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REVIEW BODY ON TOP SALARIES

Report No. 5

Members of Parliament
Allowances

Chairman :

THE RT. HON. LORD BOYLE OF HANDSWORTH

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TOP SALARIES REVIEW BODY

On 31 May 1974, the Top Salaries Review Body was invited by the Prime Minister to review the current rates of allowances payable to Members of the House of Commons and to recommend the levels to which they should be increased.

The members of the Review Body are:

The Rt. Hon. Lord Boyle of Handsworth, *Chairman*

H. W. Atcherley

Lord Beeching

Sir George Coldstream, KCB, KCVO, QC

A. J. L. Lloyd, QC

Baroness Seear

Sir Mark Turner

The Secretariat is provided by the Office of Manpower Economics.

REPORT ON MEMBERS OF PARLIAMENT ALLOWANCES

Introduction

1. Immediately after we were appointed in 1971, we were asked to review the remuneration (including allowances and expenses) and pension arrangements of Ministers of the Crown, Members of Parliament, and other paid office-holders in both Houses of Parliament. Our report was accepted by the Government and was published in December 1971¹. The recommendations on the remuneration of Members of Parliament were implemented with effect from 1 January 1972 and those affecting Ministers of the Crown and other paid office-holders, together with the new pension arrangements, were implemented from 1 April 1972. We have now been invited to review the rates of allowances payable to Members of Parliament to meet necessary expenses incurred in the course of their Parliamentary duties. We have not on this occasion been asked to look at the basis on which they are paid, or at the level of salary.

2. In our first report, we described in some detail the system of remuneration for Members of Parliament. Briefly, Members are paid a salary (at present £4,500 a year) and, to assist them in the performance of their Parliamentary duties, they are provided with certain facilities, including free stationery, postage and telephone usage in the House of Commons, and with certain allowances towards defraying expenses. Those expenses towards which no allowances are payable, as well as the excess expenses where allowances are payable, have to be met out of income: tax relief is, of course, available provided that the normal requirements under Schedule E of being "wholly, exclusively and necessarily incurred" in the course of work, are met. Members are entitled to four allowances towards their expenses; car allowance (in lieu of free travel vouchers), which is of long standing; secretarial allowance, which has been payable since 1969; and, since 1971, additional costs (subsistence) allowance and London supplement. We discuss each of these in turn.

Car allowance

3. Car allowance is payable towards the expenses for journeys by car in the performance of Members' Parliamentary duties. It is payable in respect of journeys between Westminster and constituency, Westminster and home, home and constituency, and within constituency. It also covers return journeys from home to rail station or airport, as well as journeys outside Westminster and constituency to visit central and local government authorities concerned with a Member's constituency problems.

4. The current rate is 5p per mile. It was fixed in November 1970. When it was first introduced in 1961, the car allowance was restricted to the equivalent cost of first class rail but, since 1969, it has borne a close relationship to the "standard rate" of motor mileage allowance for the civil service. We consider that this remains an appropriate basis of comparison. In November 1970, the standard rate was 3.5p for cars with engine capacity below

¹ Review Body on Top Salaries, First Report, Ministers of the Crown and Members of Parliament (Cmnd. 4836—December 1971).

1000 cc, 4.5p for those with engine capacity between 1001 cc and 1750 cc and 5.0p for those with engine capacity of more than 1750 cc. The corresponding amounts payable currently are 6.0p, 7.1p and 7.7p respectively. We recommend that the car allowance should be increased from 5p to 7.7p per mile.

Secretarial allowance

5. The object of the secretarial allowance when it was introduced was to contribute to the cost of providing secretarial assistance. At the outset in 1969, the amount was fixed at a maximum of £500 a year. In 1971, we found that nearly all Members either employed, or shared in the employment of, a secretary and that, while limited office accommodation and equipment was available in the House of Commons, Members had to provide all facilities in their constituencies. We also found that a number of Members made use, or shared in the use, of a research assistant to supplement the service available from the House of Commons library (which was fully extended and could not be expanded to provide additional research assistance because of the accommodation limitations). In these circumstances, we proposed that the conditions of payment of the secretarial allowance should be extended to cover both secretarial and general office expenses, and that part of the costs incurred in employing a research assistant on work undertaken in the proper performance of a Member's duties should be admissible under it¹.

