



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales

Panel on Financial Support for Assembly Members RAMPPA(2)

**Senior Salaries Review Body Recommendations on MP Pay, Pensions
and Allowances**

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Purpose

1. This paper advises the Panel of the recommendations made by the Senior Salaries Review Body (SSRB) on the Pay, Pensions and Allowances of Members of Parliament contained in the report published on 16 January 2008 and the response of the House of Commons.

Background

2. The SSRB report was finally published on Wednesday 16 January 2008, shortly after the end of the last meeting of the Review Panel.

SSRB Recommendations

2. A full list of the recommendations of the SSRB is at Annex A. The impact on AM salaries if the recommendations applying to salaries were all to be accepted by the House of Commons is set out at Annex B.
3. The House of Commons debated this matter of MP Salaries on 24 January and the implications of this vote for AM salaries and those of Assembly office-holders are discussed in this paper. Issues relating to Allowances will be covered in a paper for a later meeting.
4. The Government proposed that the SSRB recommendation on MPs' pay for 2007/08 should be staged, with an additional 0.84% increase backdated to 1 April 2007 (0.66 % was already incorporated from that date) and a further 1.06% backdated to 1 November 2007. This would give the equivalent of a 1.9% increase across the year 2007/08 and a final salary of £61,820 for MPs (an increase in the actual salary of 2.56%). The consequential effects of an application of the UK Government's proposals to the Assembly are set out in Annex C.
5. The actual wording of the Government motion (adopted by the House of Commons without a vote) was as follows:

MEMBERS' SALARIES

Queen's recommendation having been signified—

Ordered,

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

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

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

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

6. A detailed House of Commons briefing note on the SSRB's recommendations is available at <http://www.parliament.uk/commons/lib/research/notes/snpc-04585.pdf>
7. The text of the debate is contained in Hansard starting at <http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080124/debtext/80124-0008.htm#08012472000003>

Summary of Recommendations

That the Panel notes

- **the SSRB recommendations on Pay, Pensions and Allowances of Members of Parliament;**
- **the UK Government proposals which were adopted by the House of Commons on 24 January 2008; and**
- **their impact (potential and actual) on the salaries of Assembly Members.**

Summary of SSRB Recommendations contained in report published on 16 January 2008

Recommendation 1: We recommend that for 2007 the salaries of MPs be increased by a further 1.9 per cent of the salary payable from 1 November 2006, taking the new salary to £61,820, and that this increase be backdated to 1 April 2007.

Recommendation 2: We recommend that, instead of the existing annual uprating mechanism, the pay of MPs be uprated on 1 April each year, beginning in April 2008, by the average percentage increase in base salary of the senior civil service (SCS), or of Pay Band 1 of the SCS if that figure is identified separately.

Recommendation 3: We recommend that for three years, beginning in April 2008, MPs' salaries be increased by £650 a year, in addition to the increase resulting from the proposed uprating mechanism, in order to achieve a more sustainable relationship between the remuneration of MPs and relevant public sector comparators.

Recommendation 4: We recommend that, subject to the adoption of Recommendations 1 to 3 above, future reviews of parliamentary pay, pensions and expenditure should henceforth normally take place at four-yearly intervals (rather than every three years as at present).

Recommendation 5: We recommend that with effect from 1 April 2007 the salary supplements paid to chairmen of Select and Public Bill committees should be increased in April each year by the same percentage as the overall increase in the MP's salary resulting from our recommendations on MPs' pay.

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

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

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

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

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

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

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

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

Recommendation 11: We recommend that the salary of Lord Speaker be pegged at its current rate on a 'mark time' basis until the next review of parliamentary pay and allowances or until reform of the House of Lords.

Recommendation 12: We recommend that where the post of Lord Chancellor is held by someone who also holds another ministerial post, that person should receive only the salary for that ministerial post.

Recommendation 13: We recommend that with effect from 1 April 2007 Ministers in the House of Lords receive the same percentage increase in their salaries as Ministers of the same rank in the Commons.

Recommendation 14: We recommend that the Leader of the Opposition, Opposition Chief Whip and Chairman of Committees in the House of Lords continue to be paid the same as, respectively, a Parliamentary Under Secretary, Government Whip and Minister of State, all in the Lords. The Principal Deputy Chairman of Committees should receive the same percentage increase in salary as the Chairman of Committees.

Recommendation 15: We recommend that:

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

Recommendation 16: We recommend that the special pension arrangements in place for the Prime Minister, the Speaker of the House of Commons and the Lord Chancellor not be extended to new incumbents of these offices after the passing of the necessary legislation to end the existing arrangements. Instead those three office holders should be covered by the PCPF and arrangements for ministerial severance payments.

