



House of Commons
Members Estimate Committee

Review of Allowances

Third Report of Session 2007–08

Volume I



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Members Estimate
Committee

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Allowances**

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Report

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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.

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1 Introduction

1. In our first report we promised a root and branch review. In our second—on issues—we demonstrated willingness to consider any option for change. This report shows we have been thorough in looking at every root and branch but have concentrated on improving audit rather than structural change. The Committee has looked critically at the two key areas where the reputation of the House is most at risk—accommodation and staffing. In one case we put forward a suggestion for structural change; in the other we recommend much better accountability. But the most important aspect of this report is our commitment to restoring the reputation of the House by providing better assurance for the taxpayer that money is properly spent.

Origins of this review

2. On 24 January 2008, the House referred to the Members Estimate Committee recommendations on Members' allowances made by the Senior Salaries Review Body in July 2007:

Resolved, That this House notes the recommendations made in Chapter 5 of the report of the Review Body on Senior Salaries on parliamentary pay, pensions and allowances (Cm 7270–I) a copy of which was laid before this House on 16th January; and is of the opinion that—

(1) recommendations 20–22 relating to an increase in staffing allowance should be implemented, subject to the decisions of the Members Estimate Committee with regard to their timing and administration;

(2) recommendations 17–19, 23–28, 30 and 31 (relating to reimbursement of unreceipted expenditure, audit, central funding of constituency office costs, Incidental Expenses Provision, partners' travel, Communications Allowance, Resettlement Grant, Winding-up Allowance, and nomenclature of allowances) be referred to the Members Estimate Committee for further consideration following consultation with the Advisory Panel on Members Allowances.

3. On 28 January the Standards and Privileges Committee published a report on the conduct of a Member who was found to have misused the staffing allowance in the employment of relatives.¹ That report was agreed by the House on 31 January. On that day, Mr Speaker made the following brief statement:

“Before we come to business questions and the subsequent motion relating to the fourth report of the Committee on Standards and Privileges, I should inform the House that, on the broader subject of Members' allowances, in anticipation of the decision of the House on 24 January to refer that matter to the Members Estimate

1 Standards and Privileges Committee, Fourth Report of Session 2007–08, *Conduct of Mr Derek Conway*, HC 280.

Committee, and as Chairman of that Committee, on 22 January I summoned a meeting for Monday 4 February.”²

4. The following Monday, Mr Speaker further informed the House:

“The House will be aware that I made a statement on Thursday indicating that I had summoned an urgent meeting of the Members Estimate Committee for today. In the debate on the fourth report of the Committee on Standards and Privileges that afternoon, several Members expressed deep concerns about Members’ allowances. Similar anxiety about the audit system has been relayed to me privately, and we must also take fully into account the public interest in transparency. At this afternoon’s meeting of the Members Estimate Committee, we will be discussing urgently how to proceed on these matters. The subject of Members’ allowances is something that the House itself must determine, but it is clear that the Committee must find an effective and acceptable solution as quickly as is practicable. It has always been my practice to inform Members first, so I shall be writing to every Member of the House following today’s Committee meeting, announcing how the matter will be taken forward.”³

5. On 7 and 8 February the Information Tribunal heard the House’s appeal against the Information Commissioner’s decisions requiring disclosure of information about 14 Members’ claims under the Additional Costs Allowance. The operation of the Additional Costs Allowance was criticised in the Information Tribunal’s decision of 26 February and in the subsequent and unsuccessful appeal to the High Court, whose judgment was delivered on 16 May.

6. Very early on in the review—on 10 March—the Committee decided to take action on the threshold for receipts and reduced it from £250 to £25 with effect from 1 April 2008.

Context

7. Parliament faces many challenges. The expectation and demands of MPs have changed in the past 50 years, but in many ways Westminster remains a parliamentary institution recognisable to Gladstone. We need to address two significant changes—the increased workload on Members; and the public’s greater concern for transparency. In three core areas, Members are required to do more: first, scrutiny of the executive has been significantly enhanced through the advent of select committees; second, demands from the public for direct help with problems have increased; and thirdly, legislation is more complex with three elements—primary, secondary and European. This has been coupled with a rising expectation from the public for open reporting, transparency and a professional approach to the business of representative democracy. The proposals contained within this paper are designed to balance the need for adequate resources to fulfil the roles with openness and accountability in how they are used.

8. The nature of a Member of Parliament’s life is best described by a journalist in a recent article:

² Official Report, 31 January 2008, col 467.

³ Official Report, 4 February 2008, col 659.

“One of the biggest burdens of being an MP is having to live in two places. It either means being separated from your family for long periods or schlepping them up and down to the constituency. This inconvenience comes with the job. We require MPs to spend plenty of time in the area they represent, preferably with their family. Since we demand this, we have to be prepared to pay for it. We cannot expect Members to kit out two family homes on a fairly run-of-the-mill salary. So we will have to reimburse the reasonable expense of a moderately comfortable dwelling.”⁴

9. In any employment, an individual is paid, given the equipment to do the job and reimbursed for expenses properly incurred. It is important to distinguish between:

- the salaries of Members
- facilities and services provided to Members to do their job—such as offices and staff
- costs which should be reimbursed—such as travel and overnight accommodation.

