

## **INFORMATION NOTE**

### **Remuneration of Members of the House of Commons of the United Kingdom**

#### **1. Introduction**

1.1 In the United Kingdom ("the UK"), Members' remuneration includes salary and pension entitlements, as well as a number of allowances which enable them to work effectively in Parliament and in their constituencies. This information note provides information relating to the remuneration of Members of the House of Commons of the UK. The scope of study covers the following aspects:

- (a) factors that may affect Members' remuneration, including:
  - (i) job duties of Members; and
  - (ii) whether a Member's job is treated as full-time or part-time in determining the level of pay;
- (b) Members' salary entitlements, including:
  - (i) adjustment mechanisms for Members' salary;
  - (ii) additional salaries payable for extra parliamentary responsibilities; and
  - (iii) ministerial salaries; and
- (c) other elements of Members' remuneration, including:
  - (i) allowances;
  - (ii) pensions; and
  - (iii) medical benefits.

## 2. Factors that may affect Members' remuneration

### Job duties of Members of the House of Commons

2.1 There is no statutory job description for Members<sup>1</sup> as they fulfil their duties following conventions, customs and, to some extent, personal arrangements or prioritization. According to a generic job description for a Member published in 2001 by the Review Body on Senior Salaries ("SSRB")<sup>2</sup>, it was the job of a Member to represent, defend and promote national interests and further the needs and interests of constituents wherever possible. Accordingly, Members' work may be grouped under three broad headings, namely Parliament, constituent and political party:

(a) Members' parliamentary duties include:

- (i) participating in debates;
- (ii) voting on legislation and other matters;
- (iii) examining new laws and the work of government departments;  
and
- (iv) holding the government to account;

(b) Members' constituency duties include:

- (i) advising constituents on those problems arising from the work of government departments;
- (ii) representing constituent concerns in Parliament; and
- (iii) acting as a figure head for the local area; and

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<sup>1</sup> House of Commons Information Office (2010b).

<sup>2</sup> SSRB is a non-statutory body responsible for providing independent advice to the Prime Minister on the pay, pensions and allowances of Members. It also advises the Prime Minister, the Lord Chancellor and the Secretary of State for Defence on the remuneration of holders of judicial office, senior civil servants, senior officers of the armed forces, and other such public appointments as may from time to time be specified.

- (c) Members' political party duties include:
- (i) taking advice from, and generally voting in support of its leadership, in the House of Commons; and
  - (ii) representing the party in their constituency.

### Whether being Member of Parliament is a full-time or a part-time job

2.2 In the UK, there is no legal requirement for Members of the House of Commons to work on a full-time basis. The UK Parliament does not set out any definition of what constitutes a full-time legislator, nor does it adopt any criteria or guidelines to classify Members of the House of Commons as full-time or part-time legislators. The Code of Conduct of the House of Commons allows for "remunerated outside interest as a director, consultant, or adviser, or in any other capacity, whether or not such interests are related to membership of the House", although paid advocacy<sup>3</sup> in the House is forbidden.<sup>4</sup>

2.3 As many Members have taken the membership as their main occupation in terms of the time spent on their parliamentary duties, the UK Parliament considers the work of a Member a full-time job. For those Members with outside employment, those occupations are considered by Parliament as part-time and their parliamentary role as full-time.<sup>5</sup>

2.4 Furthermore, when conducting review of Members' pay, SSRB has since its establishment<sup>6</sup> taken the view that the salary of a Member should provide "adequate remuneration for a full-time Member who has no other source of income". According to the House of Commons Library, SSRB stated in a review report that the "demands placed on a Member make it increasingly difficult to combine the job with other activities", and that "most Members must be regarded as working on a full-time basis". At the same time, SSRB also agreed that Members' involvement in other occupations was "beneficial to the work of the House" and "that any attempt to differentiate between Members on the basis of outside interests and earnings would not be practicable or desirable".<sup>7</sup>

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<sup>3</sup> It is wholly incompatible with the House rule that any Member should take payment for speaking in the House, nor may a Member, for payment, vote, ask a parliamentary question, table a motion, introduce a bill or table or move an amendment to a motion or bill or urge colleagues or Ministers to do so.

<sup>4</sup> House of Commons (2009) p. 34.

<sup>5</sup> See Legislative Council Secretariat (2004).

<sup>6</sup> SSRB was formerly named the Review Body on Top Salaries, which was established in 1971.

<sup>7</sup> House of Commons Library (1996).

### *Working hours of Members*

2.5 In addition to having no job description of any sort, Members also have no set working hours. In practice, they have the freedom to allot their time among working in Parliament, in their constituencies and for their political party.

