



RESEARCH PAPER 01/88  
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# Members' office costs – the new system

With effect from 5th July 2001, a new system of reimbursing Members of Parliament for their office costs is being phased in. This Research Paper sets out the main changes, and gives historical background. Library Research Paper 01/86 deals with the changes to pay, pensions, allowances and related issues. Library Research Paper 01/87 details rates of pay and allowances since 1994.

This Research Paper provides background information and a general description of the system. Members should contact the Fees Office for authoritative guidance on the detail of the rules.

Pat Strickland

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## Summary of main points

With effect from 5th July 2001, a new system of reimbursing Members of Parliament for their office costs is being phased in. The main changes are as follows:

- The OCA will be phased out by 31 March 2003. New Members elected in June 2001 come under the new arrangements; existing Members can choose whether to switch to the new system immediately, or remain with the old OCA until some point before 1 April 2003.
- Under the new system, staff salaries are paid centrally by the House Authorities, although staff remain the employees of MPs. New staff will be employed on agreed pay scales and standard contracts, and existing staff should be moved to these as soon as possible, although with transitional arrangements.
- The annual staffing allowance per Member varies between £60,000 and £70,000 maximum. This will pay for between two and three full-time equivalent staff.<sup>1</sup> Members with London constituencies are eligible for the £70,000 maximum. Members with constituencies outside London will receive £60,000 plus an enhancement of £3,500 in respect of each full time member of staff whose work is mainly in London, and a proportion of this in respect of each part time employee in London, up to a maximum of £70,000 in total.
- Members can now claim central provision and maintenance of certain IT equipment for their offices. Each Member is entitled to a standard package of 3 PCs, 1 laptop computer, 2 combined printers/scanners/copiers/faxes (or a single heavy duty dedicated printer) and associated software. This includes provision for constituency offices.
- A new Incidental Expenses Provision of £18,000 is available for other expenses involved in running an office (eg, office rents and rates).
- A new General Services Budget has been established to provide central funding for such items as: training of Members and their staff; appropriate insurance provision; exceptional expenses incurred by MPs who have constituencies with particular problems; additional payments in respect of safety precautions; additional expenses for Members with disabilities.
- A Speaker's Advisory Panel has been set up to advise the Speaker and the Leader of the House. The Leader of the House announced membership of the new Panel on 19 July 2001.<sup>2</sup> The Fees Office can provide Members with details of the Panel's advice.

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<sup>1</sup> This compares with a notional allowance for 2.5 members of staff within the previous OCA.

<sup>2</sup> HC Deb 19 July 2001 Vol 372 c317W



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## I Introduction

The Review Body on Senior Salaries (SSRB) published a report in March 2001 on Members' pay and allowances.<sup>3</sup> In addition to recommending an increase in MPs' pay of £2,000 over and above that produced by the usual annual review mechanism in both 2001 and 2002, the report examined a number of other issues. One of these was the Office Costs Allowance (OCA). The report recommended fundamental changes to the way in which Members of Parliament are reimbursed for their office expenses. The Government adopted the proposals and the House debated them on 5 July 2001, together with other motions on Members' pay etc.<sup>4</sup> Library Research Paper 01/86 deals with the changes to pay, pensions, allowances and related issues. Library Research Paper 01/87 details rates of pay and allowances since 1994.

The main changes agreed to the Office Costs Allowance, in brief, are as follows:

- The OCA will be phased out by 31 March 2003. New Members elected in June 2001 come under the new arrangements; existing Members can choose whether to switch to the new system immediately, or remain with the old OCA until some point before 1 April 2003.
- Under the new system, staff salaries are paid centrally by the House Authorities, although staff remain the employees of MPs. New staff will be employed on agreed pay scales and standard contracts, and existing staff should be moved to these as soon as possible, although with transitional arrangements.
- The annual staffing allowance per Member varies between £60,000 and £70,000 maximum. This will pay for between two and three full-time equivalent staff.<sup>5</sup> Members with London constituencies are eligible for the £70,000 maximum. Members with constituencies outside London will receive £60,000 plus an enhancement of £3,500 in respect of each full time member of staff whose work is mainly in London, and a proportion of this in respect of each part time employee in London., up to a maximum of £70,000 in total.
- Members can now claim central provision and maintenance of certain IT equipment for their offices. Each Member is entitled to a standard package of 3 PCs, 1 laptop computer, 2 combined printers/scanners/copiers/faxes (or a single heavy duty dedicated printer) and associated software. This includes provision for constituency offices.

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<sup>3</sup> Review Body on Senior Salaries, Report No 48, *Review of parliamentary pay and allowances*, Cm 4997, 2 volumes, March 2001

<sup>4</sup> HC Deb 5 July 2001 Vol 371 c 421-77

<sup>5</sup> This compares with a notional allowance for 2.5 members of staff within the previous OCA.

- A new Incidental Expenses Provision of £18,000 is available for other expenses involved in running an office (eg, office rents and rates).
- A new General Services Budget has been established to provide central funding for such items as: training of Members and their staff; appropriate insurance provision; exceptional expenses incurred by MPs who have constituencies with particular problems; additional payments in respect of safety precautions; additional expenses for Members with disabilities.
- A Speaker's Advisory Panel has been set up to advise the Speaker and the Leader of the House. The Leader of the House announced membership of the new Panel on 19 July 2001.<sup>6</sup> The Fees Office can provide Members with details of the Panel's advice.

Employers' National Insurance contributions have to be paid out of the staffing allowance.

The text of the resolution agreed on 5 July 2001<sup>7</sup> appears as Appendix 1.

## **II Issues raised by the new system**

### **A. Flexibility versus accountability**

Throughout the history of the OCA there have been tensions between the freedom and flexibility required by Members when deciding how to spend the allowance to meet their individual needs, and accountability related to the use of the allowance. This was summed up in the SSRB report as follows:

3.04 The evidence we have received suggests that the recommendations set out below meet this objective. Nevertheless, it is clear that not everyone would welcome changes. The current Office Costs Allowance gives MPs freedom to allocate the money across the full range of allowable expenditure. For example, some Members may choose to buy more equipment rather than employ staff, or to employ one person at a high salary rather than maintaining a constituency office or employing more staff at a lower rate.

