



House of Commons  
Members Estimate Committee

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# Review of Members' Allowances: Issues

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Second Report of  
Session 2007–08

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## Members Estimate Committee

The Members Estimate Committee has the same Members as the House of Commons Commission:

Rt Hon Michael Martin MP, Speaker  
Rt Hon Harriet Harman MP, Leader of the House  
Rt Hon Theresa May MP, Shadow Leader of the House  
Sir Stuart Bell MP  
Nick Harvey MP  
Rt Hon David Maclean MP

The Committee is appointed under Standing Order No 152D (*House of Commons Members Estimate Committee*):

**152D.**—(1) There shall be a committee of this House, called the House of Commons Members Estimate Committee.

(2) The members of the committee shall be those Members who are at any time members of the House of Commons Commission pursuant to section 1 of the House of Commons (Administration) Act 1978; the Speaker shall be chairman of committee; and three shall be the quorum of the committee.

(3) The functions of the committee shall be—

- (a) to codify and keep under review the provisions of the resolutions of this House relating to expenditure charged to the Estimate for House of Commons: Members;
- (b) to modify those provisions from time to time as the committee may think necessary or desirable in the interests of clarity, consistency, accountability and effective administration, and conformity with current circumstances;
- (c) to provide advice, when requested by the Speaker, on the application of those provisions in individual cases;
- (d) to carry out the responsibilities conferred on the Speaker by the resolution of the House of 5th July 2001 relating to Members' Allowances, Insurance, &c., except the responsibility of appointing the Advisory Panel provided for in paragraph (5)(1) of that Resolution.

(4) Paragraph (3)(b) above does not empower the committee—

- (a) to create a new form of charge on the Estimate for House of Commons: Members; or
- (b) to increase any rate of charge or payment determined by resolution of this House.

(5) The committee shall report to the House from time to time, and in any case not less than once a year, the provisions of the resolutions of this House relating to expenditure charged to the Estimate for House of Commons: Members, as codified and modified pursuant to paragraph (3) of this order.

(6) The committee shall have power to sit notwithstanding any adjournment of the House.

### Committee staff

The staff of the Committee are Andrew Kennon, Jenny McCullough and Louise Sargent.

## Second Report

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1. In this report the Members Estimate Committee sets out radical issues for our root and branch review of allowances. Nothing is ruled in and nothing is ruled out but leaving things as they are is not an option. Many of these issues will be controversial. We want to hear comments from within and outside the House on which are the best ideas to pursue. There may be other issues we have not yet considered which could be brought forward now. The next stage will be for us to produce emerging conclusions in May. We aim to report in time for a debate in the House in July. This report therefore contains no recommendations. The House itself will have to decide on any changes to the allowance system in July.

2. The House referred to the MEC, on 24 January 2008, 11 recommendations from the Senior Salaries Review Body on Members' allowances. Shortly afterwards MEC's work was extended following the Fourth Report from the Standards and Privileges Committee concerning the use of the staffing allowance to employ relatives.

3. The MEC therefore decided to conduct a root and branch review of the allowances system. On 26 February the Committee reported:

“Our first priority is looking at radical options for restructuring pay and allowances. We are conscious of the need to establish a structure which will endure and will rebuild confidence. In doing this we will consider in detail the recommendations of the SSRB and review the Additional Costs Allowance.

As a first step, the Committee has agreed that the threshold of £250 for invoices and receipts should be reduced from the start of the next financial year.

The next priority is a robust and transparent process for claiming allowances and auditing them. Building on the recommendations of the Audit Committee and the SSRB we have asked the Department of Resources to draw up in consultation with the NAO and others several options for a better way of claiming and checking allowances. These will help identify a new system which is workable, in line with practice elsewhere and able to command public respect.”<sup>1</sup>

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<sup>1</sup> First Special Report, HC 368, paras 2–4.

4. We have already decided that all claims for items worth £25 or more should be accompanied by receipts with effect from 1 April 2008.<sup>2</sup> In paragraphs 49–53 below we raise issues about how this new claims threshold can be under-pinned by a more rigorous audit regime.

5. In drawing up this issues paper, the Committee has taken into account suggestions made in meetings with Members from all sides of the House as well as the many comments made from outside the House. It is clear that there is a widespread desire for radical reform. The Members Estimate Committee is committed to leading and delivering this reform. We want the House to have a system that is above reproach and transparent. It must support and meet the costs of Members in their democratic role. It must also encourage candidates from diverse backgrounds—irrespective of personal financial means—to stand for Parliament. This paper poses a series of questions for those inside and outside the House across a wide range of issues—with nothing ruled in or out. The aim is to elicit reaction about which ideas seem the most workable. We will discuss these matters and our emerging conclusions with the Committee on Standards in Public Life, among others. We expect these conclusions to be tested thoroughly against the principles which apply generally to expenses systems in the public and private sectors.