2.6 There is evidence to suggest that Members are working long hours. According to a survey conducted in 2006 by the Hansard Society, Members reported that they worked an average of 71 hours a week and spent 49% of this time on constituency work (approximately 35 hours). The amount of time Members spent working in the constituency was similar<sup>8</sup> to that obtained in the Society's 1995 survey, which also concluded that Members spent an average of 35 hours a week on constituency work. Nevertheless, it should be pointed out that the number of hours worked for individual Members varied with their priorities so that the time they allocated to constituency work differed significantly (e.g. from 15% to 97% in the 2006 survey).

## **3. Members' salary entitlements**

3.1 In determining Members' salary, the UK government believes that it "should be at a level that enables the people to be represented effectively and thereby contributes to a strong House leading to better government. It is also important that the remuneration of Members commands public acceptability."<sup>9</sup>

3.2 In the ensuing paragraphs, the mechanisms for adjusting Members' salary since the introduction of parliamentary pay in the UK will be highlighted, with emphasis being placed in the developments in recent years.

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<sup>8</sup> According to the 2006 survey, many Members reported that the volume of casework they dealt with was steadily increasing, although the additional workload had not necessarily led to Members' spending more time on casework themselves.

<sup>9</sup> Lord Privy Seal (2008).

## Adjustment mechanisms of Members' salary

### *Prior to 1997*

3.3 In the UK, salaries for Members were first introduced in 1911 by the Liberal government, as a result of pressure from Members of the Labour Party, "who usually had difficulties financially support themselves upon entering Parliament"<sup>10</sup>. The payment was initially set at £400 a year<sup>11</sup>, with an aim to "enable men to come here, men who would render incalculable service to the State, and whom it is an incalculable loss to the State not to have here, but who cannot be here because their means do not allow it" (*House of Commons Debates*, 10 August 1911).

3.4 Since 1911, Members' pay was adjusted at irregular intervals, and "there was no machinery for its review".<sup>12</sup> It was not until 1971 that an independent body named the Review Body on Top Salaries ("TSRB", which was renamed SSRB in 1993) was introduced to review Members' salaries and allowances from time to time.<sup>13</sup> Based on TSRB's recommendations, the House made final decision of Members' remuneration.<sup>14</sup>

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<sup>10</sup> London School of Economics (2008).

<sup>11</sup> The "£400" was referred to as a salary in the motion passed by the House.

<sup>12</sup> House of Commons Information Office (2009).

<sup>13</sup> TSRB conducted review on Members' pay and allowances when asked to do so by the Prime Minister. In 1996, upon the acceptance of SSRB's (successor of TSRB) recommendation by the UK Government and agreed by the House, an automatic review of parliamentary pay levels was implemented by SSRB, which has been conducted on a regular basis. Details are provided in paragraph 3.5 in this study.

<sup>14</sup> Due to unavailability of relevant information, details relating to the adjustment mechanisms of Members' pay before 1997 are not provided in this study.

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*1997 to 2008*

3.5 In 1996, the House agreed to an automatic mechanism recommended by SSRB for the annual uprating of Members' salaries without the need for parliamentary decision, namely: "For each year starting with 1<sup>st</sup> April, from 1997 onwards, the yearly rate shall be increased by the average percentage by which the mid-points of the Senior Civil Service ("SCS") pay bands having effect from 1<sup>st</sup> April of that year have increased compared with the previous 1<sup>st</sup> April." (*House of Commons Debates*, 10 July 1996) According to SSRB, "it was hoped that the introduction of the uprating mechanism would ensure that parliamentary salaries would not lose ground against salaries being paid elsewhere in the public sector".<sup>15</sup> Further, SSRB was required to conduct a review on parliamentary pay and allowances every three years, starting from 2000. The House could vote to implement the recommendations of SSRB in its review on the levels of pay instead of adjusting Members' salaries in line with the automatic formula.

3.6 In determining the levels of Members' salaries, SSRB had applied the following general principles in its regular reviews<sup>16</sup>:

- (a) pay should not be so low as to deter suitable candidates, or so high as to make pay the primary attraction of the job;
- (b) pay should reflect levels of responsibility rather than workload;
- (c) whereas those with outside interests should not be deterred from entering Parliament, those who choose to make Parliament a full-time career should be adequately rewarded to reflect their responsibilities;
- (d) pay should not be augmented in an attempt to compensate Members for job insecurity, which is not unique to Members;
- (e) the basic parliamentary salary should continue to be the same for all Members;
- (f) there should be no pay progression linked to length of service; and

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<sup>15</sup> Review Body on Senior Salaries (2001).

