

# **PARLIAMENTARY STANDARDS (AMENDMENT) BILL**

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## **EXPLANATORY NOTES**

### **INTRODUCTION**

1. These explanatory notes relate to the Parliamentary Standards (Amendment) Bill as introduced in the House of Commons on 20 July 2010. They have been prepared by Mr Adam Afriyie, the Member in charge of the Bill, in order to assist the reader of the Bill and to inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.
2. The notes need to be read in conjunction with the Bill. They are not, and are not meant to be, a comprehensive description of the Bill. So where a clause or part of a clause does not seem to require any explanation or comment, none is given.

### **SUMMARY AND BACKGROUND**

3. The objective of the Bill is to simplify the way in which expenses and salary payments to Members of Parliament are made. An amendment to the Parliamentary Standards Act 2009 would require the Independent Parliamentary Standards Authority (“the IPSA”) to propose a new Members’ Allowance scheme. The aim of the scheme is that it will be easy to understand and administer, and cost less than the current arrangements.
4. The Bill imposes an objective on the IPSA to seek to limit its administration costs to 2.5% of the total expenditure on the Members’ Allowance; and instructs the IPSA to publish an explanatory report should they fail to do so.

## **COMMENTARY ON CLAUSES**

### **Clause 1 – The Members’ Allowance**

5. *Clause 1* amends the Parliamentary Standards Act 2009 to require the IPSA to prepare a scheme that would replace salaries and some other direct payments made to MPs with a Members’ Allowance.
6. *Subsection (2)* ensures that the Members’ Allowance is brought into effect promptly by asking the IPSA to prepare the scheme within 8 weeks beginning with the day on which the Act is passed, and allows for the IPSA to prepare revisions as it considers appropriate.
7. *Subsection (3)* sets out the criteria that the IPSA must fulfil when preparing the Members’ Allowance scheme. *Subsection (3)* states that the Members’ Allowance scheme must –
  - (i) provide for the payment of a Members’ Allowance in the form of a monthly payment calculated on the basis of the schedule of the Act (“the initial calculation”);
  - (ii) make provision for the IPSA to review the level of the Members’ Allowance in time for the beginning of each new Parliament by taking into account the economic indices stated in the Bill and any other factors that the IPSA considers appropriate;
  - (iii) provide for the IPSA to have the scope to introduce regional variations in the Allowance to a maximum total value as set out in the initial calculation; and
  - (iv) ask the IPSA to seek to limit the total annual cost of administering the scheme to no more than 2.5% of the total value of payments made under the scheme in that year (“the administration costs objective”).
8. *Subsection (4)* requires the IPSA to set the Members’ Allowance at a level that allows MPs to perform their parliamentary, constituency and national duties.
9. *Subsection (5)* ensures that provision will continue to be made under Section 5 of the Parliamentary Standards Act 2009 for the payment of Staffing Expenditure and Constituency Office Rental Expenditure. The Members’ Allowance will not cover staff and office costs.
10. *Subsection (6)* requires the IPSA to consult with HMRC on the likely tax status of the Members’ Allowance and instructs it to set out guidance on this issue in its proposed scheme.

**Clause 2 – Consideration of a Members’ Allowance scheme by the House of Commons**

11. *Clause 2* sets out how the Members’ Allowance will be brought before the House of Commons.
12. *Subsection (1)* requires the Speaker to lay a Members’ Allowance scheme (or revision) prepared by the IPSA before the House of Commons.
13. *Subsection (2)* instructs the IPSA, once the scheme (or revision) is laid, to publish details of the scheme (or revision) including a statement of reasons for proposing it.
14. *Subsections (3) and (4)* require a Minister (the Leader of the House of Commons or the relevant Secretary of State) to prepare regulations made by statutory instrument which would bring the scheme (or revision) proposed by the IPSA into effect. The Minister is required to lay a draft of these regulations before the House of Commons within 12 weeks of the Speaker laying the Members’ Allowance scheme or revision before the House.
15. *Subsections (5) and (6)* provide that the statutory instrument containing regulations may not be made unless a draft has been approved by a resolution of the House of Commons. If the regulations are not approved by the House within 4 months, the IPSA must propose a revised Members’ Allowance scheme.

**Clause 3 – The IPSA administration costs objective**

16. *Clause 3* imposes certain duties on the IPSA relating to administration costs.
17. *Subsection (1)* defines the “administration costs objective”. The IPSA must aim to limit the administrative costs of the Members’ Allowance scheme to no more than 2.5% of the total value of payments made under the scheme in any given financial year.
18. *Subsections (2) and (3)* ensure that the IPSA is accountable for meeting this objective by obliging it to make an annual assessment of whether it has met the objective and, if it has not been met, to publish a report explaining why.

## **Schedule – The Initial Calculation**

19. *The Schedule* sets out the steps that the IPSA must follow in making its initial calculation of the Members' Allowance.
20. *Step 1* states that the IPSA must take the total cost of payments to MPs, associated payments and the cost of administering those allowances paid to MPs under the resolutions of the House of Commons in respect of the 12 months ending with 5 April 2010 (see the Bill text for a breakdown of each cost). Step 1(l) gives the IPSA the authority to determine any further associated costs it considers appropriate.
21. *Step 2* instructs the IPSA to make a 5% deduction from the total calculated in Step 1.
22. *Step 3* asks the IPSA to adjust the figure calculated in Step 2 such using economic indices as it deems appropriate to produce an initial calculation of the Members' Allowance for each financial year of the relevant Parliament.
23. *Step 4* asks the IPSA to deduct 2.5% from the totals produced by Step 3 to cover the IPSA's administrative costs for each financial year of the relevant Parliament.
24. *Step 5* makes provisions for a fund for regional weighting, Disability Assistance, Security Assistance, Contingency Payments and any other allowances and payments not already mentioned in the Schedule to be determined by the IPSA. A total of up to 17.5% will be deducted from the totals calculated in Step 3 to be used as such a fund for each financial year of the relevant Parliament.
25. *Step 6* completes the initial calculation of the Members' Allowance for each financial year of the relevant Parliament by dividing the totals calculated in Step 5 by the number of seats in the House of Commons.

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*These notes refer to the Parliamentary Standards (Amendment) Bill as introduced in the House of Commons on 20 July 2010 [Bill 60]*

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