6. The Committee has also taken into account the report—published on 11 March 2008—of the Independent Review of Parliamentary Allowances in the Scottish Parliament which deals with many of the same issues. The papers to that review include a description of pay and allowance arrangements in Commonwealth and European Parliaments.<sup>3</sup>

## **CONTEXT**

7. The current allowance system covers six aspects of an MP's working life:

- a) Living expenses for working away from home
- b) Employment of staff

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<sup>2</sup> First Report, HC 415.

<sup>3</sup> <http://allowancesreview.scottish.parliament.uk/papers/SPpaper-AECL.pdf>

- c) Office costs in constituency and at Westminster
- d) Travel between constituency and Parliament and within the constituency
- e) Communicating with constituents and the public
- f) Redundancy after an election.

8. In this paper we deal with the issues in this order, covering both root and branch changes and the specific SSRB recommendations which have been referred to the MEC by the House. Work is also being undertaken by the Department of Resources to provide a memorandum to the Baker review. The House agreed on 24 January 2008 that Sir John Baker should produce a new pay mechanism which would allow parliamentary pay to be set without any decision by Members themselves.<sup>4</sup>

9. The current system of financial support for Members in their parliamentary work is a mixture of different approaches. In some respects Members operate like small businesses, employing their own staff and renting their own offices in constituencies. In other respects, MPs are treated like employees of the House, claiming travel and accommodation expenses and being provided with offices at Westminster. It may be that a different modern model is needed—perhaps that of a non-executive director who works closely with the organisation, is paid and reimbursed for costs incurred while working for it, but is not an employee. Even this would not properly reflect the fact that Members are hired and fired (through their parties) by the electorate and have no security of employment. One MP has pointed out to us that for the first time in his life, he has no contract of employment. He suggested that there should be a contract for Members covering not just salary, but also employment of staff, reimbursable costs and expenses, registration of interests, conduct and publication of accounts.

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<sup>4</sup> Sir John Baker issued a consultation paper on his review, which is available at: <http://baker-review.ome.uk.com/binary/documents/Sir%20John%20Baker%20Review%20of%20MPs'%20Pay%20and%20Pensions%20Consultation%20Document%2019%20March.pdf>

### ***APPROACH TO OUR WORK***

10. Our aim is to put in place a system of allowances that will endure. For any future system of allowances—however similar to or different from the current one—the Committee is keen to establish direct comparisons with relevant examples in the private, public or third sectors. This would enable the House to base its practice on what works elsewhere. There is unlikely to be a single comparator and so several may be sought. As Members have pointed out to us, being an MP with a duty to serve involves a way of life different from most jobs, with irregular and long hours, extended travel to and from work and inevitable impact on family life.

11. The Committee is working on the basis that any root and branch changes to the structure of allowances will not involve any overall increase in the total cost. Equally, we do not expect that any Member will be put to a significant disadvantage in the short term. It may follow that any changes agreed by the House will have to be introduced in phases and with transitional arrangements.

### ***LIVING EXPENSES FOR WORKING AWAY FROM HOME***

12. How should Members whose job requires them to spend three or four nights a week away from home be reimbursed? MPs are not the only people whose occupation involves working away from home but there are probably few other jobs which require close contact with a wide constituency of people in one location and long hours of attendance in another. Which other jobs are comparable with that of an MP in this respect? There are certainly other public sector jobs which involve working in more than one place.

13. The current additional costs allowance (ACA) reimburses MPs for additional expenses necessarily incurred when staying overnight away from their main home for the purpose of performing parliamentary duties. It is spent either on maintaining a second home, whether in London or in the constituency or, for a few Members, on hotels. The SSRB reports that out of the 586 MPs reimbursed from ACA last year, 343 MPs claimed over 90

per cent of the maximum of £22,100.<sup>5</sup> It is not provided for MPs with inner London constituencies nor claimed by some in outer London.

