



REVIEWING PAY FOR CHAIRS OF COMMITTEES

A CONSULTATION

MARCH 2016

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LIST OF CONSULTATION QUESTIONS

- Q1.** Giving reasons, do you agree that we should retain the current flat rate of pay for Chairs of Select Committees?
- Q2.** Do you agree that the structure of the additional salary payments made to the Panel of Chairs should be streamlined? Should there be a single rate of pay?
- Q3.** Do you agree that Members of the Panel of Chairs should not be required to complete a probationary period of assessment, during which they would receive a lower rate of pay?
- Q4.** Giving reasons, which of the options should we adopt for establishing the level of pay for the Members of the Panel of Chairs? Do you agree that any restructure should be cost-neutral?
- Q5.** Giving reasons, what, if any, mechanism should there be for adjusting the pay of Chairs of Committees after the first year of any Parliament?

INTRODUCTION

1. In the Constitutional Reform and Governance Act 2010, IPSA was given the power to determine the pay and pensions of Members of Parliament. We do so independently of both Parliament and Government. Following a series of public consultations, we took the decision, in July 2015, to increase MPs' basic salary to £74,000 a year and to index MPs' pay each year thereafter to the annual change in average public sector earnings for the remainder of this Parliament.
2. IPSA also has responsibility for determining the additional salaries paid to 35 Chairs of Select Committees and to 34 Members of the Panel of Chairs (previously known as Chairs of Standing Committees). The posts that attract these additional payments are specified by resolutions of the House of Commons.
3. These additional payments were introduced in 2003 for Chairs of Select Committees and in 2005 for Members of the Panel of Chairs. They were intended to recognise the work of these MPs and to provide an alternative career structure in Parliament for MPs who do not take up ministerial or other frontbench roles. The salary level for Chairs of Select Committees was originally set by the Senior Salaries Review Body (SSRB). They currently receive an additional salary of £15,025 per annum. Members of the Panel of Chairs receive an additional salary of between £3,000 and £15,025 per annum depending on their length of service.
4. IPSA has a statutory obligation to conduct a review of MPs' pay in the first year of any Parliament. For MPs' basic pay that has already happened. We are now consulting on pay for Chairs of Select Committees and Members of the Panel of Chairs.
5. This consultation paper begins with separate chapters on Chairs of Select Committees (Chapter 1) and Members of the Panel of Chairs (Chapter 2). It then considers the options for change and poses some questions for consultation (Chapter 3). We welcome views from members of the public, from MPs and from other interested parties. **Further details on how to respond to this consultation can be found on page 13.**

CHAPTER 1. CHAIRS OF SELECT COMMITTEES

6. In addition to representing their constituents, scrutinising legislation and holding the government to account, some MPs serve as Chairs of Select Committees. Select Committees scrutinise government spending, policy and administration. Most Select Committees are established to examine particular government departments. Others, such as the Environmental Audit Committee, have a remit that crosses departmental boundaries.¹
7. In nearly all cases, Chairs of Select Committees are elected to their positions. At the start of a Parliament, the Speaker determines how many Chairs should be drawn from each political party based on the proportion of MPs in the House of Commons. MPs are nominated to chair a particular committee if they have the support of 15 MPs from their own party and up to 5 MPs from a different party. Nominated MPs are then elected by the rest of their colleagues in the House of Commons in a secret ballot. At least 10 other MPs (in most cases) are then chosen to be members of each committee, but these MPs do not receive a salary.
8. The time spent by Chairs on the work of a Select Committee varies, but can be significant. For example, in the 2013-14 parliamentary session, the Education Select Committee sat on 40 separate occasions. Most Chairs attend more than 90 per cent of the sittings of their committees. Other work is done by Chairs outside of formal sittings, including acting as ambassadors for their committees, and liaising with ministers, overseas organisations, external audiences and the media. As such, Chairs of Select Committees can be subject to greater public scrutiny than some other MPs.
9. In 2003, the House of Commons agreed to pay MPs an additional salary if they were elected to chair a Select Committee. This salary was introduced both to recognise the work that these MPs do on top of their backbench responsibilities, and to promote an alternative career path in Parliament to ministerial or other front bench roles.