3.05 This flexibility, however, is accompanied by serious issues of accountability which, as is clear from the evidence put to us, are of concern both to many Members and to the relevant authorities. First, the difficulty in identifying and allocating the elements of expenditure gives rise to a lack of transparency. Secondly, because MPs have significant freedom to spend a large sum of money -

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<sup>6</sup> HC Deb 19 July 2001 Vol 372 c317W

<sup>7</sup> *Votes and Proceedings*, 5 July 2001

amounting indeed to more than their salary - the public tends to view the allowance as part of MPs' personal compensation rather than as a sum restricted to the reimbursement of proper business expenses. Thirdly, it was suggested to us that the current system allowed potential for abuse or misuse, although no cases of actual abuse have been drawn to our attention. The allowance is strictly for parliamentary and constituency work, and it is essential that public confidence is maintained that it is properly accounted for, transparent and not diverted to other purposes. We have borne these points in mind in formulating our proposals.<sup>8</sup>

Linked to this is the issue of the public and media perception of office costs. As noted on page 22 below, substantial increases in OCA tend to be accompanied by hostile media coverage. There have been a number of suggestions over the years to combat the false perception that Members can accrue personal benefits from the OCA. These have included proposals for tighter controls on the way in which Members may spend the allowance, and the removal from the allowance of particular parts such as staff costs, the largest element, and information technology (IT) expenditure.

## **B. Separating staff and IT costs from the OCA**

The 2001 SSRB report recommended separating staff and computer costs from other kinds of office expenditure. Both these suggestions have been made before, but not taken up by the House.

As usual, Hay Management Consultants produced a background study for the SSRB report. This study observed that opinion might be moving on these points:

- 2.3 The level of the OCA has been regularly reviewed and, at various times, proposals have also been considered to modify the OCA system as a whole. This has been done in two principal ways:
- First, it has been suggested on many occasions that central provision of IT and other equipment could be cheaper and more effective than the current arrangements under which individual Members take their own decisions. In 1999, the SSRB recommended a system of central purchasing, but the House did not adopt this.
  - Secondly, staff representatives and others have suggested that the OCA be split between staff costs (which have for many years accounted for about 75% of expenditure under the allowance) and the remainder. The staff cost element would be removed from the OCA and administered separately by the House authorities, probably (although not necessarily) utilising agreed pay scales. Such arrangements would not remove selection, deployment and dismissal responsibilities from MPs. But they would at least dilute the MP's role as employer (especially as

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<sup>8</sup> Ibid paragraphs 3.03-3.05

many have often been thought unsuitable and/or untrained). Staff would be protected against poor employment practices in general and in particular trade-offs between their salaries and other costs.

- 2.4 Recently, evidence has emerged from the Parliamentary Labour Party and other directions that proposals along these lines might be more favourably received than in the past. It has been noted that the Scottish Parliament and the Welsh and Northern Ireland Assemblies all provide office equipment centrally to their Members;<sup>9</sup> the separation of staff costs from the rest of the allowance is seen by many as consistent with better and fairer employment practice; and the removal of the majority of the OCA from individual Members' apparent control might make the allowance system less politically sensitive.<sup>9</sup>

The SSRB acknowledged that its earlier recommendations had not inspired sufficient support. Its "prime objective" had been to ensure that its current recommendations would have the support of Members:

If changes are to be introduced successfully, it is essential that they command the support of the majority of those to whom they apply. The recommendations we made in 1996 and 1999 did not inspire this degree of support, with the result that a system, which most people believe to be unsatisfactory in one way or another, has remained in place. It has therefore been our prime objective in this review to ensure that our recommendations command broad support.<sup>10</sup>

The SSRB went on to state that "[the] evidence we have received suggests that the recommendations set out below meet this objective. Nevertheless, it is clear that not everyone would welcome changes."<sup>11</sup>

On this occasion the Government did take up the SSRB recommendation to separate staff and IT costs from office expenses, as detailed in the terms of the motion put before the House on 5 July 2001. While amendments were made on certain details, the House endorsed the basic principle. The Leader of the House, Robin Cook, noted that extensive evidence from Members had been considered in putting the new package together and summarised the main benefits as follows:

First, Members' staff will be put on a consistent and fair salary structure for the first time since Members started to hire staff.

Secondly, all Members will have access to a standard package of IT equipment that will guarantee them access to the latest technology in a compatible format.

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<sup>9</sup> Review Body on Senior Salaries, Report No 48, *Review of parliamentary pay and allowances Volume 2 Independent study on pay and allowances*, Cm 4997-II, March 2001

<sup>10</sup> Review Body on Senior Salaries, Report No 48, *Review of parliamentary pay and allowances*, Cm 4997, volume 1, March 2001, paragraph 3.03

<sup>11</sup> *Ibid* paragraph 3.04

Finally, the overall effect of the package will be a substantial increase in the resources available to Members.<sup>12</sup>

## 1. Staff costs

The SSRB's predecessor, the Top Salaries Review Body (TSRB), recommended the separation of staff costs from the rest of OCA in 1983 and 1992. In 1983, it recommended two separate allowances, one for staff, and one for general office expenses.<sup>13</sup> The Government initially accepted this, but in the end the House agreed to retain the unitary allowance.<sup>14</sup> In 1992, the TSRB voiced concerns about the way in which staff pay was negotiated. A number of Members had told the TSRB that as they were not employment experts, the system could work against staff and such matters were anyway a burdensome distraction from the Members' main work. The TSRB concluded that it was essential that the OCA be separated into staff and other expenses.<sup>15</sup> They considered the possibility of staff becoming centrally employed by the House itself. However, they believed that the potential disadvantages outweighed the benefits of such a scheme, and "in view of the importance MPs place upon their freedom to recruit their own staff", they did not recommend this option.<sup>16</sup> The Government did not support the compartmentalisation of the OCA, and it was not included in the motion put before the House.<sup>17</sup>

