



House of Commons  
Committee on  
Standards and Privileges

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**Evidence to the SSRB  
Review of  
Parliamentary pay,  
pensions and  
allowances**

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**First Report of Session 2006-07**

*Report and Appendix, together with formal  
minutes*

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## The Committee on Standards and Privileges

The Committee on Standards and Privileges is appointed by the House of Commons to oversee the work of the Parliamentary Commissioner for Standards; to examine the arrangements proposed by the Commissioner for the compilation, maintenance and accessibility of the Register of Members' Interests and any other registers of interest established by the House; to review from time to time the form and content of those registers; to consider any specific complaints made in relation to the registering or declaring of interests referred to it by the Commissioner; to consider any matter relating to the conduct of Members, including specific complaints in relation to alleged breaches in the Code of Conduct which have been drawn to the Committee's attention by the Commissioner; and to recommend any modifications to the Code of Conduct as may from time to time appear to be necessary.

### Current membership

Rt Hon Sir George Young Bt MP (*Conservative, North West Hampshire*) (Chairman)  
Rt Hon Kevin Barron MP (*Labour, Rother Valley*)  
Rt Hon David Curry MP (*Conservative, Skipton & Ripon*)  
Mr Andrew Dismore MP (*Labour, Hendon*)  
Nick Harvey MP (*Liberal Democrat, North Devon*)  
Mr Brian Jenkins MP (*Labour, Tamworth*)  
Mr Elfyn Llwyd MP (*Plaid Cymru, Meirionnydd Nant Conwy*)  
Mr Chris Mullin MP (*Labour, Sunderland South*)  
The Hon Nicholas Soames MP (*Conservative, Mid Sussex*)  
Dr Alan Whitehead MP (*Labour, Southampton Test*)

### Powers

The constitution and powers of the Committee are set out in Standing Order No. 149. In particular, the Committee has power to order the attendance of any Member of Parliament before the committee and to require that specific documents or records in the possession of a Member relating to its inquiries, or to the inquiries of the Commissioner, be laid before the Committee. The Committee has power to refuse to allow its public proceedings to be broadcast. The Law Officers, if they are Members of Parliament, may attend and take part in the Committee's proceedings, but may not vote.

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: [www.parliament.uk/sandp](http://www.parliament.uk/sandp). A list of Reports of the Committee in the present Parliament is at the back of this volume.

### Committee staff

The current staff of the Committee are Dr Christopher Ward (Clerk), Dr Susan Griffiths (Second Clerk) and Miss Michelle Owens (Secretary).

### Contacts

All correspondence should be addressed to The Clerk of the Committee on Standards and Privileges, Journal Office, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 6615.

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# Evidence to the SSRB Review of Parliamentary pay, pensions and allowances

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1. The Senior Salaries Review Body (SSRB) is in the process of conducting the triennial review of parliamentary pay and allowances initiated by the Prime Minister in July 2006.<sup>1</sup> As during previous reviews, SSRB is taking evidence from individual members of both Houses, from representatives of various groups and from certain office holders. In this context, SSRB invited our Chairman to provide evidence to the review in that capacity. The Parliamentary Commissioner for Standards also received an invitation to make a submission.

2. Although the primary focus of SSRB is on *levels* of pay and allowances, it also has regard to wider issues, including reputational issues. Thus in its 2001 report, in the context of its recommendation for the introduction of the Incidental Expenses Provision, SSRB commented<sup>2</sup> that its introduction:

“will make the reimbursement of legitimate expenses more transparent, reduce opportunities for possible or perceived abuse and increase public confidence.”

In its 2004 report, SSRB commented on allowances more generally, in the following terms:<sup>3</sup>

“Whilst our task is to set levels of parliamentary pay and allowances and not to administer the manner in which they are utilised or monitored, we note that outside Parliament, the nature of the various allowances and how they relate to each other is not necessarily well understood. Questions are raised in the media, for example when it is thought that Parliamentarians are profiting from exploiting the allowance system, or directing allowances for quasi-political use. It is for Parliament and the House authorities to establish the detailed rules according to which allowances may be claimed. We believe that public acceptance of the way Members of Parliament and of the House of Lords use allowances requires their use to be transparent, individual by individual, on the basis that claims should be justified and documented in all cases, and that the maximum available allowance is not a “right”.”