<sup>16</sup> SSRB conducted published three reviews on parliamentary pay in 2001, 2004 and 2007 respectively. In the three reviews, these principles were considered to remain relevant, and thus were applied in determining parliamentary pay. One further rule related to expenses claims was added in 2004, namely "Claims for expenses should be appropriately validated, and their reimbursement should be transparent."

- (g) a clear distinction must be made between salary and reimbursement of expenses.

(A) Reason for choosing Senior Civil Service as the comparator

3.6.1 Part of the reason<sup>17</sup> that SSRB considered SCS to be an appropriate comparator for Members is that "SCS members are at the heart of central government and work closely with Ministers and Parliament".<sup>18</sup> According to the House of Commons Library<sup>19</sup>, SSRB indicated in its 1996 report that the job of a Member "carries a strong public service ethos, and we consider that the link should be with the Senior Civil Service. The importance of objectivity, transparency and simplicity has led us to conclude that this remit group, whose pay is based on the recommendations of SSRB, would provide the best base".

(B) New linkage mechanism proposed by SSRB in 2008

3.6.2 In 2006, SSRB was asked by the Prime Minister to propose a new method of uprating. This was because changes in the approach to SCS pay – with emphasis shifting from automatic progression within the bands towards performance-related pay and bonuses, had made the linkage of Members' pay to movements in the SCS pay structure no longer workable.

3.6.3 In its report published in January 2008, SSRB stated that it remained of the view that the most appropriate comparator group for Members was SCS, and recommended a different linkage to SCS in that Members' salaries should be increased each year by the average percentage increase in the base salary of SCS, beginning in April 2008. The "average percentage increase in the base salary of SCS" refers to the amount by which the average base salary of all SCS members increases year on year as a result of individual performance awards, excluding non-consolidated bonuses for which SCS members are also eligible. According to SSRB, the non-consolidated bonuses were intended to reflect SCS members' annual performance and were not appropriate to Members for whom there was no practical means of measuring performance.<sup>20</sup>

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<sup>17</sup> Due to unavailability of relevant SSRB (and TSRB) publications before 2001, the Research Division has written to SSRB regarding the rationale of the decision of uprating Members' salary in line with movements in the SCS pay structure. As at the publication of this information note, the Secretariat has not responded to the inquiry.

<sup>18</sup> See Review Body on Senior Salaries (2007) paragraph 3.25.

<sup>19</sup> House of Commons Library (1996).

<sup>20</sup> Review Body on Senior Salaries (2007) paragraph 3.25.

3.6.4 During a House of Commons debate on 24 January 2008 regarding SSRB's recommendations, the House made no decision on the proposed uprating mechanism. Instead, prompted by "a general concern" that it was not desirable that Members should set their own pay,<sup>21</sup> the House endorsed the government's decision to establish an independent review of parliamentary remuneration by Sir John Baker<sup>22</sup> ("Baker's Review") in order to identify a new mechanism for determining Members' salaries that would remove the need for Members to vote on their own remuneration, and be sustainable and predictable.<sup>23</sup> Consequently, the automatic formula adopted by the 1996 resolution ceased to have effect from 24 January 2008.

(C) New linkage mechanism proposed by Baker's Review in 2008

3.6.5 The report of Baker's Review was published in June 2008. Having set out a series of principles for the uprating mechanism, Sir John Baker proposed a new system in that Members' salaries should increase each year on 1 April, in line with the increase in the three-month average of the Public Sector Average Earnings Index ("PSAEI") for January that was published in March each year. The relevant principles applied to the new mechanism are that:

- (a) it must be easy to understand, independent, authoritative, transparent and not capable of being manipulated;
- (b) it should be sustainable over a number of Parliaments;
- (c) it should be based on pay comparators and not price comparators;<sup>24</sup>
- (d) it should reflect movements in earnings and not settlements<sup>25;26</sup> and
- (e) it should be linked in some form to the public sector.

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<sup>21</sup> Baker (2008).

<sup>22</sup> Sir John Baker was the chairman of SSRB from 2002 to 2008.

<sup>23</sup> There was agreement within the House that the process of Members "voting on their own pay...puts Members in a difficult position and does not command public confidence." See Lord Privy Seal (2008).

<sup>24</sup> The review report stated that pay should be driven by issues such as job content, labour markets, recruitment and retention, but not inflation, and there was no case for linking pay to the Consumer Price Index, Retail Price Index or any other price index.

<sup>25</sup> Pay settlement represents an adjustment made by an employer to the salaries of a group of employees to take account of circumstances that have changed since the last occasion on which their level of pay was fixed. These adjustments are usually periodic, collective adjustments.