14. The Additional Costs Allowance was first introduced in 1971 following a recommendation from the then Top Salaries Review Body which envisaged “an allowance based on a fixed daily scale would be paid to cover the reasonable additional cost to provincial Members of staying either in London (£5.25 per day) or their constituency (£5 per day), when engaged on Parliamentary duties. ... The allowance would be paid at the same time as the Member’s salary against a certificate that the amount had actually and necessarily been expended.”<sup>6</sup> The history of the allowance and its development are described in a note by the House of Commons Library.<sup>7</sup>

15. The SSRB report says of the Additional Costs Allowance “We believe this element of the expenses regime gives rise to more problems and misunderstanding, both within and outside the House, than any other and a fuller review of ACA might be appropriate.”<sup>8</sup> The operation of this allowance has received particular attention because of the potential for Members who purchase a property to benefit from a capital gain on its disposal, and more recently as a result of the Freedom of Information Act requests concerning expenditure under this allowance and the decision of the Information Tribunal that details of Members’ claims should be disclosed.

16. In the papers supporting the SSRB report, the consultants stated: “It is difficult for us to comment on the overall structure of the ACA on the basis of what would normally happen in other organisations. Where employees are required to work regularly away from home, it is usual for the employer to provide accommodation, rather than to provide a cash payment which can be used to purchase accommodation of his or her choice. The best way to assess the appropriate level of allowance is to consider what an employer would reasonably spend to provide accommodation for an employee in central London. In this

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<sup>5</sup> Cm 7270-I, para 5.53.

<sup>6</sup> Review Body on Top Salaries, First Report, *Ministers of the Crown and Members of Parliament*, December 1971, Cmnd 4836, para 40.

<sup>7</sup> <http://www.parliament.uk/commons/lib/research/notes/snpc-04641.pdf>

<sup>8</sup> para 5.55.

context an amount of £425 a week, which is equivalent to the current level of ACA, would pay for a furnished single room flat in central London. The actual patterns of expenditure suggest that most MPs spend rather less than this on rents and mortgage interest, and the level of ACA was not a major concern amongst the MPs whom we interviewed. For these reasons we do not believe that any more fundamental changes to the structure of the amount of the ACA are needed.”<sup>9</sup>

17. In our root and branch review of allowances, we are considering four possibilities which range from the current position to a radical option for change:

- the current Additional Costs Allowance but with a tighter and more transparent regime for claims and audit
- the House should own accommodation in London for weekday use by Members
- A new budget for the food and accommodation costs of working away from home
- Making overnight costs part of salary.

18. **Retaining the Additional Costs Allowance** would involve continuing to reimburse Members for actual costs incurred, properly supported by receipts. The emphasis would be on tightening the rules and improving the regime for claims and audit. Among the issues to be considered are whether the rules should in future continue to permit reimbursement of spending on furniture and on mortgage payments.

19. At the moment, Members are able to claim for costs incurred in equipping unfurnished accommodation whether rented or being purchased with a mortgage. To prevent extravagant claims, the Department of Resources has referred to the so-called John Lewis list as a guide to reasonable maximum amounts for certain items. Some have told us that this list should no longer be used. Others have said that it is reasonable for Members to claim reimbursement for essential items in second homes and that the staff administering such claims need some guidance as to what is reasonable.

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<sup>9</sup> SSRB, Cm7270-II, para 4.15.

20. On mortgage payments, some Members have said that allowances should not be used to enable Members to acquire ownership of property. Others have pointed out that, in the long-term, mortgage payments may be cheaper for the tax-payer than rent. Others still have added that this only applies if mortgage payments reduce and the mortgage is paid off—not if a mortgage is extended or transferred to another property. The Independent Review of Parliamentary Allowances in Scotland has recently recommended that mortgage payments should not be reimbursed.

*If the current Additional Costs Allowance is retained, in what ways should the rules be tightened and the controls improved to ensure transparency?*

*Should the John Lewis list be abolished? If so, what guidance should be followed by staff in handling claims for reimbursement under the current ACA?*

21. It has also been put to us that, instead of paying for overnight accommodation, the House ought to provide Members with a flat or hotel room in London **by acquiring one large accommodation block**. We understand that the Polish parliament has one accommodation block on the parliamentary estate. While this suggestion is attractive in principle, we doubt whether it is feasible—in view of central London property prices and the various accommodation arrangements already entered into by existing Members. Unless we receive further evidence to support this option, we will not explore it in more detail.

*Is this possibility likely to be financially viable and worth pursuing?*

22. Another possibility which has been suggested to the Committee would involve **retaining a separate allowance for working away from home**. The original recommendation for the Additional Costs Allowance in 1971 was on this basis. This might be a fixed sum for each day a Member was away from home—covering both accommodation and food. The current average claim under the ACA for the 489 Members with constituencies outside London and the South east is about £19,500. The House normally sits for about 155 days a year. This works out at about £125 a day/night. This is

considerably less than the £165.50 paid to Members of the House of Lords and, as the SSRB points out, daily subsistence for the private sector working in London.<sup>10</sup>

23. Given that Members may have to attend meetings in the constituency on sitting days or meetings at Westminster on non-sitting days, we do not envisage that this would be an attendance allowance calculated daily. It would be based on the established sitting pattern that requires Members to work away from their home for four days a week for 35 or so weeks a year.