In its 1996 report, the SSRB did not make detailed recommendations on OCA. However, amongst the issues it recommended should be further examined was the possibility of establishing a system "which removes the cost of employing staff from MPs' allowances, while retaining a degree of flexibility for MPs over staff and office requirements".<sup>18</sup> The 1999 SSRB report, which examined these "development recommendations" more fully, considered the arguments for removing staff costs from the OCA but did not make any recommendations.<sup>19</sup>

In its 2001 report, the SSRB recommended that staff should remain the employees of MPs, but that their salaries should be paid centrally by the House:

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<sup>12</sup> HC Deb 5 July 2001 Vol 371 c 429

<sup>13</sup> Top Salaries Review Body, *Review of Parliamentary Pay and Allowances*, Cm 8881, May 1983, paragraph 133

<sup>14</sup> HC Deb 19 July 1983 c324-343

<sup>15</sup> Top Salaries Review Body, *Review of the House of Commons Office Costs Allowance*, Cm 1943, July 1992, paragraph 28

<sup>16</sup> *Ibid*, paragraph 29

<sup>17</sup> HC Deb 14 July 1992 cc 1081-1110

<sup>18</sup> Review Body on Senior Salaries, Report No 38, *Review of Parliamentary pay and allowances*, Cm 3330-I, July 1996, p5

<sup>19</sup> Review Body on Senior Salaries, Report No 43, *Devolution Salaries for Ministers and Office-holders and office support for Members Parliamentary Development Recommendations*, Cm 4246, March 1999

The main objection to the 1996 proposal to separate staffing costs from the Office Costs Allowance was the accompanying suggestion that staff should be employed centrally. There was a clear majority view in the evidence to us that staffing costs should be separated from the Office Costs Allowance, provided always that MPs would retain the right to select staff, to terminate their employment and to decide on the work their staff should do. Hay's study has confirmed that this is feasible. Central funding would provide a fairer and more open system, improve staff morale and remove some of the burden of being an employer from the MP. We believe there is general agreement that the reduced flexibility for MPs is a price worth paying for greater transparency and accountability. The Department of Finance and Administration confirmed that this would be administratively practical.

**3.11 Recommendation 3: Staff should remain the employees of MPs but their salaries should be paid centrally by the House authorities and should not form part of the Office Costs Allowance.<sup>20</sup>**

The SSRB report also recommended that new staff should be employed on common pay scales that would apply to all MPs' staff. The aim would be to move existing staff over to these as soon as possible, subject to transitional arrangements.<sup>21</sup>

During the debate in July 2001, Members on all sides of the House generally supported the adoption of the new system. These included: the Shadow Leader of the House, Angela Browning; the Liberal Democrat spokesman, Paul Tyler; Ernie Ross, speaking from his experience as chairman of the staff liaison committee of the Parliamentary Labour Party (PLP); and Clive Soley, who gave evidence to the SSRB on behalf of the PLP. Clive Soley successfully moved two amendments to the Government motion, one of which related to staff allowances. The Government motion set the staff allowance maximum at £60,000 per year for Members with constituencies outside London, and at £70,000 for Members with London constituencies. The Leader of the House indicated:

The differential is the single issue on which I have received most representations from hon. Members and I am not in the least surprised that it has attracted an amendment.<sup>22</sup>

Mr Soley's amendment sought to address the situation where a Member with a seat outside London employs staff at Westminster. He acknowledged that there could well be complications, and that the situation would have to be monitored, if necessary asking the Speaker's Advisory Panel to address it. The amendment was agreed without division:

In paragraph (2)(c), leave out from 'above' to 'these' in line 20 and insert

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<sup>20</sup> Review Body on Senior Salaries, Report No 48, *Review of parliamentary pay and allowances*, Report, Cm 4997-I, March 2001

<sup>21</sup> *Ibid* paragraph 3.13.

<sup>22</sup> HC Deb 5 July 2001 Vol 371 c 429

‘should not in any financial year exceed—  
 (i) £70,000 in the case of a Member representing a London constituency; and  
 (ii) £60,000 in the case of any other Member, plus £3,500 in respect of each full-time (or full-time equivalent) staff person employed by that Member whose duties are wholly or mainly required to be performed within Greater London, provided that the aggregate sum payable in respect of any Member shall not exceed £70,000.’<sup>23</sup>

On redundancy pay for staff, the Leader of the House confirmed that the position would not change. If staff are made redundant as a result of a Member losing his or her seat, the House will meet the redundancy payment. If the redundancy results from restructuring in a Member’s office, the Member is liable.<sup>24</sup>

The Fees Office has provided guidance on job descriptions and pay rates for staff. Members should refer to the Department of Finance and Administration for this information.

## 2. Numbers of staff

The OCA provided notionally for the equivalent of between two and two and half members of staff.<sup>25</sup> A large majority of MPs who responded to the SSRB argued for a minimum of three or even four staff. The SSRB concluded that the maximum provision should allow for three full-time staff:

3.15 We note Hay’s conclusions that, while two and a half staff would be adequate for many MPs, more active Members could effectively make use of three staff. From the evidence we have received we have concluded that the maximum provision for each MP should be set at a level which would enable the MP to employ up to the equivalent of three full-time staff. This maximum should include National Insurance contributions, but exclude the 10 per cent employers’ contribution to a pension scheme.<sup>26</sup>

Hay recommended the staff costs limit of £60,000 (or £70,000 for MPs with London constituencies) proposed by the SSRB on the basis of model staffing arrangements:

[...] We have developed a number of model staffing arrangements which we believe could be justified in the light of the increased workload at constituency (rather than Westminster) level. These are as follows:

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<sup>23</sup> HC Deb 5 July 2001 Vol 371 c 463

<sup>24</sup> HC Deb 5 July 2001 Vol 371 c 431

<sup>25</sup> Review Body on Senior Salaries, Report No 38, *Review of Parliamentary pay and allowances*, Report, Cm 3330-I, July 1996, paragraph 100