<sup>26</sup> The review report stated that it was the earnings index, rather than settlements, that showed the actual movements of employees' pay. This was because increase in earnings also included increments based on length of service, performance pay and bonus.

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3.6.6 In the Review, Sir John Baker noted that the role of a Member was essentially public sector in nature.<sup>27</sup> Taking into account the public sector pay environment, Sir John Baker considered PSAEI the best link for adjusting Members' pay to ensure that it would move in line with what had actually happened to pay in the rest of the public sector. He pointed out that Members "could explain to their constituents that their pay increases represent the actual earnings increases already enjoyed on average by nurses, teachers, civil servants, local authority workers and other employee groups in the public sector." Since these other public sector earnings increases would have already reflected the impact of government pay policies for the public sector, Members' pay would reflect the outcome of those policies, albeit with a short time lag.<sup>28</sup>

3.6.7 However, the proposed uprating mechanism was rejected by the UK government. The key reasons that the government did not support the recommendation of linking Members' pay to PSAEI were:<sup>29</sup>

- (a) with PSAEI encompassing the entire spectrum of public sector workers (manual, professional, skilled and unskilled), Members' salaries would be linked to some groups that were completely inappropriate comparators;
- (b) since a large number of public sector workers (such as over 20% of nurses and 40% of prison officers) had already been at the top of their pay scales, linking Members' pay to average earnings might result in their receiving greater total annual increases in pay than a large number of individual public sector workers; and
- (c) the adoption of performance-related pay systems in the public sector ensured reward for talent and productivity rather than length of service. By linking their pay to average earnings, Members would receive the benefit of progression payments awarded for good performance by individuals in other parts of the public sector.

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<sup>27</sup> The same view was also taken by SSRB in its reviews.

<sup>28</sup> Baker (2008) paragraph 43.

<sup>29</sup> Lord Privy Seal (2008).

*Decision made by the House of Commons in 2008*

3.7 According to a press briefing issued by the Leader of the House in June 2008,<sup>30</sup> the UK government favoured a mechanism that Members "should receive the median average of the settlements of a wide basket of public sector workforces". This proposal aimed to "ensure that Members receive awards in line with settlements of appropriate comparable public sector groups", as Members "should be subject to the same pay restraint as other public sector workers".

3.8 In July 2008, the House of Commons passed a resolution linking future annual increases in Members' salary to the median pay increase received by a basket of 15 public sector workforce groups<sup>31</sup> in the preceding year. The UK government explained that these chosen groups were more focused, including only appropriate comparators. The House agreed that the figure for the annual increase be calculated each year by SSRB and take effect automatically at the beginning of the relevant financial year, having been notified to the House by SSRB through the Speaker. The resolution thus ended Members' involvement in setting their own salaries.

3.9 The 2008 resolution also gave SSRB the power to review operation of the linkage system and report on any technical adjustments necessary should the mechanism cease to be appropriate (for example, the linkage might break with restructuring within the chosen comparator workforce). As such, 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.

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<sup>30</sup> Office of the Leader of the House of Commons (2008).

<sup>31</sup> The 15 reference public sector groups are: senior military; holders of judicial office; very senior National Health Service managers; doctors and dentists; the Prison Service; National Health Service staff; school teachers; the Armed Forces; police officers; Local Government; non-SCS 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 SCS.

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*2009 onwards*

## (A) Establishment of the Independent Parliamentary Standards Authority

3.9.1 In 2009, following the outbreak of the expenses scandal relating to some Members<sup>32</sup>, the Independent Parliamentary Standards Authority ("IPSA") was set up under the *Parliamentary Standards Act* as an external regulator to restore public confidence in the way Members claim taxpayers' money. The *Act* gives IPSA the responsibility of paying Members' salaries and allowances and preparing a scheme under which Members' allowances are paid. IPSA is independent of Parliament, government and political parties. It assumed responsibility for overseeing Members' expenses after the 2010 General Election in May 2010, where the administration of expenses was previously handled by the Department of Resources in the House of Commons.<sup>33</sup>

3.9.2 In April 2010, under the *Constitutional Reform and Governance Act 2010*, the *Parliamentary Standards Act* was amended to give IPSA further responsibility for determining Members' pay and pension schemes in the first year of each Parliament and at any other time it considers appropriate; but this would not come into effect until April 2012. As such, before IPSA takes up the responsibility for deciding on Members' pay and pension arrangements in 2012, SSRB continues to carry out its functions in pursuance to the 2008 resolution (refer to paragraphs 3.8 and 3.9).