¹ *Select Committees*, UK Parliament website, available at <http://www.parliament.uk/about/how/committees/select/>

10. Responsibility for setting and paying the additional salary for Chairs of Select Committees passed to IPSA in 2011. At that time Chairs of Select Committees received an additional salary of £14,582 per year. 35 MPs currently receive an additional salary of £15,025 per annum for their work as Chairs of Select Committees.
11. IPSA does not decide which Chairs should receive the additional salary. Our powers are limited to setting the level of payment that they should receive.
12. To determine the level of the salary when it was first introduced, the SSRB evaluated the role of a Chair of a Select Committee, and compared it to that of a junior government minister, known as a Parliamentary Under-Secretary of State. Until 2010, Parliamentary Under-Secretaries received an additional salary of £31,401 a year. Following various pay cuts, Under-Secretaries now receive an annual supplement of £23,697 per annum.² The SSRB decided that Chairs of Select Committees should receive a lower additional salary compared to Parliamentary Under-Secretaries to reflect the lower time commitment needed in the Select Committee role.

² *Members' pay and expenses – current rates from 1 April 2013* (2013), Research Paper 13/33, House of Commons Library, available at researchbriefings.parliament.uk/ResearchBriefing/Summary/RP13-33, p.20-21

CHAPTER 2. MEMBERS OF THE PANEL OF CHAIRS

13. MPs may also choose to serve as Members of the Panel of Chairs. The Panel is a group of MPs who have responsibility for chairing various committees across the House of Commons which examine proposed legislative matters in detail. The role of a Member of the Panel has a less high profile than that of a Chair of a Select Committee.
14. MPs are appointed to be Members of the Panel by the Speaker. Rather than immediately becoming the Chair of a particular committee, these MPs do not necessarily have a specific responsibility when they are first chosen to sit on the Panel. They acquire roles in the course of Parliamentary business.
15. One of their functions is to chair Public Bill Committees. These are formed to scrutinise specific items of legislation. These committees take their names from the bill that they have been established to examine (for example, the National Insurance Contributions Bill Committee). One or more Members of the Panel are then selected to chair this committee for the duration of the bill's passage through Parliament.
16. Members of the Panel may also be asked to chair other, General Committees which consider and debate matters in specific areas. Examples of these committees include Delegated Legislation Committees and European Committees. They also have responsibility for chairing debates held in Westminster Hall, which give MPs an opportunity to raise matters with a government minister if there is insufficient available time in the main chamber. Members of the Panel may also chair sittings of the Committee of the whole House, when all MPs consider the details of a bill.
17. After the introduction of an additional salary for Chairs of Select Committees, Parliament passed a motion in 2005 that provided for an additional salary to be paid to Members of the Panel of Chairs. Because the workload of Members of the Panel was highly variable, the House of Commons decided not to introduce a fixed rate of pay, but instead implemented a tiered salary based on an MP's length of service on the Panel (outlined in Table 1 below). Since IPSA took responsibility in 2011 for the additional pay of Members of the Panel, these rates of pay have increased by 3%.

Table 1 – Incremental pay structure for Members of the Panel of Chairs (2015-16)

Length of time as a Member of the Panel of Chairs	Annual additional salary (£)	Number of MPs receiving this level of pay
Less than 1 year	3,000	14
1 – 3 years	8,415	0
3 – 5 years	11,419	3
At least 5 years	15,025	17

18. 36 MPs currently serve as Members of the Panel of Chairs. Two don't receive a salary as Members of the Panel because they also serve as Select Committee Chairs. The highest salary for Members of the Panel was set at the same level as the rate paid to Chairs of Select Committees. The incremental structure was implemented on the assumption that Members of the Panel with more experience took on more demanding duties. MPs are allowed to serve both as a Chair of a Select Committee and as a Member of the Panel of Chairs, but are only allowed to receive one additional salary.