Recommendation 17: We recommend that the House agree that the ceiling for reimbursement of unreceipted expenditure be set at £50 per member per month.

Recommendation 18: We recommend that the House of Commons request the National Audit Office to audit the expenses of a representative sample of MPs each year.

Recommendation 19: We recommend that the Staffing Allowance be renamed Staffing Expenditure, and Temporary Secretarial Allowance be renamed Temporary Secretarial Expenditure.

Recommendation 20: We recommend that the Staffing Expenditure ceiling should increase to allow MPs to employ up to 3.5 full-time (or equivalent) members of staff.

Recommendation 21: We recommend that the ceiling on Staffing Expenditure for the equivalent of 3.5 full-time staff where all those staff are based outside London should be £96,630.

Recommendation 22: We recommend that the ceiling on Staffing Expenditure for the equivalent of 3.5 full-time staff should be increased by £1,720 for each full-time equivalent member of staff based in London, up to a maximum of £102,650 where all staff are based in London.

Recommendation 23: We recommend that office and 'surgery' lease or rental costs should be met in full up to a maximum area of 800 square feet, this area to be reduced by 100 square feet for each member of an MP's staff who is based on the parliamentary estate. Before renting or leasing premises an MP must obtain a certificate from an independent chartered surveyor stating that the premises are suitable for the purpose and that the cost is reasonable in relation to typical office premises in the constituency.

Recommendation 24: We recommend that Incidental Expenses Provision should be renamed Other Office Expenditure and that the ceiling be reduced by £2,500 for each member of an MP's staff with a workstation on the parliamentary estate.

Recommendation 25: We recommend that the ceiling for Other Office Expenditure (before any reduction for staff based on the parliamentary estate) should be £13,839.

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

Recommendation 27: We recommend that partners of MPs who are named in the PCPF as sole beneficiaries should be entitled to the same travel arrangements available to spouses and civil partners.

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

Recommendation 29: We recommend that the London Supplement be increased to £3,500 and henceforth adjusted in line with the Public Sector Average Earnings Index in April each year.

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

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

Recommendation 32: We recommend that the House of Lords consider whether the current definition of parliamentary business for the purpose of subsistence allowances covers all activities which are carried out wholly, necessarily and exclusively in the course of parliamentary duties.

Recommendation 33: We recommend that Spouses', Civil Partners' and Children's Travel entitlement be extended to include a named partner where a member does not have a spouse or civil partner.

Recommendation 34: We recommend that the House authorities review the IT support that is provided to members.

ANNEX B

Consequential impact of SSRB Recommendations on AM Salaries

(assumes 2.5 per cent increase on in base salary of the senior civil service (SCS), or of Pay Band 1 of the SCS if that figure is identified separately)

	Current Salary £	Salary w.e.f 1/4/2007 £	Salary w.e.f 1/4/2008 £	Salary w.e.f 1/4/2009 £	Salary w.e.f 1/4/2010 £
Member	46,496	47,292	48,972	50,693	52,458
Members who are also Members of Parliament or Members of the European Parliament	15,499	15,764	16,324	16,898	17,486
First Minister	76,996	78,511	83,220	92,772	96,002
Presiding Officer/Welsh Ministers	39,939	40,801	44,811	49,699	51,429
Leader of the largest party without an Executive role	39,939	40,801	44,811	49,699	51,429
Deputy Presiding Officer/Deputy Ministers	25,121	25,664	28,186	31,261	32,349
Chairs of Scrutiny Committees/Chair of Audit Committee/Chair of Finance Committee	5,819	5,957	6,542	7,256	7,509
Counsel General (also AM)	39,939	40,801	44,811	49,699	51,429
Counsel General (not AM)	86,435	88,094	93,783	100,393	103,887

Consequential impact of agreed UK Government Proposals on AM Salaries

	Current Salary £	Salary w.e.f. 1/4/2007 £	Salary w.e.f. 1/11/2007 £
Member	46,496	46,804	47,292
Members who are also Members of Parliament or Members of the European Parliament	15,499	15,601	15,764
First Minister	76,996	77,546	78,355
Presiding Officer/Welsh Ministers	39,939	40,225	40,645
Leader of the largest party without an Executive role	39,939	40,225	40,645
Deputy Presiding Officer/Deputy Ministers	25,121	25,301	25,566
Chairs of Scrutiny Committees/Chair of Audit Committee/Chair of Finance Committee	5,819	5,873	5,934
Counsel General (also AM)	39,939	40,225	40,645
Counsel General (not AM)	86,435	87,028	87,937