## (B) Members' annual salaries after the 2008 resolution

3.9.3 Based on the formula in the 2008 resolution, there were increases in Members' salaries (2.33% in April 2009 and 1.5% in April 2010), raising Members' salaries to £65,738 (HK\$820,410)<sup>34</sup> from £61,820 (HK\$771,514) according to SSRB's recommendations in its 2007 review.

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<sup>32</sup> According to the Committee on Standards in Public Life, "the Daily Telegraph published a series of revelations about Members' expenses claims [in May 2009]. In the following weeks the newspaper published numerous expense claims of individual MPs which attracted much public comment and furore, becoming known as the 'expenses scandal'." (2009a, p.13)

<sup>33</sup> Only the Department's expenses function, not its staff, has been transferred to IPSA.

<sup>34</sup> Based on the average exchange rate of HK\$12.48 per British Pound in 2011.

3.9.4 Despite the fact that SSRB proposed a 1% increase in Members' salaries for 2011-2012 upon application of the automatic formula in pursuance to the 2008 resolution, the House agreed to a motion in March 2011 to freeze Members' salaries at the April 2010 level for up to two years, in the light of the government's decision of imposing a two-year pay freeze on all public sector workers earning more than £21,000 (HK\$262,080) per annum. As a result, Members' basic salary for 2011-2012 has remained at £65,738 (HK\$820,410) per annum.

3.9.5 Under the terms of the motion, the provisions of the 2008 Resolution that provided for the automatic implementation of salary increases and the formula for determining them were rescinded with effect from 1 April 2011. The motion also rescinded the provisions that required SSRB to conduct a review of Members' salaries in the first year of each new Parliament. Therefore, from 1 April 2011 until the relevant legislation which empowers IPSA to determine Members' pay is brought into force, there has been no mechanism for setting or changing Members' salaries.<sup>35</sup>

#### Additional salary for chairs of committees

3.10 While new regulations for adjusting Members' salaries will be in place in April 2012, the existing system of paying supplements to Members with additional parliamentary responsibilities remains in operation.

#### *Chairs of select committees*

3.11 In recognition of the considerable amount of extra work and commitment required by the chairs of select committees<sup>36</sup>, an additional salary for these roles was agreed in 2003. This arrangement was adopted following a job evaluation exercise conducted by SSRB, which concluded that "the Chairs of the parliamentary committees have jobs clearly bigger than those of most other Members, and broadly equivalent in job weight terms to at least the median of Parliamentary Under Secretary, mitigated by their time commitment". Further, the arrangement was also intended to provide an "alternative career path" to the traditional route of becoming a government Minister, for Members looking to gain status or influence.<sup>37</sup>

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<sup>35</sup> Kelly (2011).

<sup>36</sup> SSRB commented in its 2001 report that there was no doubt that the Select Committee Chairmen in the House of Commons had a higher level of responsibility than other Members.

<sup>37</sup> For details, see Legislative Council Secretariat (2007) paragraph 2.2.

3.12 In 2011-2012, on top of the basic salary as a Member, the additional salary payable to the chairs of select committees is £14,582 (HK\$181,983). Currently, the chairs of the 36 select committees<sup>38</sup> receive an additional salary at the same rate, regardless of their length of service. The additional salaries are uprated annually in line with Members' basic salaries.

### *Panel of Chairs*

3.13 In 2005, the additional salary arrangement was extended to members of the Panel of Chairs – a group of around 30 Members appointed by the Speaker to chair public bill committees and other general committees (formerly known as standing committees) of the House.<sup>39</sup> This arrangement was adopted following SSRB's review of the work of the Panel of Chairs. Notwithstanding the finding that "the workload of Panel members is very variable", the review considered that "a good case can be made for additional payment for at least those Chairmen of Standing Committees undertaking more substantial duties", and such payment could support membership of the Panel as "a possible step in a career path leading ultimately to the role of Deputy Speaker, or possibly even Speaker", although such payment would require a minimum time commitment on the part of the individual to be formalized.<sup>40</sup> To this end, the additional salaries for members of the Panel of Chairs are payable in four tiers, depending on how long they have served on the Panel, with the maximum salary the same as that for Select Committee chairs (**Table 1**).

**Table 1 – Levels of additional salaries for members of the Panel of Chairs**

<b>Length of service</b>	<b>Additional salary (per annum)</b>
Less than 1 year	£2,910 (HK\$36,317)
1-3 years	£8,166 (HK\$101,912)
3-5 years	£11,082 (HK\$138,303)
At least 5 years	£14,582 (HK\$181,983)

<sup>38</sup> Kelly (2010).