3. The responsibilities given to us by the House in relation to maintaining high standards of conduct on the part of its Members mean that we also have to have regard to reputational issues surrounding Members generally, and Parliament as an institution. As SSRB has pointed out, perceptions of misuse of allowances, real or imagined, can have a damaging effect on public confidence, and the Code of Conduct specifically requires

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1 Official Report, 25 July 2006, Vol. 449, Col 102-3W5.

2 CM. 4997-I, paragraph 3.45.

3 CM. 6354, paragraph 1.11.

Members to conduct themselves in a manner which will tend to maintain and strengthen the public's trust and confidence in the integrity of Parliament.<sup>4</sup>

4. In view of this congruency of interest, the Chairman, having agreed the terms with us, made a submission on our behalf to SSRB covering some general reputational points it may wish to take into account in the course of its current review. A copy of his evidence is reproduced in the Appendix to this report. The Commissioner was closely involved in the preparation of this and, at his request, we are also reproducing his submission to the SSRB, which is intended to supplement our own.

# Appendix: Evidence to the SSRB from the Chairman of the Committee on Standards and Privileges, 21 November 2006

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## The Allowance Regime

### *Introduction*

1. The aggregate value of allowances which Members are entitled to claim, in pursuance of their official duties, is substantially greater than the salary they receive (though more modest than the entitlements of members of the European Parliament.) It is therefore not surprising that the annual publication of details of Members' Allowance claims attracts significant press and public interest. To the extent that it is alleged that the levels of allowances that Members can and do claim are excessive, this can bear on the reputation of Members both individually and collectively. This in turn has repercussions for the esteem in which the public holds both Parliament as an institution, and the wider democratic system.

2. Criticisms of the allowances claimed by Members generally have elements of one or more of three different strands: a failure to distinguish between salary and allowances; concern that the allowance structure is unduly generous; and concern that Members are misusing the system by making unjustified claims. However, press comment in particular rarely makes clear the precise root of any concerns expressed, and there may well be a role for SSRB in making clear the damage that criticisms which lack such focus can do to public confidence generally.

3. The House itself takes a firm line with Members who misuse the allowance system, or facilities and services provided by the House to help them perform their parliamentary duties. Such misuse is an explicit breach of the Code of Conduct, and there have been a number of decided cases over the years where, misuse having been established by this Committee, the matter has been dealt with firmly by the House.

4. The Committee on Standards and Privileges is charged, amongst other responsibilities, with considering 'any matter relating to the conduct of Members'. There are three contexts in which the Committee has an interest in the structure of the allowance system, and the levels at which these are set. These are the general reputational implications for Members, referred to above; the need to maximise public confidence in the validity of these arrangements; and the need to ensure that the structure of the system is as simple as possible, both to minimise the scope for unintended errors, and to provide a clear basis for determining in particular cases whether there has been deliberate misuse.

5. In many respects, the arrangements for setting allowances resemble those used by the House to respond to complaints made against Members. In each case, there is a strong independent element in the process—in the case of complaints investigation, the role of the Parliamentary Commissioner for Standards; and in the case of allowances, the role of the SSRB—with the House (or, in some standards cases, this Committee) taking the final

decisions. In both cases, the arrangements work best when there is congruency between the views of both components in the decision-making process. As a Committee, we believe there should be compelling reasons for the House to vote itself levels of allowance in excess of those recommended by SSRB.

6. The Chairman of the Committee on Standards and Privileges makes this submission on behalf of the Committee. It is an institutional view, without prejudice to any views individual Members may wish to express in a personal submission in response to the SSRB invitation to Members generally.

### ***The Underlying Problems***

7. Members are office holders, not employees, and have a right to be reimbursed reasonable expenses necessarily incurred in performing the duties of their office. There is no reason in principle why they should subsidise these from their parliamentary salaries, and no one should be deterred from seeking election or be unable to look after their constituents because they are obliged to meet, from their own pockets, expenses properly incurred in this respect.