6. The maximum rate payable currently is £1,000 a year (as we recommended in 1971); of this, £300 may be used towards the cost of employing a research assistant. In making our 1971 recommendations, we took account of the salary level payable to a personal secretary in the civil service, as well as of the expenses of providing office accommodation, stationery and equipment. We also had regard to the fact that most Members required part-time secretarial assistance only; our inquiries at that time showed that 70 per cent of Members employed a secretary for less than 30 hours a week, and that the median period of employment was 23 hours a week. We have not carried out an inquiry into the present amount of secretarial assistance, but we have evidence which suggests that it may have increased considerably since our previous review. Based on these considerations, we recommend that the secretarial allowance limit should be increased from £1,000 to £1,750 a year. We also suggest that up to £550 should be allowable against the cost of research assistance: our reasons for distinguishing between these two elements are set out in our 1971 Report (paragraph 44). In making this recommendation we are aware that a small part of the increase must count against the Stage 3 pay limit.

Additional costs (subsistence) allowance

7. We recommended the introduction of subsistence allowance to help defray the additional cost of living away from home when engaged on Parliamentary duties. We found that this was the largest item of expense incurred by Members, particularly for those provincial Members who were not resident

¹Review Body on Top Salaries, First Report, Ministers of the Crown and Members of Parliament (Cmnd. 4836—December 1971), paragraphs 43 to 45.

in London, and we suggested a scheme that involved payment of a daily subsistence allowance based on the "regular visitor" rates for senior civil servants (Class A (1))¹. We also recommended that provision should be made for the scale of these payments to be adjusted in line with adjustments made from time to time in the related civil service rate, and we understood that our recommendation was accepted. Under the scheme we proposed, provincial Members would be required to choose between being regarded as living and working either in London or in their constituency, and would receive the appropriate allowance towards the additional cost incurred in attendance at their other place of work. While accepting our recommendation in principle, and after consultation with the House of Commons authorities, the Government decided against the introduction of a daily allowance on the grounds of its complexity and practical difficulty in operation, and introduced instead an annual allowance (also subject to a limit). At the same time, the rate of allowance was made common for all provincial Members regardless of where they lived, in order to meet Inland Revenue objections to tax-free treatment of the allowance for Members whose real homes were in London or in their constituency, but who chose for them not to be so deemed. Provincial Members are required to register with the authorities of the House their "main home for the purpose of performing their Parliamentary duties" if they live either in London or in their constituency, and may claim the allowance towards the cost of staying away from home overnight while carrying out their Parliamentary duties at their other place of work; those whose home is in neither are eligible for the allowance, but must choose whether to claim it for living in London or in the constituency (but not both). We understand that expenses in excess of the allowances for living away from the nominated home may be claimed as a deduction from income before tax, and that notwithstanding the position which we described in our 1971 Report (paragraph 40) in practice Inland Revenue may allow such claims.

8. The present maximum rate payable is £750 a year. This is slightly higher than the total of a daily subsistence allowance at the Class A (1) civil service "regular visitor" rate for London (£5.25 in December 1971), for four nights a week over 34 weeks (the average period since 1964 in which the House of Commons sat in one year). Adopting the same approach, but making use of the latest figures for the "regular visitor" rate for London (£7.20) and the duration of the average Parliamentary session since 1971 (36 weeks), we recommend that the subsistence allowance for provincial Members should be increased from £750 to £1,050 a year.

London Supplement

9. For London Members and for those provincial Members who elect to be treated as resident in London, we suggested the payment of a London supplement of £175 a year, based on the amount of London weighting paid to civil servants who work in the inner London area. However, in making a common subsistence allowance payable to all provincial Members, the Government found it necessary to restrict the payment of the London supplement to London Members only. The amount of London weighting for civil servants has been increased to £228 a year with effect from 7 November 1973.

¹ Grades with a minimum salary not less than that of an Assistant Secretary.

Accordingly, we recommend that the London supplement for London Members be increased now from £175 to £228 a year.

10. We are aware that a limited number of Members who represent constituencies within the area of the Greater London Council but outside the Inner London Education Authority Area, incur the extra cost of living and working in the capital without any recompense. These Members carry out all their Parliamentary duties from a single home, but are unable to claim either London supplement or subsistence allowance. Our 1971 recommendations for a differential structure of subsistence allowance would have permitted the payment of London supplement in these circumstances. We consider that there is still a case in equity for such payment now to these Members. Although strictly this is outside our terms of reference, we see a strong case for rectifying the anomaly. We make this recommendation now, but we consider that the arrangements as a whole should be re-examined on the next occasion when remuneration is reviewed.

Stage 3 Pay Code

11. We have taken the necessary steps to assure ourselves that our recommendations are in conformity with the Stage 3 Pay Code.

BOYLE OF HANDSWORTH

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