<sup>39</sup> Members of the Panel of Chairs may also chair debates in Westminster Hall and act as temporary chairs of Committees of the whole House.

<sup>40</sup> Baker (2005) paragraph 2.11.

3.14 Past services as members of the Panel of Chairs may be taken into account in determining the additional salaries, whereas breaks in service may be discounted. However, a Member who is both the chair of a select committee and the chair of a standing committee is entitled to one additional salary only.

### Salaries for Ministers and other office holders

3.15 Ministers and other office holders in the House of Commons, including the Speaker<sup>41</sup>, Deputy Speakers, Leader of the Opposition, Opposition Chief and Deputy Chief Whips, are entitled to a ministerial salary in addition to their salary as a Member. Ministerial salaries are governed by the *Ministerial and Other Salaries Act 1975*, and are updated periodically by Orders (statutory instruments). Such Orders have to be approved by a resolution of the House. Under the *Act*, the total number of Ministers is capped at 109, although unpaid Ministers may be appointed. Further, under the *House of Commons Disqualification Act 1975*, no more than 95 Members may hold ministerial office at any one time.

3.16 Prior to 1996, Ministers who were Members of the House of Commons received a reduced parliamentary salary on the grounds that ministerial office impinged on the individual's ability to undertake the full range of a Member's parliamentary duties. In the 1996 report prepared by SSRB, Ministers were found to undertake heavy responsibilities to the House and to their Departments without a commensurate increase in actual emoluments, and it was recommended that they should receive a full parliamentary salary. The recommendation was agreed by the House.

3.17 Similar to Members, the salary of Ministers and other office holders is updated annually from 1 April according to the same formula used for determining Members' salaries subject to review by SSRB. The current rates of salary of Ministers and other parliamentary office holders are presented in **Table 2**.

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<sup>41</sup> The Speaker is paid at the same rate as Cabinet Ministers.

**Table 2 – Annual salary entitlements of selected Ministers and parliamentary office holders in the House of Commons (with effect from 1 April 2010)**

	<b>Ministerial entitlement (maximum amount)</b>	<b>Total (including basic salary)</b>
Prime Minister	£132,923 (HK\$1,658,879)	£198,661 (HK\$2,479,289)
Cabinet Minister	£79,754 (HK\$995,330)	£145,492 (HK\$1,815,740)
Minister of State	£41,370 (HK\$516,298)	£107,108 (HK\$1,336,708)
Parliamentary Under Secretary of State	£31,401 (HK\$391,884)	£97,139 (HK\$1,212,295)
Speaker	£79,754 (HK\$995,330)	£145,492 (HK\$1,815,740)
Chairman of Ways and Means (Deputy Speaker)	£41,370 (HK\$516,298)	£107,108 (HK\$1,336,708)
First Deputy Chairman of Ways and Means (Deputy Speaker)	£36,360 (HK\$453,773)	£102,098 (HK\$1,274,183)
Second Deputy Chairman of Ways and Means (Deputy Speaker)	£36,360 (HK\$453,773)	£102,098 (HK\$1,274,183)

Source: House of Commons Information Office (2010a).

#### **4. Allowances**

4.1 Bearing the regulatory responsibility for Members' allowances, IPSA has a statutory duty to prepare, regularly review and revise the allowances scheme for Members, as well as enforcing rules governing Members' salaries and expenses, as specified in Section 5 of the *Parliamentary Standards Act*. Although the final decision on the rules in the expenses scheme lies with IPSA itself, IPSA is required to consult the following parties in fulfilling its statutory duty:

- (a) Speaker of the House of Commons;
- (b) Committee on Standards in Public Life;
- (c) Leader of the House of Commons;

- (d) any committee of the House of Commons nominated by the Speaker;
- (e) Members of the House of Commons;
- (f) SSRB;
- (g) Her Majesty's Revenue and Customs;
- (h) Treasury; and
- (i) any other person IPSA considers appropriate.

4.2 While there was an admitted lack of regulation in the previously adopted allowance system<sup>42</sup>, IPSA aims to create and maintain an expenses scheme which is "fair, workable and transparent". The new scheme, first published in March 2010 and revised twice subsequently, establishes rules setting out what Members can and cannot claim for in performing their parliamentary functions. In preparing the scheme, IPSA focuses on 12 overarching "fundamental principles" (refer to **Appendix I** for details)<sup>43</sup> set out in Schedule 1 of the scheme. These principles include the principle that Members should always behave with probity and integrity when making claims on public resources; and the principle that, in matters relating to expenses, Members should be treated in the same manner as other citizens.

