The average member comes in at the age of 42 and leave at the age of about 52. Very few members will ever get to the full final salary, and that will not change much because of boundary changes and Members losing their seats. The media think that we backdated the fortieths, but we did not. I would still have to work in the House of 31.5 years to get a full pension. Only those Members who have come into the House most recently since we moved to the fortieths arrangement will not have to work more than 27 years.²⁶⁰

On recommendation 8 of the SSRB report, Sir John stated that he agreed that the Government contribution to funding the accrual should be limited to twenty per cent of payroll. He did, however, raise a concern about the proposal that if the rate went above that, there should either be a full review or any increase in costs should be shared equally between Members and the Government. He stated that:

²⁵⁷ *Ibid*, c1681

²⁵⁸ *Ibid*, c1690

²⁵⁹ *Ibid*, c1711

²⁶⁰ *Ibid*

For the most part, that pattern does not exist outside the House; if there is an agreement that an increase will be jointly funded, it is normally according to the same ratio – for us, that would be 20:10, or two thirds for the Government and one third for us.²⁶¹

On recommendation 6, which related to retained benefits, Sir John welcomed the suggestion that those who could not get a full pension would have the option to pay reduced contributions. He noted that the SSRB recommended that any additional cost should be at the Government's expense, because they had been gaining from the contributions. The Government, however, had suggested that the additional cost should be funded by other savings made by scheme trustees. Sir John explained his view that:

...It is true that we propose to make savings, as we have done before – as we did in respect of early retirement and the abolition of the public sector transfer club. We are now considering the problem of early retirement due to ill health, and think that some of the rules on what constitutes ill health need to be tightened. The Government has suggested that the two things be linked, but I personally do not think that appropriate. The trustees started to do that under their own steam. It is likely, in fact, that the savings made will cover the cost, but I am not sure that they should then be immediately be grabbed by the Government so that they can avoid complying with the SSRB recommendation.²⁶²

Finally, the Government also asked the trustees to consider a range of alternatives to the current arrangements, including a defined-contribution scheme or a career average scheme. Sir John explained that the latter would “not make much difference” as the scheme is already on a flat level, linked to salaries of back benchers.²⁶³ He stated that the Trustees would be happy to look at proposals and consider ways in which they could be implemented, but said that in his view, these proposals “were not without their problems”:

For example, have Watson Wyatt told the Government that if we closed down the current scheme to new entrants and said that they would all have to be on a money-purchase scheme, there would be substantial one-off costs related to the funding of the existing, because no new money would be coming in from new Members? We will need to discuss such issues in future...²⁶⁴

The House did not divide on any of the motions or amendments before them.²⁶⁵ As explained by the Leader of the House at the start of the debate, detailed provisions will now be drawn up, in consultation with the scheme trustees, and will have to be agreed by the House before they can be implemented.²⁶⁶

²⁶¹ *Ibid*, c1713

²⁶² *Ibid*

²⁶³ *Ibid*

²⁶⁴ *Ibid*, c1713

²⁶⁵ *Ibid*, c1718 and c1780

²⁶⁶ *Ibid*, c1655

Appendix: House of Commons resolutions on pay and allowances (24 January 2008)

At the end of the debate on Members' Salaries, Pensions and Allowances, on 24 January 2008, the House agreed the following motions, without a division:

MEMBERS' SALARIES (EXPRESSION OF OPINION)

Resolved,

That, in the opinion of this House, the system for determining the salaries of Members of Parliament should be reviewed, in particular with a view to removing the need for final decisions on salaries to be subject to approval by this House; and that—

(1) the yearly rate for salaries of Members of this House, including the additional salaries of chairmen of select and general committees, should be increased (in addition to the increase of 0.66 per cent. provided for in respect of the year starting with 1st April 2007 under the resolution of 10th July 1996 relating to Members' Salaries (No. 2))—

(a) with effect from 1st April 2007, by 0.84 per cent. of the rate as it stood on 31st March 2007, and

(b) with effect from 1st November 2007, by a further 1.06 per cent. of the rate as it stood on 31st March 2007;

(2) from 31st March 2008, the resolution of 10th July 1996 relating to Members' Salaries (No. 2) should cease to have effect.

MEMBERS' SALARIES

Queen's recommendation having been signified—

Ordered,

That the following provision shall be made with respect to the salaries of Members of this House—

(1) the yearly rate for salaries of Members of this House, including the additional salaries of chairmen of select and general committees, shall be increased (in addition to the increase of 0.66 per cent. provided for in respect of the year starting with 1st April 2007 under the resolution of 10th July 1996 relating to Members' Salaries (No. 2))—

(a) with effect from 1st April 2007, by 0.84 per cent of the rate as it stood on 31st March 2007, and

(b) with effect from 1st November 2007, by a further 1.06 per cent of the rate as it stood on 31st March 2007;

(2) from 31st March 2008, the resolution of 10th July 1996 relating to Members' Salaries (No. 2) shall cease to have effect. — [Helen Goodman.]

PARLIAMENTARY PENSIONS

Resolved,

That this House endorses in principle Recommendations 7, 8 and 9 of the report of the Review Body on Senior Salaries on parliamentary pay, pensions and allowances (Cm 7270-I) a copy of which was laid before this House on 16th January, relating to the Parliamentary Pension Scheme, and endorses the change to the Scheme rules outlined in Recommendation 6 if it can be

implemented in conjunction with changes identified by the Trustees which produce sufficient offsetting savings to be cost neutral. — [Helen Goodman.]

MEMBERS' ALLOWANCES

Resolved,

That this House notes the recommendations made in Chapter 5 of the report of the Review Body on Senior Salaries on parliamentary pay, pensions and allowances (Cm 7270-I) a copy of which was laid before this House on 16th January; and is of the opinion that—

(1) recommendations 20-22 relating to an increase in staffing allowance should be implemented, subject to the decisions of the Members Estimate Committee with regard to their timing and administration;

(2) recommendations 17-19, 23-28, 30 and 31 (relating to reimbursement of unreceipted expenditure, audit, central funding of constituency office costs, Incidental Expenses Provision, partners' travel, Communications Allowance, Resettlement Grant, Winding-up Allowance, and nomenclature of allowances) be referred to the Members Estimate Committee for further consideration following consultation with the Advisory Panel on Members Allowances. — [Helen Goodman.]²⁶⁷

²⁶⁷ HC Deb 24 January 2008 cc1718-1720