<sup>26</sup> Review Body on Senior Salaries, Report No 48, *Review of parliamentary pay and allowances*, Report, Cm 4997-I, March 2001

- A full-time Parliamentary Assistant at Westminster, and a full-time Senior Secretary based in the constituency, assisted by a full-time junior. The cost of this arrangement would be £62,000 including National Insurance Contributions. It is suitable for an MP with moderate casework, with a lot of constituency arrangements and a specialist Parliamentary profile. In our experience this is an exceptional, although not unknown, arrangement at present.
- An Executive Secretary/PA at Westminster; and a Constituency Assistant supported by a part-time Junior Secretary. Also a £3,000 contribution to pooled research. This covers a high political and constituency profile with substantial routine casework. The cost would be £60,000 including National Insurance Contributions.
- Two constituency Assistants and a full-time Junior Secretary all based in the constituency, designed to field a heavy and complex casework load. Again, a £3,000 contribution to pooled research. It would cost £57,000 including National Insurance contributions.
- A Senior Secretary based at Westminster; a Constituency Assistant and a full-time Junior Secretary in the Constituency. This is suitable for an MP with a substantial workload balanced between Westminster and the constituency without the need for specialist support, beyond the £3,000 provision for pooled research. The cost of this option would be £59,000 including National Insurance Contributions.<sup>27</sup>

During the debate in July 2001, the Shadow Leader of the House, Angela Browning, queried the figures in the SSRB report, and felt that the sums “did not add up”.<sup>28</sup> Her concern was that the allowance was not sufficient to pay for three members of staff. She also raised concerns about the transitional arrangements and about existing contracts. Jacqui Lait, a Conservative backbencher, generally supported the improvements proposed to Members’ remuneration package, but felt the arrangements were not flexible enough. One of her concerns was that Members should be allowed to continue to employ consultants, and she had tabled an amendment that such expenditure could come out of the staffing allowance. The amendment was not moved. This was because, had it been agreed, it would have meant that Mr Soley’s amendment would have fallen. The Leader of the House gave an undertaking that the Advisory Panel would be asked to look at the situation regarding consultants.<sup>29</sup> The Panel has since provided advice on this point. Details are available from the Department of Finance and Administration.

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<sup>27</sup> Review Body on Senior Salaries, Report No 48, *Review of parliamentary pay and allowances Volume 2 Independent study on pay and allowances*, Cm 4997-II, March 2001 paragraph 5.8

<sup>28</sup> HC Deb 5 July 2001 Vol 371 c 434-6

<sup>29</sup> HC Deb 5 July 2001 Vol 371 c 461

### 3. IT equipment

Under the OCA system, MPs could choose IT equipment from a list provided by the Parliamentary Communications Directorate of equipment compatible with the House network. However, they were also free to buy their own equipment. The central procurement system was introduced in July 1999, but has been little used.<sup>30</sup>

There has been pressure for central provision of computers for some time. In 1992, the then TSRB recommended that "...the House should move as quickly as possible towards a system of central provision of office equipment."<sup>31</sup> However, as an interim measure, it recommended a one-off grant. The Government said that these proposals needed further consideration<sup>32</sup> and they were not included in the motion put before the House. The 1996 SSRB report recommended further consideration of central provision of compatible office equipment.<sup>33</sup> These "development recommendations" were examined in the 1999 SSRB report. This recommended central provision of IT equipment both for Westminster and constituency offices to begin immediately and be fully implemented by the end of 2002. Upon implementation, there should be a review of the OCA in the light of any savings resulting from central provision.<sup>34</sup>

The Government responded to the SSRB's 1999 report in a House of Lords Written Answer on 31 March 1999:

The Review Body also makes a series of recommendations relating to the central provision of IT equipment for Members' offices, both at Westminster and in their constituencies. The Government are not persuaded by the arguments put forward for enforced central provision of such equipment, as this would remove Members' choice in determining what equipment they needed, and how much of the Office Costs Allowance they wish individually to spend on it. The Government agrees, however, that there may be cost and other advantages in central bulk procurement of IT equipment for those Members who wish to pursue such an approach. We propose therefore to invite the Information Committee to explore this option further and report its views to the House.<sup>35</sup>

In 1998, the Information Committee recommended that a form of central procurement should be adopted by the House in which Members could buy equipment from a list provided by the House authorities. It had decided based on evidence from Members and

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<sup>30</sup> Information Committee, *Information technology provision for Members*, HC 758 1999-2000, 27 November 2000, paragraph 12

<sup>31</sup> Top Salaries Review Body, *Review of the House of Commons Office Costs Allowance*, Cm 1943, July 1992, paragraph 40

<sup>32</sup> HL Deb 9 July 1992 cc 283-5W

<sup>33</sup> Review Body on Senior Salaries, Report No 38, *Review of Parliamentary pay and allowances*, Cm 3330-I, July 1996, paragraph 100

<sup>34</sup> Review Body on Senior Salaries, Report No 43, *Devolution Salaries for Ministers and Office-holders and office support for Members Parliamentary Development Recommendations*, Cm 4246, March 1999

<sup>35</sup> HC Deb 31 March 1999 c 92WA

the Leader of the House that the time was not yet right for central provision.<sup>36</sup> In a report published in November 2000, the Information Committee looked again at the issue, in the light of experience of the low take-up of the central procurement system introduced in July 1999. It took evidence from the Parliamentary Communications Department on problems caused to the system by the variety of hardware and software installed, and looked at central provision in the devolved parliamentary bodies. The Committee concluded that it was confident that central provision would allow the House to offer a higher standard of IT services to Members.<sup>37</sup> It recommended that central provision should be introduced at the earliest opportunity.<sup>38</sup>

The 2001 SSRB report endorsed this view:

3.26 We agree with the Information Committee's conclusion that the new system should be in place to enable all MPs to benefit from it immediately after the General Election. Transitional arrangements are discussed in paragraphs 3.46 – 3.50 below.