24. Members would be paid this regularly and whether their actual costs came to this amount would be subject to validation [by staff of the House, with independent assurance provided by the audit process]. One possibility is an annual “health check” in which each Member would have an annual meeting with officials to go through rent or mortgage statements, council tax and utility bills etc to confirm that payments were made for the purposes intended. Areas of uncertainty could be clarified, advice given and a checklist ticked. Such a process could include some form of external validation as well.

*Is a separate allowance for accommodation and food while working away from home worth pursuing? What are the implications?*

25. The most radical option which has been raised is that **there should be no separate allowance for second homes. In this case MPs would be paid a higher salary from which overnight costs would have to be met. This extra pay need not be pensionable and tax would be deducted at source.** Whether actual expenditure on accommodation in support of the job would be tax deductible—as with the current statutory provisions relating to the Additional Costs Allowance—would have to be discussed with the tax authorities (HMRC). While this proposal has been put forward by people inside and outside the House, we should emphasise that it is also the suggestion which has attracted most opposition from Members themselves. It is being aired in this issues paper without any commitment that it will be supported by the Committee when we come to produce our emerging conclusions.

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<sup>10</sup> SSRB, Cm7270-II, para 4.15.

*Is merging salary and the Additional Costs Allowance a realistic possibility? What are the implications? How should Members representing inner or outer London constituencies be treated?*

26. In our earlier report on reducing the threshold for receipts, we said we would look further at claims under the Additional Costs Allowance for **food**. At present up to £400 can be claimed a month for this. Some Members have told us there is no need for such provision—on the basis that an individual can only eat in one place at one time. Others have pointed to the inevitable extra food costs of working away from home. We are aware that [many] Members claim less than the current maximum, allowing themselves a notional amount for each day spent away from home.

*Is it reasonable for Members to be able to claim for food when away from home on parliamentary duties? Should separate provision be made for this?*

### **EMPLOYMENT OF STAFF**

27. The House agreed on 24 January 2008 to implement the SSRB recommendations on the staffing allowance, subject to consideration by the MEC of administration and timing. The SSRB recommendations were as follows:

- Recommendation 20: We recommend that the Staffing Expenditure ceiling should increase to allow MPs to employ up to 3.5 full-time (or equivalent) members of staff.
- Recommendation 21: We recommend that the ceiling on Staffing Expenditure for the equivalent of 3.5 full-time staff where all those staff are based outside London should be £96,630.
- Recommendation 22: We recommend that the ceiling on Staffing Expenditure for the equivalent of 3.5 full-time staff should be increased by £1,720 for each full-time equivalent member of staff based in London, up to a maximum of £102,650 where all staff are based in London.

28. The Committee agreed on 10 March, in accordance with the decisions of the House on 24 January, that the staffing allowance for 2008–09 should be the figure of £96,630 (recommended in July 2007 by the SSRB for staff based outside London) uprated by 3.7%

in accordance with the Average Earnings Index to £100,205; that this should take effect from April 2008 ; that the timing of the implementation of the SSRB recommendation for a higher rate for staff based in London should be considered with other aspects of the Review of Allowances in July; and that the Department of Resources should notify all Members as soon as possible.

29. While the Committee's decision on 10 March covers recommendations 20 and 21 from the SSRB, we have not yet decided on the timing and administration of recommendation 22. Members have been advised not to make commitments beyond this. We will consider at the next stage of our review how the SSRB recommendation about a higher rate of pay for London-based staff fits in with other proposals we may make.

30. The Standards and Privileges Committee has produced two reports on **the employment of family members** and the Register of Interests.<sup>11</sup> The Committee proposed a new category in the Register of Interests for family members employed and remunerated through the Staffing Allowance. This was agreed by the House on 27 March. The Chairman of the Committee on Standards in Public Life has said "the current ability of MPs to use public money to employ members of their own family is an unusual arrangement which might not be allowed elsewhere".<sup>12</sup> We note that the Independent Review of Allowances in the Scottish Parliament did not consider it right to disqualify relatives from being employed purely on that basis.

31. At present Members employ their own staff in the way a small business would, but using a standard House contract and with the salaries paid directly by the House to the staff. Some Members have put to us the suggestion that **Members' staff should be employed directly by the House**. They point out that it is misleading for the staffing allowance to be totalled with their salary and represented as part of a Member's personal benefits. Staffing costs in other organisations are not treated as spending by the individual in charge. In Scotland, the recent review of allowances has concluded that MSPs ought to continue to employ their own staff. We intend to study the system in the Greater London

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<sup>11</sup> Sixth Report, 2007–08, HC 383.