8. However, one enduring difficulty with the ongoing debate over allowances is that the important differences in the character of the various elements which make up the overall structure tend to be overlooked. Provision must be made to cover costs tangibly related to Members' performance of their parliamentary duties, such as the cost of staff, constituency office accommodation, stationery, equipment and communications costs. Many of these, while technically constituting 'allowances' are met direct by the House authorities, with Members having only limited control over the figures. Others fall within the scope of the Incidental Expenses Provision (IEP), over which Members have much more control. There are also allowances which relate to Members' personal costs, such as those associated with the need to spend time away from 'home', (for the most part covered by the Additional Costs Allowance (ACA)) and travel costs between Westminster and constituency. It is unfortunate that public comment, particularly comment in the context of the differences between Members in the levels of allowances claimed, rarely brings out these critical differences.

9. It is sometimes asserted that, in the past, the allowance system has been used as a conduit for the Government of the day to avoid politically inconvenient levels of increase in Member' pay, thus blurring the distinction between salary and allowances; and there are concerns that the allowance regime may in practice be subsidising party political activity. Taken together, these fuel concerns in some quarters that the scale and scope of the available allowances goes beyond that strictly needed by Members to meet costs necessarily incurred in discharging their parliamentary duties.

10. We hope the SSRB will propose a regime which is both fair to members, and to their constituents who have to pay for the allowances under review. We make some specific suggestions.

11. The ACA should cover what its name implies—*additional* costs necessarily incurred by Members as a result of having to live, for the most part, in two places. Anything else tends to undermine its non-taxable basis. Greater clarity in what it is intended to cover, and how

the figure is determined, might build public confidence. It might also be sensible to recognise that public confidence will be enhanced if the allowance is seen as taut.

12. The allowance should also be structured in such a way that it is not possible for Members to arrange their affairs so as to maximise their claims at the expense of personal outgoings, and in particular to avoid costs which constituents in similar circumstances could not avoid. Within the context of an allowance system common to all Members, there should nonetheless be an overarching presumption that every Member, including Ministers and office holders, should in practice meet from their own resources what amounts to the full reasonable costs normally associated with a principal domestic residence.

13. One component of the ACA is the claim for additional food costs. Living away from home almost inevitably means higher food costs, but the element chargeable to public funds ought to be proportionate. This is an area where comparison with practice elsewhere would be possible and might be beneficial.

14. It is important, though, that the system is at the same time kept as simple for Members as possible. Again, reference to best practice elsewhere would be helpful, over matters such as the level at which receipts or other relevant documentary validation should routinely be provided in support of claims.

15. Members' expenses are always likely to prove controversial in some quarters, and the level of allowances, like Members' salaries, will inevitably remain a matter of public debate. Independent involvement in determining fair levels for these, which balance Members' rights to reasonable levels of reimbursement of the costs of their office with taxpayers' expectations that public funds should not be used to facilitate private benefit, is a key element in maximising public confidence in this area where the natural sensitivity is compounded by Members ultimately being judge and jury in a matter in which they have a direct personal interest.

*21 November 2006*

# Evidence to the SSRB from the Parliamentary Commissioner for Standards, 23 November 2006

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## Triennial Review of Parliamentary Pay, Pensions & Allowances by the Senior Salaries Review Body (SSRB)

I was very grateful for your letter of 18 October and the invitation it contained to give evidence to this review.

You sent a similar invitation to Sir George Young as Chairman of the House of Commons Committee on Standards and Privileges and he will be replying to you shortly forwarding a submission on behalf of the Committee. As I have been involved in the preparation of that submission, the most important thing I wish to do by way of response to you is to associate myself entirely with its contents.

Many of the points made in the submission apply across the allowance regime as a whole, but some relate to specific allowances, notably the Additional Costs Allowance (ACA). Two specific allowances not mentioned in terms in the submission are the Incidental Expenses Provision (IEP) and the proposed Communications Allowance to the introduction of which the House has recently agreed in principle.