3.27 **Recommendation 6: Central supply and maintenance should be provided for a standard package of equipment for each MP consisting of up to 3 PCs, 2 printers/scanners/copiers/answer machines, a laptop and associated software.**

3.28 **Recommendation 7: The standard packages should include provision in the constituency office, and necessary links such as virtual private network should be funded centrally.**

3.29 **Recommendation 8: The new system should be in place to enable all MPs to benefit from it immediately after the General Election.**

3.29 We endorse the Information Committee's proposal that MPs should be free to buy additional equipment out of their provision for remaining expenses (...) but that the Parliamentary Communications Directorate should have discretion over whether it should be connected to the PDVN.<sup>39</sup>

The SSRB put the annual cost of this provision at "some £4,000 per MP".<sup>40</sup>

There was some concern during the debate in July 2001 as to what tendering process had been used to select the standard package of IT equipment. Richard Allen, former chairman of the Information Committee, indicated that there had been close co-operation

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<sup>36</sup> Information Committee, *The supply of Members' Information Technology equipment, software and associated services*, HC 76 1998-99, paragraph 48

<sup>37</sup> Ibid paragraph 31

<sup>38</sup> Ibid paragraph 33

<sup>39</sup> Ibid

<sup>40</sup> Ibid paragraph 3.24

and consultation between officers of the House and the Information Committee on Members' needs.<sup>41</sup> Jacqui Lait, who indicated that she used computer consultants as support staff and was concerned about "having a monopoly provider",<sup>42</sup> had tabled an amendment to the proposed IT package:

at the end of paragraph (f), insert—

'(h) that Members should be consulted on their IT needs and requirements before any contracts are let centrally; that the central purchase of any IT equipment should be subject to public procurement requirements; that a wide range of provision is offered and updated as required by each Member and that Members should have access to more than one IT support service of their own choosing.'

The Leader of the House indicated that if Members were to have a centrally funded and managed procurement system, it would be impractical to provide Members with such a degree of individual choice.<sup>43</sup> Mrs Lait did not press her amendment.<sup>44</sup>

### C. Incidental Expenses Provision

Once computer costs and staff costs are separated from the main allowance, the SSRB recommended that the remainder should be an "Incidental Expenses Provision" of £14,000. It also recommended one-off grants where there are particular security problems, and that the House should consider a mechanism for reimbursing "exceptional expenses":

3.40 **Recommendation 9:** The Office Cost Allowance should be abolished and a new Incidental Expenses Provision should be set at £14,000 to include reimbursement of approximately £9,000 for expenditure on the costs of a constituency office, and £5,000 for other incidental expenditure.

3.41 **Recommendation 10:** There should be central provision for one-off grants to be made from central funds where the police have recommended that additional safety precautions need to be taken.

3.42 **Recommendation 11:** The House should consider a means of provision for one-off grants to be made from central funds where the police have recommended that additional safety precautions need to be taken.<sup>45</sup>

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<sup>41</sup> HC Deb 5 July 2001 Vol 371 c438

<sup>42</sup> HC Deb 5 July 2001 Vol 371 c 457

<sup>43</sup> HC Deb 5 July 2001 Vol 371 c 462

<sup>44</sup> HC Deb 5 July 2001 Vol 371 c 463

<sup>45</sup> Review Body on Senior Salaries, Report No 48, *Review of parliamentary pay and allowances*, Cm 4997, volume 1, March 2001

The Government accepted these recommendations, and proposed to set up a new Incidental Expenses Provision, set at £14,000 per annum, and a new General Services budget, as reflected in the motion debated in July 2001:<sup>46</sup>

[...]

(d) a new provision called an Incidental Expenses Provision should be established (at a rate of £14,000 per year for each Member, and uprated annually in line with the Retail Prices Index), to meet any other expenditure which Members may incur wholly necessarily and exclusively in discharging their duties as Members.

[...]

*General Services Budget*

(3) Central funding by way of a General Services Budget should provide for:

(a) relevant training of Members and Members' staff in connection with their parliamentary duties;

(b) any appropriate insurance provision;

(c) any additional reimbursement of exceptional expenses incurred by Members who have constituencies with particular problems;

(d) reasonable adjustments to the working conditions and equipment of Members with particular needs because of disability, and for necessary additional continuing costs;

(e) any additional payments to Members in respect of safety precautions to safeguard their staff, their office equipment and themselves, where such safety precautions have been recommended by the police; and

(f) other appropriate expenditure within the ambit of the Vote, under the authority of the Speaker.

Moving his amendment on the Incidental Expenses Provision during the debate, Clive Soley expressed the opinion that the SSRB had set the figure too low. In support of his amendment to raise the figure from £14,000 to £18,000, he cited the cost of office rental and telephone bills, Members' travel (outside committee travel), and individual research, such as the evidence sessions he had conducted himself on family policy. He concluded:<sup>47</sup>

If people want good representation - I know that they do - and if they want their Parliament to be more effective, we have to pay for it. Democracy does not come cheap and if we want good-quality democracy and good-quality Members of Parliament who are well resourced, we are taking a big step in the right direction.

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<sup>46</sup> HC Deb 5 July 2001 Vol 371 c 421-2

<sup>47</sup> HC Deb 5 July 2001 Vol 371 c 444

We have not got it all right today, but I ask hon. Members to vote for my amendments and for the proposals we are considering today.

The amendment was agreed to without division.<sup>48</sup> The new Incidental Expenses Provisions is therefore set at a maximum of **£18,000** per annum.

## **D. Transitional arrangements**

The SSRB recognised that such changes could not be brought into effect immediately. It recommended:<sup>49</sup>

- The new arrangements should cover all newly elected Members after the election
- Existing Members who wished to move to the new system should be able to do so
- Where new arrangements would mean reductions in staff pay, employees should “mark time” until their pay was at the recommended level
- Where the new arrangements would entail a breach of contract, Members should have discretion to negotiate different arrangements
- Where Members had continuing obligations in relation to existing computer equipment, they should have reasonable costs reimbursed
- All Members should move over to the same system by a specific date – the SSRB suggested two years
- During the transitional period, those on the old system should retain the current level of the allowance, annually updated by the RPI
- Those wishing to use centrally provided IT but their old staffing arrangements should also continue with the whole OCA for a period
- It would not be feasible to allow Members to keep their old IT arrangements while transferring staff costs to the central budget.