<sup>12</sup> Seventh Report from the Standards and Privileges Committee, 2007–08, HC 436, appendix 2.

Assembly where we understand that staff are nominated by elected members but employed directly by the GLA. We will also seek information on the arrangements in Australia (Senate and House of Representatives), where Members' staff are employed centrally.

*Is central employment of staff worth examining in greater detail? How different would that be from the current arrangement? Would the House be taking on additional responsibilities under employment law? Are there advantages in greater transparency about how public money is spent on staffing to support constituency and scrutiny work? What additional costs would be incurred by the House?*

*It always remains an option to continue with the current arrangements for staffing but to tighten the control regime to improve transparency and reduce the risk of abuse. What changes to the administration of the staffing allowance would achieve this?*

## **OFFICE COSTS**

32. How should Members' constituency offices be paid for? Currently, the Incidental Expenses Provision (IEP) is designed to cover the costs of office and surgery accommodation, equipment, supplies, services, some communications and some staff travel. Claims against the IEP can be paid directly to suppliers by the Department of Resources or paid by the Member and claimed back. The Committee has already decided that such claims for more than £25 per item must be accompanied by receipts.

33. The SSRB reported that on average Members spend £5,000 a year on renting offices in their constituency, but that office rental costs vary between £14 and £30 per square foot. Some find the cost of renting in their constituency prohibitive. We have heard from other Members that the size and geography of their constituency requires them to have offices in two different places. For good reason, practice varies among Members about whether to maintain a constituency office and how many staff to base there.

34. In their 2006 report on House of Commons Accommodation, the Administration Committee said:

“Members need to be given clearer information on the number of staff they can expect to accommodate at Westminster: up to two... Control over the number of Members' staff can best be achieved by encouraging Members to locate their staff away from Westminster; but this will only be successful if they can do so economically and in a way which suits their working practices. Currently, some Members find it difficult to afford a constituency office and are tempted to base all

their staff within the Estate. In an environment of high office rental costs, to provide more of an equal playing field may require significant targeted incentives. The costs of office accommodation for Members and their staff at Westminster are met in full from the budget for the House of Commons Administration rather than from Members' allowances. Accommodation and related costs for staff located in Members' constituencies might be funded in the same way: this should be investigated.”<sup>13</sup>

35. The SSRB has recommended that **“office and ‘surgery’ lease or rental costs should be met in full up to a maximum area of 800 square feet**, this area to be reduced by 100 square feet for each member of an MP’s staff who is based on the parliamentary estate. Before renting or leasing premises an MP must obtain a certificate from an independent chartered surveyor stating that the premises are suitable for the purpose and that the cost is reasonable in relation to typical office premises in the constituency.”<sup>14</sup> Some aspects of this recommendation—the strict maximum of 800 sq ft and reductions of 100 sq ft for each staff member based in Westminster—have been described by some Members as unworkable. But there may be some merit in the idea of central provision of constituency offices. We have asked the Department of Resources to undertake work with professional surveyors to advise on the practicality of implementing this recommendation.

*Is the central funding of constituency offices—instead of MPs paying for them out of the Incidental Expenses Provision—a sensible idea in principle? If so, what needs to be done to make it work in practice? What are the likely costs?*

36. The SSRB also recommended changes in the Incidental Expenses Provision (IEP) to cover office costs:

- that it should be renamed “Other Office Expenditure”
- that the maximum be reduced by £2,500 for each member of an MP’s staff with a workstation on the parliamentary estate
- that IEP should be reduced by £2,500 to take into account the introduction of the Communication Allowance

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<sup>13</sup> Third Report, 2005–06, HC 1279, paras 150 and 140.

<sup>14</sup> Recommendation 23, para 5.29.

- that, before any such reduction, the maximum should be £13,839.

37. The recommendation to reduce the IEP by £2,500 for each member of an MP's staff who has a workstation in the Westminster office is described by SSRB as

“seeking to make the choice of where an MP's staff are located cost neutral. We are not seeking to influence that choice. An MP who employs staff based in London will normally have to pay higher salaries than for staff outside London... On the other hand, an MP who bases staff on the parliamentary estate does not have to pay rent and other costs... We believe this is a balanced and economically sound approach.”<sup>15</sup>

*Is the SSRB's “cost neutral” approach between location of staff at Westminster or in constituencies broadly correct? Are there possible unintended consequences?*

38. As with the other areas of expenditure, it remains an option to continue the current arrangements for office costs but with tightened rules and improved claims and audit processes.

