



Members' pay and allowances – decisions of 3 July 2008

Standard Note: SN/PC/04794

Last updated: 14 July 2008

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On 3 July 2008, the House of Commons debated a series of motions based on reports from Sir John Baker on their pay, and from the Members Estimate Committee on their allowances, in two separate debates

This note briefly sets out the background to the debates, and then reviews the decisions that the House took.

The decision taken on Members' home addresses is also set out.

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1 Background

In 1996, the House agreed that Members' pay should increase annually in line with changes in the pay rates of the senior civil service, that salaries and allowances should be subject to regular reviews by the Senior Salaries Review Body (SSRB), and that the House should continue to determine Members' pay and allowances on the basis of these reviews.

In July 2007, the Government received the SSRB's third triennial review of Members' pay and allowances but it did not publish it until January 2008, when it also announced that it had commissioned Sir John Baker, the retiring chairman of the SSRB to conduct a review of Members' salaries, with the following objectives:

Review of the mechanism for determining the pay and pensions for Members of Parliament.

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;

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.¹

The SSRB had made recommendations on Members' salaries and allowances. The House debated the SSRB report on 24 January 2008.² The House agreed with the Government's proposals to stage the 2007/08 salary increase recommended by the SSRB; to refer its recommendations on allowances to the Members Estimate Committee (MEC); to ask Sir John Baker to consider alternative mechanisms that would no longer require Members to vote on their own salaries; and that the 1996 resolution on Members' pay should cease to exist.

On 28 January 2008, before the MEC began its work, the Committee on Standards and Privileges published a report on *The Conduct of Mr Derek Conway*, in which it reviewed the

¹ HC Deb 23 January 2008 c56WS

² Brief details of the outcome of that debate are set out in House of Commons Library Standard Note SN/PC/4600, *In brief: Parliamentary pay, pensions and allowances*, <http://www.parliament.uk/commons/lib/research/notes/snpc-04600.pdf>

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.³

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.

2 Members' pay

Sir John Baker's report, *Review of Parliamentary Pay and Pensions*, was published on 17 June 2008.⁴ Sir John recommended that Members' pay should increase in line with the Public Sector Average Earnings Index; that the SSRB should be the independent body that reviews Members' pay towards the beginning of each new Parliament; and he endorsed the SSRB's previous conclusion that Members should receive £650 more than the formula increase in each of 2008, 2009 and 2010. The results of the reviews and the formula increases would be conveyed to the Speaker for implementation.⁵

In announcing the publication of Sir John's report, the Government set out its response:

The Government accept Sir John's recommendation that the SSRB should remain the independent body which conducts reviews of MPs pay, that these reviews should occur once in each Parliament and that the outcome of these reviews should be implemented without the need for further debates or votes in the House.

The debate comes at a time when it is vital for economic stability that there is a disciplined, responsible approach to pay in both the private and the public sector to hold down inflationary pressures. It is important that senior figures in the public and private sector lead by example in taking a disciplined and restrained approach to pay.

The Government do not accept Sir John's recommendation that MPs salaries should be increased by £650 a year for the next three years. MPs should set the example at a time of public sector pay restraint. The Government will also not be supporting a link between MPs' salaries and the three-month average public sector average earnings index. Instead, the Government propose, in line with an alternative proposal provided by Sir John Baker, that MPs should receive the median average of the settlements of a wide basket of public sector workforces.⁶

For the debate on 3 July 2008, the Government tabled motions to implement Sir John's recommended mechanism for salary increases and its preferred alternative – a link to specific public servants; and, despite being opposed to the additional £650 increases, it

³ Committee on Standards and Privileges, *Conduct of Mr Derek Conway*, 28 January 2008, HC 280 2007-08

⁴ Sir John Baker, *Review of Parliamentary Pay and Pensions*, June 2008, Cm 7416, <http://baker-review.ome.uk.com/binary/documents/Review%20of%20Parliamentary%20Pay%20and%20Pensions%20by%20Sir%20John%20Baker%20CBE.pdf>

⁵ Sir John Baker's recommendations are set out in slightly more detail in House of Commons Library Standard Note SN/PC/4760, *In Brief: Members Pay*, <http://www.parliament.uk/commons/lib/research/notes/snpc-04760.pdf>