Following the resolution of the House in July 2001, new Members elected in June 2001, will be entitled to a pro rata share of the annual staff allowances with immediate effect. An article in the *House Magazine* indicated:<sup>50</sup>

The Fees Office will be writing to Members over the course of the summer to ask whether they wish to transfer to the new system of allowances at this stage.

For newly elected Members and for existing Members who wish to switch to the new system with effect from the beginning of July, the entitlement over a whole year will be:

- £13,190 (i.e. the value of one-quarter of the OCA); plus

<sup>48</sup> HC Deb 5 July 2001 Vol 371 c 463

<sup>49</sup> Ibid paragraphs 3.46-3.50

<sup>50</sup> Heather Wood, “Working out office costs”, *House Magazine*, 30 July 2001, pp22-3

- three-quarters of the appropriate new staffing allocation (i.e. between £45,000 and £52,500 maximum) and
- three-quarters of the new Incidental Expenses Provision - £13,500

### **III Resource implications**

The new system is more generous than the OCA and represents a considerable increase in the resources available to Members to perform their parliamentary duties, albeit not as a single allowance. The maximum OCA rate for 2001/2002, excluding staff pension contributions, is £52,760 per year. The new Incidental Expenses Provision is at an annual rate of £18,000. The allowance for staff costs alone is between £60,000 and £70,000 annually per Member (depending on number of London based staff). As noted above (page 16), the average annual cost of central computer provision was estimated at £4,000. During the debate on 5 July 2001, the Leader of the House indicated that the new package proposed by the Government would be worth about £80,000 for most Members.<sup>51</sup> This, however, was before the increases were agreed relating to the Incidental Expenses Provision (an extra £4,000), to the Additional Costs Allowance<sup>52</sup> (almost £6,000 extra), and to the enhanced staff allowances for Members outside London (up to a maximum of £10,000 extra per Member).

The estimated cost of OCA for 2000/2001 was around £34m.<sup>53</sup> While this includes the element of the OCA which Members spend on IT equipment, it clearly does not include central costs incurred by the House in connecting this to the PDVN and servicing it.

Assuming all Members made full use of the maximum possible allowances, excluding one-off grants and exceptional expenses, the annual cost would be around £66m. Hay noted that almost all Members draw their full OCA under the old system.<sup>54</sup> It is possible that as the new system is brought in, more Members will not make use of the full possible provision, which would obviously reduce the costs.

## **IV Background**

### **A. The rules governing Office Costs Allowance**

The Office Costs Allowance (OCA) was payable to MPs in respect of office expenses, including equipment, secretarial costs and research assistance. The maximum OCA for

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<sup>51</sup> HC Deb 5 July 2001 Vol 371 c429

<sup>52</sup> See Library Research Paper 01/87, *Parliamentary Pay and Allowances: Current Rates*, November 2001

<sup>53</sup> Estimate by Fees Office

<sup>54</sup> Review Body on Senior Salaries, Report No 48, *Review of parliamentary pay and allowances*, Cm 4997, volume II, March 2001, paragraph 3.4

2000/2001 and all preceding years is given in Appendix 3; the budget figure for employer's pension contributions is 10% of the OCA for any relevant year. Some disabled Members have higher multiples of the standard OCA according to particular Resolutions of the House. The allowance is calculated on a quarterly basis.

The rules make it clear that the OCA is only to be used with respect to the Member's parliamentary duties. The Resolution of the House relating to OCA on 21 July 1987 states that:

...the allowance payable to a Member of this House in respect of the aggregate expenses incurred by him for his parliamentary duties –

- i) as general office expenses (including expenses incurred in the purchase of office equipment
- ii) on secretarial assistance, and
- iii) on research assistance for work undertaken in the proper performance of such duties

shall be known as the Office Costs Allowance.<sup>55</sup>

Guidance by the Fees Office makes clear that the Office Costs Allowance must only cover expenditure incurred “wholly, exclusively and necessarily in the performance of parliamentary duties”:

The Office Costs Allowance (OCA) should be used to cover the normal expenses required to set up and run a parliamentary office, including the payment of secretarial and research assistance. To qualify for OCA, any expenditure must be incurred *wholly, exclusively and necessarily in the performance of parliamentary duties*. This is a strict and long-established rule, approved by successive Speakers. You cannot therefore claim for expenditure that is personal or party-political.<sup>56</sup>

The Code of Conduct for Members makes clear that:

No improper use shall be made of any payment or allowance made to Members for public purposes, and the administrative rules which apply to such payments and allowances must be strictly observed.<sup>57</sup>

The restrictions on the use of the OCA to parliamentary, as opposed to party, purposes was highlighted by an investigation in 2000 by the Committee on Standards and Privileges. A journalist had made complaints against two Members, John Reid, then Secretary of State for Scotland and currently Secretary of State for Northern Ireland, and John Maxton, to the Parliamentary Commissioner for Standards. These were that they had drawn upon their OCA to pay salaries to three researchers, knowing that they would

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<sup>55</sup> HC Deb 21 July 1987 c 295

<sup>56</sup> Fees Office, *The Green Book Parliamentary Salaries, Allowances and Pensions*

<sup>57</sup> <http://www.publications.parliament.uk/pa/cm199697/cmselect/cmstand/688/codefc.htm>

be working for the Labour Party rather than for their Member for at least some of their paid time. In her memorandum to the Committee, the Commissioner upheld the complaint against both Members. The Committee, by contrast, did not uphold the complaint against either, although it emphasised that the OCA should not be used for party purposes:

No one should be in any doubt that using the OCA to pay people to campaign for a political party is a serious offence against the rules of the House.<sup>58</sup>

## **B. History of Office Costs Allowance<sup>59</sup>**

An allowance of £500 for secretarial costs was introduced in 1969 following a report by the Services Committee.<sup>60</sup> Help with office equipment was introduced at around the same time. In 1972, following recommendations by the Top Salaries Review Body (TSRB)<sup>61</sup> this allowance was doubled to £1,000 to meet both secretarial and general office expenses, of which £300 was designed to be used to employ a research assistant.