4.3 IPSA also oversees and examines the claims which Members submit. It publishes on its website all claims made by Members, taking the privacy and security considerations into account. The major changes in the expense items available to Members from the previous arrangements are outlined in **Appendix II**.

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<sup>42</sup> Kelly (2011).

<sup>43</sup> According to a research paper published by Oxford University's Department of Politics and International Relations, the fact that IPSA does not adopt its originally proposed approach of combining specific rules with applicable general principles may "highlight the difficulties inherent in trying to mesh fundamental general principles with specific rules in a sufficiently clear and workable regulatory scheme." See Lemos and Joseph (2010).

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## 5. Pensions

5.1 In the UK, the first pension scheme for Members was set up under the *Ministerial Salaries and Members' Pensions Act 1965*. The scheme was intended to provide for the payment of pensions to ex-Members who had attained 65 years of age and who had no less than 10 years of reckonable service and, subject to certain conditions, to the widows, widowers and children of deceased pensioner Members.

5.2 At present, Members are covered under the parliamentary pension scheme – a final salary scheme with a choice of accrual rates. Under this scheme, Members pay a fixed contribution, with the Treasury responsible for the rest of the contribution. The ceiling of the Exchequer contribution is currently set at 20%, in line with the other public pension schemes. Members can choose to contribute 11.9%, 7.9% and 5.9% of their salary<sup>44</sup> and build up pension at the rate of 1/40<sup>th</sup>, 1/50<sup>th</sup> and 1/60<sup>th</sup> respectively. According to SSRB, among the final salary schemes, "only the judges' scheme currently has such a high rate of accrual (1/40<sup>th</sup>), the judges' age profile being very unusual. The Civil Service Nuvos<sup>45</sup> scheme has an accrual rate of 2.3% (approximately 1/43<sup>rd</sup>) but it is a career average scheme."<sup>46</sup>

## 6. Medical benefits

6.1 Members are not covered under a medical plan. Nevertheless, they can use the medical screening services provided by the in-house Safety, Health and Wellbeing Service.<sup>47</sup> In addition, under the National Health Service, almost all medical facilities are provided free of charge to all British citizens.

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<sup>44</sup> Additional salaries payable to chairs of select committees and members of Panel of Chairs are also pensionable.

<sup>45</sup> "Nuvos" is an occupational defined benefit pension scheme. Most people who are employed in the Civil Service on a permanent or fixed-term contract can join Nuvos.

<sup>46</sup> Cockburn (2010) p. 28.

<sup>47</sup> United Kingdom Parliament (2009).

**Appendix I****Fundamental Principles identified by the Independent Parliamentary Standards Authority in developing the new scheme of Members' expenses**

A.1. Members of Parliament should always behave with probity and integrity when making claims on public resources. Members of Parliament should be held, and regard themselves as, personally responsible and accountable for expenses incurred, and claims made, and for adherence to these principles as well as to the rules.

A.2. Members of Parliament have the right to be reimbursed for unavoidable costs where they are incurred wholly, exclusively, and necessarily in the performance of their parliamentary duties, but not otherwise.

A.3. Members of Parliament must not exploit the system for personal financial advantage, nor to confer an undue advantage on a political organization.

A.4. a) The system should be open and transparent;  
b) The system should be subject to independent audit and assurance.

A.5. The details of the expenses scheme for Members of Parliament should be determined independently of Parliament.

A.6. There should be clear, effective and proportionate sanctions for breaches of the rules, robustly enforced.

A.7. The presumption should be that in matters relating to expenses, Members of Parliament should be treated in the same manner as other citizens. If the arrangements depart from those which would normally be expected elsewhere, those departures need to be explicitly justified.

A.8. The scheme should provide value for the taxpayer. Value for money should not necessarily be judged by reference to financial costs alone.

A.9. Arrangements should be flexible enough to take account of the diverse working patterns and demands placed upon individual Members of Parliament, and should not unduly deter representation from all sections of society.

## **Appendix I (cont'd)**

A.10. The system should be clear and understandable. If it is difficult to explain an element of the system in terms which the general public will regard as reasonable, that is a powerful argument against it.

A.11. The system should prohibit Members of Parliament from entering into arrangements which might appear to create a conflict of interests in the use of public resources.

A.12. The system must give the public confidence that high standards of honesty will be upheld.