*What improvements to the operation of the Office Costs Allowance would achieve greater transparency?*

*Would it be better if all allowable bills for office expenditure were met directly by the House without any reimbursement to Members?*

*Alternatively should Members have a budget for office costs which would be subject to audit as in a small business?*

## **TRAVEL**

39. The SSRB reviewed travel costs and did not recommend any change except that **partners of MPs should be entitled to the same travel arrangements available to spouses and civil partners.** This would only apply to a partner who was nominated as the sole beneficiary for the purposes of the Parliamentary Contributory Pension Fund. The SSRB said:

“We also heard from MPs who suggested that spouses' and civil partners' travel costs allowance should be extended to unmarried partners. They pointed out that the rules relating to this allowance were at odds with the way unmarried partners are treated in pension schemes. We agree and therefore recommend that partners of

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<sup>15</sup> para 5.31.

MPs who are named in the PCPF as sole beneficiaries should be entitled to the same travel arrangements available to spouses and civil partners.”<sup>16</sup>

40. The Members Estimate Committee has not heard any direct views on this recommendation. We have heard suggestions from women Members that the family travel system should take fully into account the needs of those with small and school age children who have to travel weekly between the constituency and Westminster. The Scottish Parliament review has recommended a change in the practice there: “Family travel should not be funded out of public funds”.<sup>17</sup> We are aware that there may be tax implications of such a change. We understand that the current arrangement is an extra statutory concession which may have to be withdrawn anyway by HM Revenue & Customs. We are seeking advice on this from the Department of Resources and HM Revenue & Customs. That advice will be reflected in our paper on emerging conclusions in May.

*Should the SSRB’s recommendation to extend provision for family travel to partners be implemented?*

41. In the context of a root and branch review, however, one suggestion which has been put forward is that the **cost of travel between Westminster and constituencies should be put on a different footing**. A separate travel budget could be based on the facts that constituencies vary in distance from London, size and access to public transport. We have not yet identified a model from another Parliament in which this system operates.

*Is there a case for a single travel grant for each MP, based on location and size of constituency? How would this be calculated and operated with simplicity and transparency? What would be an appropriate control system? How would this be accounted for?*

## **COMMUNICATING WITH CONSTITUENTS AND THE PUBLIC**

42. The SSRB made three proposals concerning the Communications Allowance of £10,000 a year introduced on 1 April 2007:

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<sup>16</sup> para 5.51.

<sup>17</sup> Recommendation 59.

- It should be renamed Communications Expenditure
- It should be updated in April each year in line with movement in RPIX (rather than RPI)
- The IEP/Other Office Expenditure should be reduced by £2,500 to reflect the fact that there is now a separate budget for communications.<sup>18</sup> As SSRB has noted, “IEP contained an element of £5,000 to cover communications, staff travel and other expenditure”.<sup>19</sup>

*Should these recommendations be implemented by the House?*

43. The Standards and Privileges Committee has published a report on publications funded from the Communications Allowance in which they draw to this Committee’s attention general recommendations from the former Parliamentary Commissioner for Standards.<sup>20</sup> Those recommendations may be summarised as follows:

- a) a closed period should be introduced in respect to a European Parliament, devolved legislature or local government (excluding community and parish council) election during which Members would be prohibited from proactive written communication with constituents funded from the CA;
- b) the closed period should apply also in the case of by-elections to the afore-mentioned bodies;
- c) the closed period should be defined by reference to the relevant regulatory period for candidates’ election expenses;
- d) the closed or prohibited period should cover all forms of Communications Allowance funded written material, not just newsletters, except for material of a purely factual nature;

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<sup>18</sup> para 5.34.

<sup>19</sup> Cm 7270–I, para 5.34.

<sup>20</sup> Third Report, 21 January 2008, HC 232.

- e) the use of party logos and party campaigning strap-lines should not be permitted in House-funded publications;
- f) if the House wishes to continue to allow party logos, the circumstances in which they are to be permitted should be much more precisely defined;
- g) whether or not party logos continue to be permitted, publications funded from the CA should prominently carry the crowned portcullis emblem;
- h) The guidance issued to Members by the House should draw attention to the fact that CA-funded material which does not comply with the rules of the House may be regarded as constituting “campaign expenditure” under section 72 of PPERA, and therefore as being subject to the requirements of Part V of the Act;
- i) In the longer term once the House's rules have been revised the Committee may wish to consider ways of ensuring that material compliant with those rules is not regarded as falling within the scope of section 72 of PPERA;
- j) when the guidance on the CA is next revised, attention should be drawn to:
  - i. the need to ensure that distribution arrangements for newsletters are focused so far as possible on a Member's own constituents and do not stray unreasonably beyond the boundaries of the Member's constituency;
  - ii. as regards the content of publications, the need to exercise care in relation to the inclusion of photographs of other elected representatives and generalised statements or selective use of statistics promoting a particular political party;
  - iii. the potential value of Members seeking advice on a proposed publication in a timely manner.