⁶ HC Deb 17 June 2008 c46WS

tabled a motion that would allow these. Harriet Harman provided the following brief resume of Sir John's recommendation and the Government's response to them:

Sir John's report made several recommendations. I shall list the key ones. First, the Senior Salaries Review Body should be the mechanism for periodic reviews of Members' pay. The Government agree with that. Secondly, the SSRB's periodic review should be once per Parliament. The Government agree with that. Thirdly, MPs' pay should be increased each year at the rate of the public sector average earnings index. The Government do not agree with that, and propose an alternative. Fourthly, there should be £650 a year catch-up for each of the three years 2008-09, 2009-10 and 2010-11. The Government do not agree with that and propose that it be rejected.⁷

She explained that Sir John's recommended mechanism, linking Members' pay increase to the Public Sector Average Earnings Index, would have resulted in 3.5 per cent increase in Members' pay from 1 April 2008 and that the Government's proposal would deliver a 2.25 per cent increase. A 3.5 per cent increase "would not be consistent with the approach that we are taking to the rest of the public sector".⁸

Theresa May on the Conservative front bench supported the Government's position.⁹ However, the Government was criticised by its own and Conservative back benchers for rejecting Sir John's recommendation mechanism.¹⁰

The Government also opposed a number of amendments that would have delayed the increases delivered by Sir John's mechanism and delayed the payment of the additional £650s.

An amendment to the motion that would have implemented Sir John's proposed linkage was moved. It would have limited the annual salary increase to 2.3 per cent from 1 April 2008 but paid the balance in 2009, before the formula was applied. The amendment was defeated by 196 votes to 155.¹¹ The House then defeated that motion that would have implemented Sir John Baker's recommended linkage mechanism by 216 votes to 141.¹²

The House then agreed to the motion outlining the Government's preferred linkage mechanism, without a division. The House agreed:

MEMBERS' SALARIES (EXPRESSION OF OPINION) (No. 2)

[...]

That this House notes Sir John Baker's Review of Parliamentary Pay and Allowances (Cm 7416), and is of the opinion that the policy set out in the Written Ministerial Statement by the Leader of the House of 17th June Official Report col 46WS should be implemented, such that—

(1) the salary of a Member of this House should be increased from 1st April 2008, and from 1st April of each subsequent year, by an uprating formula which increases the salary by a percentage equal to the median of relevant increases for the following public sector groups:

⁷ HC Deb 3 July 2008 c1062

⁸ HC Deb 3 July 2008 cc1063-1064

⁹ HC Deb 3 July 2008 c1067

¹⁰ For example, Tony Lloyd (c1070); Sir John Butterfill (c1078)

¹¹ HC Deb 3 July 2008 cc1083-1085

¹² HC Deb 3 July 2008 cc1085-1088

senior military, holders of judicial office, very senior NHS managers, doctors and dentists, the Prison Service, NHS staff, school teachers, the Armed Forces, police officers, Local Government; non-Senior Civil Service staff in each of the Department for Work and Pensions, Her Majesty's Revenue and Customs, the Ministry of Defence and the Home Office; and the Senior Civil Service;

(2) the SSRB should conduct a review of Members' salaries in the first year of each new Parliament unless such a review has taken place within the preceding two years;

(3) at such a review the SSRB should consider either or both of:

(a) an adjustment to the salary, consistent with public sector pay policy, to reflect an assessment of the appropriate salary at that time relative to jobs of similar weight elsewhere in the public sector;

(b) as regards the public sector groups listed above, such amendments to the list as appear to it to be necessary to reflect changes in the pay setting arrangements for those groups;

to take effect from the first 1st April following the first meeting of the new Parliament;

(4) each year the SSRB chair should notify the Speaker of the change in salary (expressed as a percentage) and, on such notification to the Speaker, that change shall have effect, subject to any further notification given following a review under paragraph (2);

(5) the Speaker should lay before the House:

(a) any notification received from the SSRB chair under paragraph (4); and

(b) any report from the SSRB following a review under paragraph (2) above;

(6) an additional salary payable to a Member under Resolutions of this House in respect of service as a chairman of select or general committees shall be changed by the same percentage and from the same time as the salary of a Member.¹³

The House then rejected the proposal that Members should receive an additional £650 in each of the next three years by 224 votes to 123.¹⁴

