

MEMBERS ESTIMATE AUDIT COMMITTEE

FUTURE OF THE MEMBERS ESTIMATE

Note by the Director General of Resources

Introduction

This note discusses the future of the Members Estimate once the IPSA is established.

Current Estimates structure

2. The House currently has two Estimates: Administration and Members.

The *Administration Estimate* focuses on the administrative costs of running the House of Commons as an institution, covering the staff costs of the House Service, the maintenance costs of the Estate, the running costs of the Chamber and associated activities, and travel costs of Members and officers undertaking parliamentary business such as select committee work. This Estimate is entirely under the control of the House itself: the Estimate is approved by the House of Commons Commission and laid before the House by the Speaker.

The focus of the *Members Estimate* is mainly on Members of Parliament as individual elected representatives. It provides for their remuneration, associated pension contributions, parliamentary allowances and IT equipment in support of them carrying out their work effectively. The Estimate also covers provision of training to Members and their staff, financial assistance to Opposition parties and an Exchequer contribution to the Members' Fund. The Members Estimate is laid by a Treasury Minister, but the accountability remains within the House of Commons.¹

In 2008/09, the net resource outturn on Administration was £235 million, and on Members £169 million. A breakdown of the various elements of the Members Estimate is given at Annex A

¹ *House of Commons: Members Estimate Annual Report 2008-09*, HC (2008-09) 955, p 4

Impact of establishing the IPSA

3. The transfer to the IPSA of responsibility for paying salaries and allowances will reduce the total of the Members' estimate significantly. Very roughly, salaries and allowances account for nearly 80% of the Estimate (using the 2009/10 figures). In the short term - certainly during FY 2010/11, there are likely to be ongoing costs to the House arising from the current allowances regime, notably:

- (a) payments in respect of allowances arising in FY 2009/10 but claimed during the two-month period after the end of the FY (these will be met from the 09/10 resource budget, but will score against 10/11 in cash terms)
- (b) (if the IPSA does not take on responsibility for payments until after a May election): payments of Members' and Members' staff salaries and certain allowances for the period from 1 April up until the Election, and - potentially - payment of winding up allowances and resettlement grants to defeated and retiring Members.

Options for change

4. A project team led by Mathew Hamlyn is currently working on the issues involved in the transition to the IPSA, including the financial and funding implications for the House.

5. It is difficult to predict at this stage how much the items set out in para 3(b) would amount to. But it is clearly large enough to warrant maintaining a separate Members Estimate for 2010/11. In the longer term, a decision needs to be taken on whether to maintain a separate Members Estimate or merge the residual items from the Members Estimate with the Administration Estimate to form a single House of Commons Estimate. The table sets out the factors to be taken into account in reaching that decision and my conclusion on them.

Factor	Response
Would the total amount of money involved be large enough to warrant a separate Members' Estimate? The amount involved would partly depend on what services the House administration continues to offer once the IPSA is established - for instance, funding for short money and contributions to Members' pensions and the Members' fund will remain with the	The likely residue would not be big enough to merit a separate Estimate in the longer term.

House.	
Is a separate Estimate needed for control purposes, or would a separate Request for Resource (RfR) within a merged estimate be sufficient?	Our view is that a separate Request for Resources (RfR – ie a separate line in the Estimate) would be enough for control purposes. It is worth noting that the House of Lords has always had a single estimate for all purposes.
Would there be any objection to expenditure which was previously authorised as part of the Main Government Supply moving entirely within the control of the House?	Although the Members Estimate is laid by a Treasury Minister, the accountability has always rested with the House, so there would be no practical change in governance, other than that certain items (eg Short money, the PCPF contribution and Members’ IT provision would in future be proposed formally by the Commission rather than the Treasury).

6. A way forward would therefore be:

- To maintain the current structure of the Members Estimate unchanged for 2010/11, but with a reduced resource requirement;
- To plan for a single Estimate for 2011/12 onwards. This would contain at least three RfRs, though the exact model is a matter for further consideration. One simple option would be to keep the current two RfRs – administrative expenditure and grants to other bodies – and adding a third RfR covering services to Members (i.e. elements of the Members Estimate not taken over by IPSA). A variant on this would be to move some elements from the Members estimate into “grants to other bodies”, such as support for the Working for an MP website and contribution to the Members’ Fund.

Impact on Members Estimate Committee and the MEAC

7. The formal terms of reference of the Members Estimate Committee (MEC) are to “codify and keep under review the provisions of resolutions of this House relating to expenditure charged to the Estimate for House of Commons: Members”. While there

continues to be a reasonably substantial Members Estimate (i.e. for 2010/11) it will probably be necessary to maintain the MEC (and also the MEAC). But in the following years, if the House were to move to a single Estimate, there would obviously no longer be a role for an MEC or the MEAC. The question arises whether a separate committee would still be needed to fulfil any residual functions relating to those elements of the Members Estimate which transferred to the new single Estimate.

Summary

8. In summary, I propose that
 - (a) The House should retain a separate Members Estimate for 2010/11
 - (b) The House should plan to move to a single Estimate for 2011/12 onwards, with several RfRs
 - (c) The MEC and the MEAC could be merged with the Commission and AEAC respectively once the separate Members Estimate ceases to exist.

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ANNEX A

A. Members' Salaries, pension costs etc

	2008-09	2007-08
	£000	£000
Members' salaries	41,465	40,245
Resettlement Grant	-	-
London Supplement	154	141
Social security costs	4,183	4,124
Other pension costs	12,455	12,000
Total net costs	58,257	56,510

	2008-09		2007-08	
	£000	£000	£000	£000
B. Other Costs – Members' Staff Salaries, Staff Pensions and other expenses				
Cash Items				
Staffing Allowance	59,962		55,452	
Incidental Expenses Provision	11,333		11,524	
Additional Costs Allowance	10,684		11,634	
Communications Allowance	5,126		4,699	
Travel expenses	5,985		6,193	
Contributions to Members' staff pensions	5,259		4,854	
Winding Up Allowance	132		56	
Central service provision	2,873		1,308	
Staff redundancy	33		20	
Insurance	172		177	
Temporary secretarial assistance	457		399	
Ex-gratia payments	-		4	
Grants to other bodies				
Financial assistance to Opposition parties	6,981		6,790	
Members' Fund	215		215	
Other	38		38	
Subtotal		109,250		103,363

	2008-09		2007-08	
	£000	£000	£000	£000
Non-cash items				
Depreciation and amortisation of fixed assets:				
Tangible fixed assets	710		714	
Intangible fixed assets	-		5	
Gain on disposal of fixed assets	(1)		(1)	
Pension provision	5,245		2,500	
Notional Audit fee:			50	
UK GAAP	50			
IFRS	5			
Capital charge	(4,561)		(3,831)	
Subtotal		1,448		(563)
Total		110,698		102,800
Overall Total (A + B)		168,955		159,310