From 1984, the allowance was to be linked to increases in civil service pay for senior secretaries.<sup>62</sup> However, this was still to be combined with periodic fundamental reviews of the allowance by the TSRB, which in July 1993 became the Senior Salaries Review Body.

The House voted for large increases in the allowance in 1986<sup>63</sup> and 1992.<sup>64</sup> Predictably, this aroused some hostile press coverage.<sup>65</sup>

In 1996, a resolution of the House provided for the OCA to be uprated annually by reference to the Retail Prices Index.<sup>66</sup>

The SSRB's last full review of parliamentary pay and allowances was in 1996.<sup>67</sup> This did not make any recommendations about immediate changes to the structure of the OCA,

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<sup>58</sup> Footnote: Committee on Standards and Privileges Second Report *Complaint against Mr John Maxton and Dr John Reid*, HC 89 2000-01, 21 December 2000 paragraph 44

<sup>59</sup> A more detailed history of the allowance is provided in Library Background Paper No 306, 19 November 1992

<sup>60</sup> Select Committee on House of Commons (Services) *Services and Facilities for Members*, HC 374, 1968-69,

<sup>61</sup> Review Body on Top Salaries, *Ministers of the Crown and Members of Parliament*, Cmnd 4836, December 1971

<sup>62</sup> HC Deb 20 July 1984 cc 617-660

<sup>63</sup> HC Deb 16 July 1986 cc 1130-1143

<sup>64</sup> HC Deb 14 July 1992 cc 1081

<sup>65</sup> see for example, "Self-important and self-rewarding", *Independent*, 16 July 1992 and "MPs in the trough", *Daily Telegraph*, 16 July 1992

<sup>66</sup> HC Deb 10 July 1996 cc 488-543 and HC Deb 22 July 1996 c 121

although it did suggest a £2,455 increase to the staffing element, bringing the total maximum allowance up to £46,363. However, it made a number of “development recommendations” for its further consideration. These were considered in a 1999 report.<sup>68</sup>

A table showing the rate of the OCA since its introduction appears as Appendix 2.

## **V The Scottish Parliament and the devolved Assemblies**

### **A. The Scottish Parliament**

During 2000, there was an independent review of the Scottish Parliament Members' Allowances Scheme and the Equipment and Furniture Scheme.<sup>69</sup> A revised scheme was passed by the Parliament on 21 June 2001 and introduced with effect from 1 July 2001. Under this scheme, MSPs can incur up to £49,300 for employing support staff and running a constituency or regional office and for various other expenses. All costs are met on the basis of actual expenditure incurred by the Member. A range of other allowances is also available. Details of the whole allowances scheme can be found in the Scottish Parliament Official Report.<sup>70</sup>

### **B. National Assembly of Wales**

The Welsh Assembly's Office Costs Allowance is set out in the Assembly's Fees Office document as follows:

Members are entitled to claim an Office Costs Allowance to cover the costs to them of furnishing and maintaining an office where those costs are wholly, exclusively and necessarily incurred in connection with his/her duties as an Assembly Member.

Subject to Section 10.4.1, a Member may claim an amount of Office Costs Allowance not exceeding £11,300 in any year.

#### **Office Costs**

It is not possible to produce an exhaustive list of admissible items but the following examples may assist Members in deciding whether or not they can make a claim:

- The cost of maintaining an office in the Assembly Member's constituency. (including rent, council tax, or business rates, electricity, gas, water and telephone charges and the cost of equipping such offices).

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<sup>67</sup> Review Body on Senior Salaries, Report No 38, *Review of Parliamentary pay and allowances*, Cm 3330 2 volumes, July 1996

<sup>68</sup> Review Body on Senior Salaries, Report No 43, *Devolution Salaries for Ministers and Office-holders and office support for Members Parliamentary Development Recommendations*, Cm 4246, March 1999

<sup>69</sup> See Annual Report of the Scottish Corporate Parliamentary Body, 2001, at: <http://www.scottish.parliament.uk/spcb/spar01-02.html>

<sup>70</sup> SPOR 21 June 2001 cc 1901-1917 at: [http://www.scottish.parliament.uk/official\\_report/session-01/sor0621-01.htm](http://www.scottish.parliament.uk/official_report/session-01/sor0621-01.htm)

- Measures to ensure the security of a constituency office.
- The cost of hiring or renting rooms situated in the Assembly Member's constituency for the purposes of holding "constituency surgeries".
- The cost of advertising the holding of constituency surgeries.
- Newspapers and periodicals
- Mobile telephone bills
- Stationery not available directly from the Assembly.

Claims for individual items of furniture or other individual items costing more than £1,000 shall be referred to the Fees Office for approval prior to payment.

The costs of repaying a mortgage, including interest thereon, cannot be claimed under this allowance.<sup>71</sup>

In addition, Members may claim up to £40,900 Staff Salaries Allowance. This is to cover the costs of people employed by them in an administrative, clerical or secretarial capacity or to undertake research in relation to their duties as a Member of the Assembly.<sup>72</sup>

### **C. Northern Ireland Assembly**

Members of the Northern Ireland Assembly can get an allowance of up to £36,578 (for 2001-2002) for expenses incurred on secretarial, clerical or administrative assistance.<sup>73</sup> This includes the provision of equipment, facilities and services.<sup>74</sup>

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<sup>71</sup> National Assembly of Wales Fees Office, *National Assembly of Wales (Assembly Members and Officers) (No 2) Determination 2001*, available at: [http://www.wales.gov.uk/newsite.dbs?37B1A026000BF4FD0000436C00000000+current+3B4C343A0004FBAF000065CC00000000+cur\\_date+07\\_2001](http://www.wales.gov.uk/newsite.dbs?37B1A026000BF4FD0000436C0000000+current+3B4C343A0004FBAF000065CC00000000+cur_date+07_2001)

<sup>72</sup> Ibid, paragraph 10.1.1.