19. There is some evidence that the normal workload of Members of the Panel is less than that of Chairs of Select Committees. For example, unlike Select Committees, Members of the Panel often share the chairmanship of a Public Bill Committee with another MP who also sits on the Panel so that two Members of the Panel each preside over half the total sittings of a committee in one parliamentary session. There is no minimum number of occasions on which a Chair must preside over a committee that they are appointed to.

20. In the 2014-15 parliamentary session, on average, Members of the Panel chaired half of the sittings of committees to which they were appointed, reflecting in part the 15 committees with two or more Members of the Panel appointed as Chair. There were seven Members of the Panel who did not chair any Public Bill Committees in that

parliamentary session. In 2014-15, General Committees sat on 234 separate occasions, and the average time it took to chair a General Committee was 20 minutes. There were 38 Westminster Hall debates on average in each of the nine months of the session, and debates lasted an average of 90 minutes.

CHAPTER 3. OPTIONS FOR THE FUTURE

21. In our October 2012 consultation paper on MPs' overall remuneration, we discussed the additional pay for Chairs of Select Committees and Members of the Panel of Chairs.

22. We identified three main options for additional pay for Chairs of Select Committees and Members of the Panel of Chairs.

- First, continue the current arrangements.
- Second, make payments based on the time commitment of the Chair. We suggested that this might be on a fee-per-meeting basis, or as a calculation of total time spent on work relating to being a Chair. This method of payment would recognise the varied demands on different MPs who are Chairs, but it would be hard to measure and administer, and could potentially be unfair on efficient committee Chairs who concluded a lot of work quickly.
- Third, make payments based on levels of responsibility. This would involve paying different amounts to Chairs based on the perceived importance of each committee. But it was not clear who should make such a decision or how. The SSRB did not favour this option, arguing that "it is hard to identify and quantify the factors to justify [pay] differentials".³

23. In our second consultation on MPs' pay and pensions, launched in July 2013, we had developed our views:

- We saw no strong or compelling evidence that changes were necessary to the current additional payments for Chairs of Select Committees, and we agreed that the level of pay appeared to be a reasonable reward for the responsibilities involved.

³ *Review of Parliamentary Pay, Pensions and Allowances 2007*, Review Body on Senior Salaries (SSRB), January 2008, p.20; and *Report to the Review Body on Senior Salaries: Review of Parliamentary Pay and Allowances 2007*, PricewaterhouseCoopers (PwC), 31 March 2007, p.17.

- For Members of the Panel of Chairs, we considered an alternative salary structure, drawing from a letter from Rt Hon Lindsay Hoyle MP, the Chairman of Ways and Means, who is responsible for the Panel. Mr Hoyle explained that, once Members of the Panel had a certain amount of experience, they received equally time-consuming and challenging duties irrespective of length of service. The amount and complexity of the work, and the availability of Members of the Panel, made allocating tasks strictly in accordance with four tiers of experience impractical. He suggested, therefore, that Members of the Panel should serve a probationary period on a lower salary, after which they should all be put onto the top tier.

24. Building on this earlier work, we now consider the options for each role in turn, looking first at the structure of pay and then at its level.

25. In determining the additional level of salary, we must be fair to those responsible for undertaking the tasks concerned, rewarding them appropriately for their work. We must also be fair to the taxpayer and be mindful of value for money at a time of austerity in many parts of the public sector.

26. We then consider what, if any, mechanism should be used to determine pay in future years, for both roles.

Chairs of Select Committees

27. We have found no evidence from our further review of the pay of Chairs of Select Committees to suggest that the current flat rate of salary needs to be changed. There is no objective hierarchy of importance in the work done by different committees. This question would be, in any event, a matter for the House of Commons rather than for IPSA. Nor is there any basis for differentiation in the roles on the basis of attendance rates, which tend to be high.

28. We also judge that the level of pay, at £15,025 per annum, remains appropriate. When the salary was first set in 2003, it was established as a proportion of the extra salary

earned by a Parliamentary Under-Secretary. Then, the proportion was slightly under 50 per cent; today, with the fall in ministerial pay, it is just over 60 per cent.

Q1. Giving reasons, do you agree that we should retain the current flat rate of pay for Chairs of Select Committees?