## Appendix II

## Major changes in the expense items available to Members

Past arrangements	New arrangements (effective April 2010)
<i>Accommodation expenses</i> <sup>(1)</sup>	
<ul style="list-style-type: none"> <li>• Up to £24,222 (HK\$302,291) per annum; and</li> <li>• covering mortgage interest, rent or hotel costs; basic costs such as utilities, council tax, and contents insurance; and services such as cleaning, gardening, maintenance and repairs.</li> </ul>	<ul style="list-style-type: none"> <li>• Up to £19,900 (HK\$248,352) per annum;</li> <li>• not payable to London Area Members or those who occupy "grace and favour" accommodation<sup>(2)</sup>;</li> <li>• only covering rent or hotel accommodation and associated costs such as utilities, council tax and contents insurance; and</li> <li>• for hotel accommodation, a set budget of £150 (HK\$1,872) (London area) or £120 (HK\$1,498) (non-London area) per night.</li> </ul>
<i>London area living payment</i>	
<ul style="list-style-type: none"> <li>• Up to £7,500 (HK\$93,600) per annum, for Members who do not claim for the cost of accommodation.</li> </ul>	<ul style="list-style-type: none"> <li>• Up to £3,760 (HK\$46,925) per annum, for Members who do not claim for the cost of accommodation; and</li> <li>• an additional £1,330 (HK\$16,598) per annum, for those with constituencies outside Greater London (effective April 2011).<sup>(3)</sup></li> </ul>
<i>Staffing expenditure</i>	
<ul style="list-style-type: none"> <li>• Up to £103,812 (HK\$1.3 million) per annum; and</li> <li>• employment of family members allowed.</li> </ul>	<ul style="list-style-type: none"> <li>• Up to £115,000 (HK\$1.44 million) per annum; and</li> <li>• employment of no more than one "connected party" (e.g. spouse, family member or business partner) allowed.</li> </ul>

Notes: (1) The main focus of public concern about Members' expenses in 2009 was accommodation.

(2) As a transitional measure, Members could claim mortgage interest until 31 August 2012. The definition of London Area is provided by IPSA.

(3) According to IPSA, outer London Area Members have higher commuting costs than those within Greater London. On average, such difference amounts to around £1,300 (HK\$16,224) per year.

## Appendix II (cont'd)

## Major changes in the expense items available to Members

Past arrangements	New arrangements (effective April 2010)
<i>Administrative and office expenditure</i>	
<ul style="list-style-type: none"> <li>• Constituency Office Rental Expenditure (CORE): up to £12,761 (HK\$159,257) per annum for London Area Members and £10,663 (HK\$133,074) for non-London Area Members; and</li> <li>• General Administrative Expenditure ("GAE"): up to £10,394 (HK\$129,717) per annum for all Members.</li> </ul>	<ul style="list-style-type: none"> <li>• A single annual budget for Office Costs Expenditure of £24,000 (HK\$299,520) for London Area Members and £21,500 (HK\$268,320) for non-London Area Members<sup>(4)</sup>; and</li> <li>• a list of allowable expenditure removed, such as newsletters, campaign or political expenditure, and personal accountancy or tax advice.</li> </ul>
<i>Communications allowance</i>	
<ul style="list-style-type: none"> <li>• Up to £10,400 (HK\$129,792) per annum to meet costs for communicating proactively with constituents, such as regular reports and constituency newsletters, questionnaires and surveys, petitions, distribution costs including direct mailing and postage, and websites.<sup>(5)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• No longer provided. Proactive communication is paid for out of the reformed administrative and office expenditure allowance.</li> </ul>

Notes: (4) According to IPSA, "combining the budgets will not reduce transparency and accountability". While most Members have been able to manage within CORE budget limits, the merger of CORE and GAE would provide enough flexibility for those who could not.

(5) See Kelly (2010).

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**Appendix II (cont'd)**
**Major changes in the expense items available to Members**

Past arrangements	New arrangements (effective April 2010)
<i>Resettlement grant and winding-up expenditure</i>	
<ul style="list-style-type: none"> <li>• Resettlement grant of between 50% and 100% of annual salary payable to Members retiring at dissolution or not returning at the subsequent election, based on their age and length of service; and</li> <li>• a winding-up allowance of £42,068 (HK\$525,009), payable for two months after a person ceases to be a Member to meet the cost of completing the outstanding parliamentary functions.</li> </ul>	<ul style="list-style-type: none"> <li>• Resettlement grant no longer provided<sup>(6)</sup>; and</li> <li>• different limits of winding-up allowances for London Area Members and non-London Area Members (£46,500 or HK\$580,320 and £45,500 or HK\$567,840 respectively), payable for two months after a person ceases to be a Member.</li> </ul>

Note: (6) IPSA has stated that it would consider the resettlement grant issue as part of its planned review of Members' pay and pensions once the legal responsibility for those matters passes to it.

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Prepared by Lettice AU YEUNG  
31 January 2012  
Tel: 3919 3635

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