<sup>73</sup> Northern Ireland Assembly Fees Office, November 2001

<sup>74</sup> *Northern Ireland Assembly (Members' Allowances) Determination 2000*

## Appendix 1 – Text of resolution on allowances<sup>75</sup>

*Resolved*, That, in the opinion of this House-

(1) Provision should be made, with effect from 5th July 2001, to implement Chapter 3 of the report of the Review Body on Senior Salaries on parliamentary pay and allowances (Cm 4997-1) a copy of which was laid before this House on 16th March, to establish a General Services Budget under the Members' Vote, and with regard to related matters;

(2) These provisions should be applied as follows (subject to transitional arrangements under (6) and (7) below, and any directions which may from time to time be given by Mr Speaker with regard to their application):

(a) the salaries of staff employed by Members to help them in their duties as Members of Parliament, and pensions contributions equivalent to ten per cent. of each employee's salary, should be paid centrally by the Department of Finance and Administration;

(b) all such staff who become employed by a Member should be employed on pay rates to be linked to job descriptions and standard contracts prepared by the Department of Finance and Administration;

(c) the total costs of employing such staff, attributable to a particular Member, excluding the pension contribution outlined in (a) above should not in any financial year exceed-

(i) £70,000 in the case of a Member representing a London constituency; and

(ii) £60,000 in the case of any other Member, plus £3,500 in respect of each full-time (or full-time equivalent) staff person employed by that Member whose duties are wholly or mainly required to be performed within Greater London, provided that the aggregate sum payable in respect of any Member shall not exceed £70,000,

these figures to be updated annually to reflect changes in pay levels for equivalent jobs outside the House.

(d) a new provision called an Incidental Expenses Provision should be established (at a rate of £18,000 per year for each Member, and updated annually in line with the Retail Prices Index), to meet any other

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<sup>75</sup> *Votes & Proceedings*, 5 July 2001

expenditure which Members may incur wholly necessarily and exclusively in discharging their duties as Members.

(e) specific financial provisions should be made for the supply and maintenance of a standard package of information technology equipment and services for each Member to be used exclusively in discharging their duties as Members; and

(f) the Office Costs Allowance should be abolished after a transitional period ending on 31st March 2003.

(3) The House of Commons Additional Costs Allowance should be increased by the same proportion as that proposed for the House of Lords Overnight Allowance under Recommendation 16 of the Review Body on Senior Salaries Report No. 48.

#### *General Services Budget*

(4) Central funding by way of a General Services Budget should provide for:

(a) relevant training of Members and Members' staff in connection with their parliamentary duties;

(b) any appropriate insurance provision;

(c) any additional reimbursement of exceptional expenses incurred by Members who have constituencies with particular problems;

(d) reasonable adjustments to the working conditions and equipment of Members with particular needs because of disability, and for necessary additional continuing costs;

(e) any additional payments to Members in respect of safety precautions to safeguard their staff, their office equipment and themselves, where such safety precautions have been recommended by the police; and

(f) other appropriate expenditure within the ambit of the Vote, under the authority of the Speaker.

#### *Advisory Panel*

(5)-(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 (4) above;

(ii) his authorisation of expenditure not otherwise specified in this Resolution but within the ambit of the Vote, pursuant to paragraph (4)(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.

#### *Transitional Provisions*

(6) The following provisions should be made regarding the allowances of Members who, having sat in the previous Parliament, are returned to the present Parliament (subject to directions which may be given from time to time by Mr Speaker with regard to application):

(a) Members may, whether or not they take advantage of central Information Technology provision, opt to retain their entitlement to the Office Costs Allowance, payable at the level and subject to provisions for uprating in force at 1st April 2001;

(b) Any reasonable contractual commitments entered into by Members who transfer to the new provisions in respect of staff and IT should be honoured through central funding until they can reasonably be terminated;

But these provisions should cease to have effect from 1st April 2003.

(7) Transitional provisions for all Members transferring to the new arrangements in 2001-02 should be determined by Mr Speaker, having taken advice where appropriate from the Panel set up under paragraph (5) of this Resolution.

#### *Winding Up Allowance*

(8) In relation to the Winding Up Allowance, Subsection (3) of Part E of the Resolution of 13th July 1994 shall apply to Members who benefit from the provisions of paragraphs 2(a) to 2(d) of this Resolution as if for the words 'office costs allowance' there were substituted the words 'sum of the incidental Expenses Provision and the relevant staff employment cost limit in force at the time they ceased to be a Member'.

#### *Members with disabilities*

(9) When provision is made in respect of any Members in accordance with the provisions of paragraph (4)(d) of this Resolution, any Resolution of this House entitling that Member to claim a multiple of the Office Costs Allowance shall cease to have effect.

## Appendix 2 – Rates of OCA since its introduction

The maximum levels of the OCA since its introduction are listed below. These do not include the 10% additional allowance for staff pension provision:

Table 1  
Office Costs Allowance - maximum level

	£ cash	£ at April 2000 prices <sup>(a)</sup>
October 1969	500	4,830
January 1972	1,000	8,100
April 1974	1,750	11,070
April 1975	3,200	16,640
June 1976	3,512	15,110
June 1977	3,687	13,480
June 1978	4,200	14,290
June 1979	4,600	14,060
February 1980	6,750	18,200
June 1980	8,000	20,200
June 1981	8,480	19,240
June 1982	8,820	18,330
June 1983	11,364	22,780
June 1984	12,437	23,720
April 1985	13,211	23,710
April 1986	20,140	35,080
April 1987	21,302	35,590
April 1988	22,588	36,320
April 1989	24,903	37,060
April 1990	27,166	36,940
April 1991	28,986	37,040
April 1992	39,960	48,970
April 1993	40,380	48,850
April 1994	41,308	48,730
April 1995	42,754	48,810
April 1996	46,364	51,680
April 1997	47,568	51,770
April 1998	49,232	51,500
April 1999	50,264	51,750
April 2000	51,572	51,570
April 2001	52,500	51,590

(a) Using retail price index and rounded to nearest £10