2.1 Salary levels

In advance of the debate on 3 July, the Leader of the House issued a press pack, in which the salaries of Members of Parliament under the two different approaches for salary increases were compared. The briefing reported that the Government's formula would result in a 2.25 per cent increase in Members' salaries from £61,820 to £63,211. Sir John Baker's proposed use of the Public Sector Average Earnings Index would have resulted in a 3.5 per cent increase and he also proposed an additional £650, taking Members' salaries under his proposal to £64,634.¹⁵

As a result of the decisions taken on 3 July 2008, for 2008/09, Members' salaries will be £63,211: the increase will be backdated to 1 April 2008.

¹³ HC Deb 3 July 2008 cc1088-1089

¹⁴ HC Deb 3 July 2008 cc1088-1092

¹⁵ Leader of the House of Commons, *Q&A Briefing on 3 July debate – Government Response on and Proposals – Public Sector Pay Policy*, <http://www.commonslider.gov.uk/files/pdf/Q%20and%20A%20030708%20web.pdf>

3 Members' allowances

The MEC's *Review of Allowances* was published on 25 June.¹⁶

The MEC recommended an enhanced audit system for Members' expenses; changes to the Additional Costs Allowance and its scope, such as no longer funding items on the "John Lewis list"; a tightening of the rules on the Communications Allowance and its freezing until 2012; minor changes to travel limits based on constituency size; an increase in the London supplement; changes to the Resettlement Grant; changes recommended by the SSRB to certain other allowances were rejected. The MEC also recommended that constituency offices should be centrally funded. Its recommendations are set out in a table in section 5.

The House debated a motion in the name of Nick Harvey, who speaks in the House on behalf of the Commission and the MEC, that would have given effect to the MEC's recommendations. An amendment, tabled by Labour back bencher Don Touhig, rejected the MEC's proposed audit regime and its planned changes to the Additional Costs Allowance. The amendment also provided a timetable for the implementation of the changes.¹⁷ The amendment was agreed to by 172 votes to 144, and its effect for each MEC recommendation is described in the table in section 5 of this note.

Nick Harvey's motion

MEMBERS' EXPENSES

That this House welcomes the Third Report from the Members Estimate Committee: Review of Members Allowances (House of Commons Paper 578); endorses in particular the recognition of the need for a robust system of scrutiny for parliamentary allowances and the accompanying emphasis in the Report on improved audit; and is of the opinion that—

- (1) Recommendations 1-5 (audit and assurance), Recommendations 6 and 7 (scope of overnight expenses), Recommendations 9 and 10 (Communications Allowance), Recommendations 11 and 12 (travel), Recommendations 13 and 14 (overnight expenses), Recommendation 15 (resettlement), and Recommendations 16-18 (other SSRB recommendations) should be implemented, subject to decisions of the Members Estimate Committee with respect to their introduction and application;
- (2) the principle of central funding of constituency office costs, as set out in Recommendation 8, should be approved and asks the Members Estimate Committee to prepare a detailed proposal accordingly;
- (3) the timetable for implementation of the Recommendations set out in paragraph 257 of the Report be endorsed; and instructs the Members Estimate Committee to report from time to time on the implementation of this Resolution.

Don Touhig's amendment

Line 2, leave out from '578)' to end and add 'recognises the need to strengthen the system of scrutiny and is of the opinion that a rigorous internal system of audit of the Additional Costs Allowance be introduced covering 25 per cent. of hon. Members each year, and every hon. Member each Parliament; and is of the opinion that—

¹⁶ Members Estimate Committee, *Review of Members' Allowances*, HC 578, 2007-08

¹⁷ HC Deb 3 July 2008 cc1061-1124

(1) Recommendations 5 (staff contracts), 8 (constituency offices), 9 and 10 (communications allowance), 11 and 12 (travel), 14 (overnight expenses), 15 (resettlement), and 16, 17 and 18 (other SSRB recommendations) be approved; and

(2) that Recommendation 5 be implemented from 1st October 2008, that Recommendation 8 be implemented from 1st April 2010, that Recommendations 9 and 10 be implemented from 1st April 2009, that Recommendations 11 and 12 be implemented from 1st April 2009, that Recommendation 14 be implemented from 1st April 2009 and that Recommendation 15 be implemented at the end of the next Parliament.’