44. We set out these recommendations here but are aware that the Standards and Privileges Committee may itself return to their report. We have heard no direct representations that the House should be asked to reverse its decision on 28 March 2007 to create a Communications Allowance.

*We invite comments on these recommendations. In particular, should any closed period prior to elections include or exclude by-elections held at unpredictable times?*

## **REDUNDANCY**

45. The Resettlement Grant is currently payable when an MP leaves the House after a general election. It is calculated as a proportion of salary ranging between 50 and 100 per cent of final salary, dependent on age and length of service. The SSRB recommended that, with effect from the general election after next, Resettlement Grant should be paid at a rate of one month's salary for each year of service as an MP, **up to a maximum of nine months' salary, to MPs who lose their seats at a general election or whose seats disappear as a result of boundary changes.**<sup>21</sup> It would no longer be payable to Members who chose to retire.

46. We have heard concerns from Members about how this would work in practice and how it would affect Members who lose their seats when they are already sixty or more years of age. We have commissioned work from the Department of Resources on the implications of this recommendation and would like to hear comments from others on.

*Should the SSRB recommendations on Resettlement Grant be implemented? How would it work in practice? Should the system take into account a former Member's prospects of getting another job?*

47. The Winding Up Allowance is available for six months following an MP's departure from the House after a general election, to meet the staff, office and travel costs necessarily incurred on parliamentary duties that remain outstanding. It is used to pay for the orderly termination of staff contracts, office leases etc and covers expenditure which would previously have been met from the Staffing Allowance and IEP, together with specific expenses resulting from leaving the House, such as removal expenses and the disposal of confidential waste. The allowance is equivalent in value to one third of the Staffing Allowance plus one third of the IEP and is currently set at a maximum of £37,281 for the year 2007–08.

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<sup>21</sup> paras 5.60–5.64.

48. The SSRB also recommended the Winding Up Allowance be renamed Winding Up Expenditure and that, after the next general election, the ceiling be calculated as one third of the relevant annual Staffing Expenditure, plus one third of the limit on Other Office Expenditure and one third of the actual annual office rent or lease claimed by each MP concerned. In its 2006 report on Post election Services, the Administration Committee noted that in 2005–06 up to £ 34,694 could be claimed under this allowance. Out of the 136 former Members eligible for the allowance, only nine claimed 100 per cent of the total; just over fifty per cent of those former Members claimed more than 80 per cent of the total.<sup>22</sup> We have not so far heard any comments from Members about the SSRB recommendation on this matter. We have asked for advice on this from the Department of Resources.

*Should the SSRB recommendation on winding up allowance be implemented?*

## **ASSURANCE**

49. The Committee has already announced a reduction from £250 to £25 of the threshold for claims to be accompanied by receipts and in petty cash to £50. In paragraph 26 above we refer to the issue of food, for which unreceipted claims of up to £400 have been permissible. The Committee is very conscious that the new low threshold for claims needs to be under-pinned by a more robust regime for audit. The House will need not just a new control regime over claims, but also management controls and compliance work, with both supported by proper audit assurance. Members from all sides of the House have told us that the current arrangements are well below the standards they were accustomed to in previous jobs outside the House.

50. On audit arrangements, the SSRB said “we believe it would help to increase public confidence in the system of reimbursing MPs’ expenditure if MPs were to agree that each year a small sample of MPs, perhaps 5–10 per cent, were to have their expenditure claims audited by the National Audit Office.”<sup>23</sup>

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<sup>22</sup> First Report, 2005–06, HC 777, para 43.

<sup>23</sup> para 5.5.

51. At present the NAO, as part of its annual audit of the House, examines the payments by the Department of Resources against specific allowances. It selects a sample number of claims handled by House staff and checks that the claims conform to the rules in the Green Book. Neither the NAO nor the House staff go behind the Members' signature or examine papers in their offices. This is because, as set out in the statement on the system of internal control by the Accounting Officer in the annual Members Resource Accounts, the financial control framework is based on the principle that Members are primarily responsible for identifying, claiming and certifying their own expenditure. We have been told that there are some difficulties with external auditors—as the body which ultimately gives its opinion on the House's accounts—actually conducting detailed audit in individual cases. We are seeking their views on this matter.