Members of the Panel of Chairs

29. Many consider that the tiered salary structure for the Panel of Chairs is cumbersome and out of date. It does not reflect the fact that new Members of the Panel often very quickly take on demanding work, especially after a General Election when retirements and defeats can deprive the Panel of some of its experienced MPs.

30. Arguments have previously been made in favour of requiring Members of the Panel to be paid at an introductory rate for a probationary period. But it is not standard practice to pay individuals on probation a lesser rate of pay than others who are doing the same job. We are therefore inclined to adopt a single rate of additional salary for all Members of the Panel of Chairs.

Q2. Do you agree that the structure of the additional salary payments made to the Panel of Chairs should be streamlined? Should there be a single rate of pay?

Q3. Do you agree that Members of the Panel of Chairs should not be required to complete a probationary period of assessment, during which they would receive a lower rate of pay?

31. If we adopt a single level of additional salary for all Members of the Panel, we have identified the following main options for determining what level it should be.

- A) We could give all Members of the Panel £15,025 a year, which is currently the highest rate of additional salary. This would make the rate of pay the same as that of Chairs of Select Committees, and would mean that none of the existing Panel loses out financially. But this option would be more expensive than others, and would cost £571,000 annually, 56% more than now.

- B) We could set a single rate at the same level as another of the current salary tiers. If all Members were paid £11,419 (currently the third tier salary), it would cost £433,900 annually, 19% more than now. However, if they were paid £8,415 (the second tier salary), the total cost would fall by 13% to £319,800.
- C) We could calculate a salary based on the total amount currently spent, divided by an assumed number of Panel Members. If we assume that there will continue to be 36 Members of the Panel, for example, then the new salary for each Member would be about £9,600 per year. This would involve no overall additional cost, on the assumption that the House of Commons appoints no more than 36 MPs to the Panel of Chairs, as currently. This is the option we favour on the basis that it is cost-neutral.
- D) We could adopt option C, but include transitional arrangements for those Members of the Panel who currently earn more than £9,600 so that they retain their higher salary until they leave the Panel. We estimate that this would cost £466,120 annually, 30% more than now.
- E) We could conduct a formal job evaluation of the role of Members of the Panel of Chairs in order to determine the best way to structure their pay, and to set an appropriate level. This would be along the lines of the assessment carried out by the SSRB in 2005 when these additional salaries were first introduced.

Q4. Giving reasons, which of the options should we adopt for establishing the level of pay for the Members of the Panel of Chairs? Do you agree that any restructure should be cost-neutral?

Future adjustments to salary

32. Since May 2015, and for the remainder of this Parliament, increases in MPs' basic pay have been indexed to the annual change in average public sector earnings. We could apply the same methodology to the pay of Chairs of Committees. This would ensure that

the extra pay received for performing a Chair's role would remain the same proportion of MPs' basic pay throughout the Parliament.

33. An alternative would be to decide on a level of pay for Chairs in the first year of a Parliament and fix it at that level for the following five years. This would erode the real value of the additional salary over time, and a larger adjustment might then be needed at the beginning of the next Parliament.

Q5. Giving reasons, what, if any, mechanism should there be for adjusting the pay of Chairs of Committees after the first year of any Parliament?

HOW TO RESPOND TO THIS CONSULTATION

34. The consultation runs from 11 March to 18 April 2016. Please ensure that you send your response before 5pm on 18 April, as responses received after this date may not be considered.

35. You may respond by email or letter. Emails should be sent to mppayandpension@theipsa.org.uk. Please include "Consultation Response" in the subject line. Responses should be plain or rich text format, with as little use of colour or logos as possible. If you wish to write to us in hard copy, please send your letter to the following address:

Pay of Chairs of Committees – responses to consultation
Independent Parliamentary Standards Authority
4th Floor
30 Millbank
London
SW1P 4DU

36. Please be aware that we must publish all responses received. But we are able to withhold the name of the respondent if you explicitly request anonymity.

37. We recognise that this may create difficulties for some respondents. But, for us to reach a measured determination about the appropriate level of pay for Chairs of Committees, it is important that we hear the views of all interested parties.