While many of Members' core costs incurred in discharging their parliamentary duties are met direct, as described in paragraph 8 of the Standards and Privileges Committee's submission, the IEP provides within a capped framework both for flexibility at the margins on some of these core costs, and for discretionary expenditure. It thus provides important flexibility through which Members can tailor their approach to their own particular needs and requirements, and those of their constituents.

IEP is, however, used entirely at the Member's discretion within an overall requirement that it is used on 'parliamentary duties'. Unlike ACA, it is taxable, with expenditure accepted by HMRC as wholly, exclusively and necessarily incurred on parliamentary duties being eligible for tax relief. The difficulty in determining a commonly accepted boundary for the 'parliamentary duties' means that IEP has the greatest vulnerability to perception of abuse for partisan political purposes. The Committee on Standards and Privileges has so far dealt with two cases where Members' publications, funded from the IEP, have been alleged to have stepped into areas of party activity. The Committee and I have done our best, in the context of these particular cases, to define what is and is not acceptable in this respect. Similar concerns have been expressed from time to time about IEP funded websites, but have not yet resulted in a formal complaint.

It has hitherto proved unrealistic to seek wider agreement on where the line should be drawn between Members' activities as parliamentarians and those in a party context, given the extent to which the two are interwoven in our parliamentary system. The answer, as in the case of ACA, would therefore appear to be greater clarity in what IEP is intended to cover, and in how any recommended figure is determined. Also, a degree of tautness in the allowances might be beneficial in helping to counter criticism that, by providing the means

to support promotional activity on the part of Members, it funds indirect support to their parties.

As noted earlier, the House has recently agreed in principle to a **Communications Allowance**. It may well be that this new allowance, the details of which have yet to be determined, will have implications, which SSRB would no doubt wish to take into account, for the scope and level of other allowances, in particular the IEP.

To conclude, I hope the opportunity to clarify the basis and boundaries of the present allowance regime which is afforded by the SSRB review will be taken, in order to help build public confidence and assist those tasked with regulating and applying the regime. I stand ready, with Sir George Young, to amplify any of these points orally if the Review Body would find that helpful.

*23 November 2006*

## Formal minutes

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**Tuesday 20 February 2007**

Members present:

Sir George Young, in the Chair

Mr Kevin Barron

Mr David Curry

Mr Andrew Dismore

Mr Brian Jenkins

Mr Elfyn Llwyd

Mr Chris Mullin

The Hon Nicholas Soames

Dr Alan Whitehead

The Committee deliberated.

Draft Report [Evidence to the SSRB Review of Parliamentary pay, pensions and allowances], proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 4 read and agreed to.

*Resolved*, That the Report be the First Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

A Paper was ordered to be appended to the Report.

*Ordered*, That the Appendix to the Report be reported to the House.—(*The Chairman.*)

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[Adjourned till Tuesday 6 March at 10.30 am

# Reports from the Committee on Standards and Privileges in the current Parliament

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Third Report	Conduct of Mr Tony Baldry	HC 421
Fourth Report	Pay for Standing Committee Chairmen	HC 568
Fifth Report	Electoral Administration Bill: Simplification of Reporting Requirements	HC 807
Sixth Report	Mr Stephen Byers (Matter referred on 19 October 2005)	HC 854
Seventh Report	Conduct of Mr George Galloway	HC 1067
Eighth Report	Conduct of Mr Mark Lancaster	HC 1144
Ninth Report	Lobbying and All Party Groups	HC 1145
Tenth	Conduct of Mr Michael Foster (Worcester)	HC 1223
Eleventh	Conduct of Ms Emily Thornberry	HC 1367
Twelfth	Conduct of Nadine Dorries	HC 1368
Thirteenth	Conduct of Mr John Prescott	HC 1553
Fourteenth	Conduct of Dr Desmond Turner	HC 1578
Fifteenth	Conduct of Mr Eric Illsley	HC 1579
Sixteenth	Review of the Guide to the Rules Relating to the Conduct of Members: Consultation Document	HC 1580