52. Some Members have suggested to us that they would welcome examination by an outside body, Revenue & Customs or professional accountants of their claims against allowances. We have arranged meetings with the National Audit Office, HM Revenue & Customs, private firms of accountants and the Audit Commission to look at options for a better system of assurance. In particular we want to know how best practice elsewhere could be applied to the House. In the paper on emerging conclusions we have promised for May, we intend to set out how some alternative audit arrangements would work in practice.

*Is there a better model for providing assurance that public money for Members' expenses spent on goods and services has been used for proper purposes? In the same way that the tax affairs of individual Members are from time to time examined by HMRC, should a similar process be carried out by an external body? If small businesses have to have their accounts professionally audited and their accounts registered at Companies House, could a similar system be devised for MPs?*

*What are the essentials of a new regime which will provide transparency and inspire public confidence?*

## **RULES AND ADVICE**

53. For any system there are issues about how the rules are applied to allowances as well as the overall structure of the allowances. These include:

- how clear are the rules?

- are they mandatory or advisory?
- how can consistency and fairness be achieved?
- who is responsible for making sure that the rules are followed?

*A simpler set of rules may be desirable, but they may not meet every circumstance. How desirable is flexibility and consistency? Or is some rough justice and inequity acceptable in the cause of maintaining simplicity? Is there any arrangement which is entirely fair between those representing London constituencies and those elsewhere?*

*How should the House help Members to ensure that their claims are above reproach? Could the existing advisory service within the Department of Resources be developed further? To whom should Members have access—beyond the officials immediately responsible—to consult about whether their arrangements are acceptable? Before issues of propriety arise, should Members undertake a regular and confidential health check on their parliamentary finances—perhaps with the help of House staff, disinterested colleagues or an independent expert? In minor cases of lapse, should there be a process for resolving the problem short of complaint to the Parliamentary Commissioner for Standards?*

*This leads to some fundamental questions about how Members' expenses are administered by the staff of the House. Would it give greater assurance if the system of Members' expenses was administered by an outside body or had more in the way of external scrutiny? If so, how might this work and what would be the costs and benefits?*

*Should House officials be given greater authority to scrutinise Members' use of allowances, rather than just vetting claims as now?*

## **ALLOWANCE OR EXPENSES?**

54. The word “allowance” can be confusing. As the SSRB points out “most of the so-called allowances are in fact mechanisms for the reimbursement of expenditure actually and necessarily incurred by MPs in order to do their jobs.” The Committee has not yet heard any opposition to the SSRB recommendation that all allowances should be renamed “expenses”. We would welcome comments on this recommendation or alternative suggestions.

*Is this change sensible? Or is there more appropriate terminology for House expenditure on Members?*

## **LONDON**

55. One other issue has been mentioned to us but does not form part of the matters referred directly to us. The SSRB reported “We heard from a number of MPs who provided evidence to show that the London Supplement has not kept up with comparable allowances for living and working in London. PwC’s research supports this view; their findings show that most other public sector employees in comparable roles in London receive between £3,000 and £4,000. We believe that the London Supplement should be increased to reflect the extra living costs found in London and therefore recommend that the London Supplement be increased to £3,500 and henceforth be increased in line with the Public Sector Average Earnings Index (ONS series LNNE) rather than the whole economy Average Earnings Index, since as explained in Chapter 3, we believe public sector comparators are more appropriate for MPs.”<sup>24</sup>

56. This is one recommendation from the SSRB which the Government neither put before the House for decision on 24 January nor sought to be referred for consideration by this Committee. Some Members have drawn the Committee’s attention to the financial position of MPs representing constituencies in outer or inner London. In considering other aspects of our root and branch review we will bear in mind the position of London MPs and await specific proposals for addressing them. The Government seems to regard the London Supplement as pay and we assume that London Members will also make representations to the Baker review on a new pay mechanism. We will take into account the London dimension when considering the other aspects of this review.

## **COMMENTS ON THIS PAPER**

57. The Committee would like to hear views from outside and inside the House on the issues raised in this paper and on any other matters we should take into account in this review. These should be sent to the Clerk of the Members Estimate Committee at (House of Commons, London SW1A 0AA or HOCMEC@parliament.uk). Unless marked confidential, the substance of any responses received may be published (without names,

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<sup>24</sup> para 5.59.

addresses or other personal data) on the website at [www.parliament.uk/parliamentary\\_committees/mec.cfm](http://www.parliament.uk/parliamentary_committees/mec.cfm). Responses received by 5 May will be taken into account in drawing up our emerging conclusions in May.