Another amendment, tabled by John Mann, on the designation of second homes was agreed to without a division:

...at end add—

‘(4) any allowance for overnight costs arising from Parliamentary duties in London may not be used for accommodation expenses in respect of a residence designated by an hon. Member as his main residence for tax purposes.’¹⁸

3.1 The Resolution of the House on Members’ Expenses

As a result of the amendments made on 3 July, the Resolution that the House agreed was:

MEMBERS’ EXPENSES

That this House welcomes the Third Report from the Members Estimate Committee: Review of Members Allowances (House of Commons Paper 578); recognises the need to strengthen the system of scrutiny and is of the opinion that a rigorous internal system of audit of the Additional Costs Allowance be introduced covering 25 per cent. of hon. Members each year, and every hon. Member each Parliament; and is of the opinion that—

(1) Recommendations 5 (staff contracts), 8 (constituency offices), 9 and 10 (communications allowance), 11 and 12 (travel), 14 (overnight expenses), 15 (resettlement), and 16, 17 and 18 (other SSRB recommendations) be approved; and

(2) that Recommendation 5 be implemented from 1st October 2008, that Recommendation 8 be implemented from 1st April 2010, that Recommendations 9 and 10 be implemented from 1st April 2009, that Recommendations 11 and 12 be implemented from 1st April 2009, that Recommendation 14 be implemented from 1st April 2009 and that Recommendation 15 be implemented at the end of the next Parliament.’

(3) any allowance for overnight costs arising from Parliamentary duties in London may not be used for accommodation expenses in respect of a residence designated by an hon. Member as his main residence for tax purposes.¹⁹

4 Members’ home addresses

Without a division, the House resolved that:

this House asserts that the freedom of Members to speak on any matter without the fear or threat of interference or molestation is essential to the effective conduct of parliamentary proceedings; notes that this freedom has long been recognised to be an

¹⁸ HC Deb 3 July 2008 c1124

¹⁹ *Votes and Proceedings*, 3 July 2008, item 18

integral element of the protection afforded to Members enabling them to participate 5 effectively in parliamentary business, and thus that Members must be able to speak on any matter in parliamentary proceedings without threat of interference or molestation; considers that this would be threatened by publication of Members' home addresses, patterns of travel or other information linked to addresses held by the House authorities revealing details that could threaten their security, and so would prejudice 10 the effective conduct of public affairs; and urges Mr Speaker to take account of these considerations in the discharge of his responsibilities.²⁰

Further details are provided in the Library Standard Note *MPs' allowances and Fol requests*.²¹

²⁰ HC Deb 3 July 2008 c1124

²¹ House of Commons Library Standard Note SN/PC/4732, *MPs' allowances and Fol requests*, <http://www.parliament.uk/commons/lib/research/notes/snpc-04732.pdf>

5 Decisions taken on the Members Estimate Committee's recommendations

	MEC Recommendation	Effect of Don Touhig's Amendment
1	<p><i>Audit and assurance</i></p> <p>We recommend that there should be a robust new system of practice assurance involving regular financial health checks on records kept and processes used in Members' offices with outside professional teams covering about 25% of Members each year and every Member each Parliament. (Paragraph 63)</p>	<p>Not approved, instead:</p> <p>recognises the need to strengthen the system of scrutiny and is of the opinion that a rigorous internal system of audit of the Additional Costs Allowance be introduced covering 25 per cent. of hon. Members each year, and every hon. Member each Parliament</p>
2	<p>We recommend that the House extends the scope of the audit engagement so that it is the same as for other public bodies. The NAO expects that their sampling of claims paid will include one or more transactions relating to at least 20 per cent of MPs each year. (Paragraph 68)</p>	<p>Not approved</p>
3	<p>We recommend that, from the start of the 2009-10 financial year, the receipt threshold should be reduced from £25 to zero and that all claims, however small, will have to be backed by receipts. (Paragraph 47)</p>	<p>Not approved</p>
4	<p>We recommend that the Green Book (setting out the rules on allowances for Members) be revised to specify more detailed rules and that the new version be brought into effect by 1 April 2009. (Paragraph 71)</p>	<p>Not approved</p>
5	<p>We recommend that, for payments from the staffing allowance, it should be mandatory for Members to deposit staff contracts and job descriptions with the Department of Resources and that this should be rigorously enforced. (Paragraph 103)</p>	<p>Approved. To be implemented from 1 October 2008</p>