10. We acknowledge that the practices which have grown up over the years and the vocabulary used have not made a clear distinction between these different elements and we now think it is time for the House to do so.

11. Members are not employees of the House but holders of public office. 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 equipment and postage.

12. Because MPs are appointed by voters and may be sacked by them without notice, there is no simple external model to follow. But, in looking for external comparators, we have borne in mind two other examples:

- 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
- a grant-aided body or a charity with specific purposes—allocated a budget, given some discretion with spending but fully accountable for the purposes on which money is spent.

13. Throughout our review, our aim has been to find external comparators or benchmarks to which the funding of MPs can be compared—though there is no one clear outside analogy for the work and duties of an MP.

4 Daniel Finkelstein, *The Times*, 19 March 2008.

Conduct of the inquiry

14. The Committee has published three Reports in this review:

- First Special Report HC 368 on 25 February 2008
- First Report HC 415 on 11 March 2008—Review of Members’ Allowances: Threshold for Receipts
- Second Report HC 464 on 2 April 2008—Review of Members’ Allowances: Issues.

15. Since the Commission and Members Estimate Committee comprises three Members with regular duties in the Chamber and three backbenchers representing the three largest parties, the Committee decided to carry out this review largely through a sub group of the three backbenchers. The sub group met weekly to hear the advice of outside experts and House officials. The chairmanship of meetings rotated among the three and they reported regularly to the full Committee. The minutes of most of those meetings have been published on the parliamentary website.⁵

16. The Committee has taken fully into account the recommendations of the Senior Salaries Review Body (SSRB) referred to the Committee by the House on 24 January 2008.⁶ The Committee has also borne in mind the Code of Conduct for Members of Parliament, prepared pursuant to the Resolution of the House of 19 July 1995, which incorporates the general principles of conduct identified by the Committee on Standards in Public Life, known as “the Nolan principles”. The Committee has also paid attention to the publication on 10 April 2008 by the Committee on Standards in Public Life of ‘Principles for MPs’ Allowances’⁷ (see Appendix 1).

17. We undertook to publish emerging conclusions in May but the pressure to complete this report in time for a debate in early July led us to proceed directly to a final report. We did, however, conduct a second stage of consultation with Members and outside bodies on our draft conclusions before completing this report.

18. The main sources of information received by the Committee have been:

- published reports from the Senior Salaries Review Body (SSRB), the Independent Review of Parliamentary Allowances for Members of the Scottish Parliament (MSP), the Committee on Standards in Public Life (CSPL) and the House’s Standards and Privileges Committee
- meetings with outside bodies and experts such as the National Audit Office (NAO), HM Revenue & Customs (HMRC), accountants PKF and PwC and the Chairman of the Committee on Standards in Public Life and others. The minutes of most of these meetings have been put on the website⁸

5 www.parliament.uk/parliamentary_committees/mec.cfm

6 Review Body on Senior Salaries, Report No 64, Review of parliamentary pay and allowances 2007, Cm 7270, dated 24 July 2007 and published in January 2008.

7 http://www.public-standards.gov.uk/news/10_04_08.aspx

8 www.parliament.uk/parliamentary_committees/mec.cfm

- meetings with Members and written submissions from Members. We have met the Advisory Panel on Members Allowances, the Parliamentary Labour Party, the 1922 Executive of backbench Conservative MPs and the backbench Liberal Democrat party. About 80 Members have written to the Committee and some of their letters have also been published on the parliamentary website
- papers from the Department of Resources, supplemented by informal discussion with officials. These are to be published on 2 July as Volume II to this report
- a small number of substantive written suggestions from members of the public. These have served as a valuable reminder of how critical the public is of the current system.

Why was there not an external inquiry?

19. The Senior Salaries Review Body examines parliamentary pay and allowances every three or four years. It produced its latest review in July 2007 and submitted it privately to the Government. Normally the Government would put to the House proposals to implement such a report. Instead, in January 2008, the Government moved a motion in the House to refer most of the recommendations on allowances to this Committee for this consideration. It fell to the existing membership of the House of Commons Commission—which is the same as the Members Estimate Committee—to carry out this instruction from the House, precluding examination by another House Committee or outside body. Given the Government’s reluctance to accept the recommendations of the independent review of the SSRB on Members’ allowances, we doubt if any other body would have produced conclusions which the Government would be willing to propose to the House. As this report shows, we have nonetheless paid careful attention to the independent review of allowances in the Scottish Parliament and to the principles for this review set out by the Committee on Standards in Public Life.

Structure of the report

20. This report starts with our top priority—improving public confidence in the House by better systems of financial assurance. It then sets out the six main categories in which Members’ work is supported by the taxpayer:

- employment of staff
- office costs
- communicating with constituents and the public
- travel
- overnight costs
- redundancy.

21. In each section, the report describes the current system, proposals for change, experience elsewhere, and the views and advice we have received. Each section ends with the opinion of the Committee and recommendations for the House to decide.