	MEC Recommendation	Effect of Don Touhig's Amendment
6	<p><i>Scope of overnight expenses</i> We recommend that, with immediate effect, Members should no longer be able to claim reimbursement for furniture and household goods or for capital improvements. (Paragraph 215)</p>	Not approved
7	<p>We recommend that new MPs elected to the next Parliament to represent constituencies in outer London should be eligible to claim half of any overnight expenses allowance; and all MPs representing those seats should be restricted to claim half the standard rate from the start of the following Parliament. (Paragraph 229)</p>	Not approved
8	<p><i>Constituency offices</i> We recommend acceptance of the SSRB proposal that constituency office lease or rental should be met in full by the House recognising that in some constituencies office costs are higher than can reasonably be met out of the current Incidental Expenses Provision; that this should be limited in size and standard under detailed criteria to be drawn up by an independent chartered surveyor; that the scheme be run under the guidance of such a surveyor employed by the House; that the scheme be phased-in over a period of time; and that Members who choose not to make use of the new scheme can continue to claim for constituency office costs under the Incidental Expenses Provision or its successor. (Paragraph 130)</p>	Approved. To be implemented from 1 April 2010

	MEC Recommendation	Effect of Don Touhig's Amendment
9	<p><i>Communications</i></p> <p>We recommend that the rules governing the Communications Allowance be tightened in respect of not publishing during election periods, not using party logos or other distinguishing labels, confining distribution to Members' own constituencies and other matters; and that claims for the costs of production of any publication costing more than £1,000 will only be met if it has been cleared in advance with the Department of Resources. (Paragraph 141)</p>	Approved. To be implemented from 1 April 2009
10	<p>We recommend that the Communications Allowance itself be frozen at the current level for three years from April 2009 till April 2012 and thereafter the uprating formula be changed to RPIX. (Paragraph 142)</p>	Approved. To be implemented from 1 April 2009
11	<p><i>Travel</i></p> <p>We recommend that the House should continue to apply the same car mileage rate as specified by HM Revenue & Customs. (Paragraph 160)</p>	Approved. To be implemented from 1 April 2009
12	<p>We recommend that the current figure of 350 miles per month which may be claimed without supporting documents be replaced by separate mileage limits for small, medium sized and large constituencies. (Paragraph 164)</p>	Approved. To be implemented from 1 April 2009

	MEC Recommendation	Effect of Don Touhig's Amendment
13	<p><i>Overnight expenses</i></p> <p>We recommend that the Additional Costs Allowance be adapted into an overnight expenses allowance, comprising a £19,600 maximum budget for accommodation (excluding furniture, household goods and capital improvements) but operating on the basis of itemised reimbursement and a flat rate of £30 for daily subsistence. (Paragraph 225)</p>	Not approved
14	<p>We recommend that, instead of the London Supplement (which Sir John Baker recommended should be increased to £3,623), the extra living costs and working unsociable hours in London should be reflected in a new London costs allowance consolidated into a taxable amount of £7,500 for MPs who do not or are not eligible to claim the Additional Costs Allowance. (Paragraph 234)</p>	Approved. To be implemented from 1 April 2009
15	<p><i>Resettlement</i></p> <p>We recommend that, in the next Parliament, the basis of calculation of the Resettlement Grant should be shifted towards Members leaving the House in their early fifties. (Paragraph 253)</p>	Approved. To be implemented at the end of the next Parliament
16	<p><i>Other SSRB recommendations</i></p> <p>We recommend that the SSRB proposal that Incidental Expenses Provision should be abated for every work station in London should not be implemented. (Paragraph 109)</p>	Approved
17	<p>We recommend that no further steps should be taken to implement the SSRB proposal for a further increase in the Staffing Allowance for each full-time equivalent member of staff based in London. (Paragraph 110)</p>	Approved

	MEC Recommendation	Effect of Don Touhig's Amendment
18	We recommend that the SSRB's proposal that partners of Members should be entitled to the same limited travel arrangements as spouses and civil partners should not be implemented. (Paragraph 171)	Approved