



House of Commons  
Members Estimate Committee

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# Review of Allowances

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**Third Report of Session 2007–08**

***Volume II***

*Papers from the Department of Resources*

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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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# Papers by the Department of Resources

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## 1. ASSURANCE AND AUDIT

### PURPOSE

1. This paper provides information to the Members Estimate Committee about assurance and audit of Members' allowances, including proposals for tightening controls. It is for discussion at the meeting on 30 April 2008, although the material may prove useful as background briefing for the group's discussions with PwC and PKF on 23 April.

2. The paper has been prepared as a briefing pack, with slides that will be talked through at the meeting on 30 April and explanatory annexes. Of particular note is Annex 1, which presents recent thinking on assurance options on the basis of work commissioned for this review from an experienced external consultant.

### SUMMARY

*Why is assurance necessary and who is it for?*

3. Assurance and audit in the public sector ensures that public money is spent, and is seen to be spent, appropriately. This usually involves checking regularity (that payments are within the rules), accountability (that they have been accounted for correctly) and propriety (that it has been spent for agreed purposes) as well as value for money (in terms of outputs achieved for inputs).

4. In the case of Members' allowances, systems of control are there to provide assurance to the Accounting Officer, and through him to the House. The public also have a significant interest as taxpayers.

*What does "assurance" consist of?*

5. Assurance derives from a combination of internal management controls and the audit of those controls. The audit function should not be involved in the processes which they audit and so sits alongside internal controls.

*What controls are already in place?*

6. The House and the House authorities already operate a number of internal controls in relation to Members' allowances. There is a Code of Conduct for Members of Parliament<sup>1</sup>; the Green Book exists, to explain the principles and rules for claiming allowances; and the Department of Resources (DR) has systems and procedures for staff to follow, segregating duties to reduce risk of collusion, conducting a range of pre-payment checks on claims received by Members and occasional post-payment checks if required (for example in response to a request from the Parliamentary Commissioner for Standards) and requesting receipts or other documentation to support many claims. All these elements form part of the existing control framework, which enables the Accounting Officer to sign the statement of internal control for the Members Estimate and the Comptroller and Auditor General to sign his audit report to the House. Key controls currently operated by the Department of Resources are further explained in Annex 2.

7. Rejected claims amount to some 3% of the total; and one-third of the Members sampled were responsible for almost 90% of the total rejected claims. Claims are rejected for a number of reasons, the most frequent being because the items claimed for are not allowable.

8. A process of audit is carried out, both internally by the Internal Audit team (in association with PwC) and externally (by the NAO). These audits check on the operation of the internal controls currently in operation. The focus of their checks, for reasons explained in paragraph 10, is on the financial accounts.

9. There is a formal governance structure for the Members Estimate. This is explained in a paper from June 2004.

### Gaps

10. Controls are currently limited by the guiding principle, as stated in statement of internal control in the Resource Accounts, that "*Members are primarily responsible for identifying, claiming and certifying their own expenditure*". Existing controls focus on "ensuring that the stated purpose of Members' claim falls within the existing framework" and ensuring "that payments are correctly accounted for and paid to the correct recipient" (*Resource Accounts: Members 2006-07*, statement of internal control).<sup>2</sup> This means that

<sup>1</sup> <http://dfaweb.parliament.uk/members/publications/greenbook.pdf>

<sup>2</sup> <http://www.publications.parliament.uk/pa/cm/cmresource/832.pdf>

neither existing internal management controls, and therefore nor audit, routinely look behind the Members' signature further to assess regularity and propriety. In other words there are no checks on actual usage of resources paid for from the allowances.

11. In looking at options for the future, we have assessed what would be required to remove the limitation in the statement of internal control, and so close the "assurance gap", without undermining the sovereignty of Parliament.

### *Analysis and Options*

12. The MEAC reviewed the control arrangements last year, and considered that, while historical controls were adequate so far as they went, there was a serious weakness in that the assurance stopped short of taking account of Members' use of allowances. This exposed the House to the idea that public confidence in the system could be undermined. The MEC considered a paper from the Members Estimate Audit Committee that suggested some options for the future, albeit in a different climate from now. This draws attention to the limitation in the Resource Accounts referred to in paragraph 10 above, with the MEAC taking the view that this approach "can no longer be safely allowed to continue". The paper indicates that "the central problem is the lack of adequate safeguards for propriety of expenditure". It suggests moving to a system whereby allowances would be paid on production of minimum necessary claims and supporting evidence, with a more detailed post-payment scrutiny of what the allowances had been spent on (this is sometimes referred to as a "pay now, check later" system). Such post-payment checks might include compiling and analysing statistical information, to look for trends and outliers for example, and visits to Members' offices to see what allowances have been spent on.

13. To help take this thinking further, the Department of Resources commissioned work from an external consultant as part of the current review on how the requirements of the Accounting Officer could be underpinned.

14. The proposals in the paper strengthen the evidence and systems basis for the NAO's regularity audit in support of the Accounting Officer and the House, through

- (i) restating and making more consistent and coherent the principles and rules in the Green Book;
- (ii) extending the checks against receipts and the information database on expenditure by the Department of Resources;
- (iii) introducing quality assurance in Members' offices to provide a check for Members and the Accounting Officer on the adequacy of their systems and procedures in claiming allowances. It is this last proposal that deserves particular attention and discussion.

### *Implications*

15. The implications of these proposals need further consideration, but include:

- (i) whether they give sufficient reassurance to the public;
- (ii) what assurance gaps remain, if any;
- (iii) whether they are likely to be acceptable to Members; and
- (iv) what should happen if a problem with a Member is discovered (escalation routes, sanctions, implications for the accounts etc).

**Annex 1**

## MEMBERS' ALLOWANCES: BETTER ASSURANCE

*(prepared by the Department of Resources on the basis of consultancy work)*

### ONE: THE CONSTITUTIONAL POSITION

- Sovereignty
- Members as employers
- Public money
- Existing assurance arrangements

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### *Sovereignty*

1.1 Any new assurance system will need to reflect the constitutional position of the House of Commons and Members individually as democratically-elected representatives.

1.2 The key parameters are that:

- the House of Commons is sovereign and therefore self-governing;
- MPs are individually accountable to the electorates in their constituencies;
- the Government is accountable to the House and not vice versa; and
- the National Audit Office reports to the House and not vice versa.

1.3 It is for the House to consider and decide whether to make changes to their own levels of assurance, and if so, how to achieve this in a way that reflects the sovereignty of the House.

### *Members as employers*

1.4 Most Members' allowances are voted for the purposes of supporting Members in setting up, running, and winding down their offices. Each Member is an employer responsible for employing his or her own staff under the requirements of the law. In this, Members' activities are analogous to those of small grant-aided bodies or businesses.

1.5 A new Guide for Members as employers is currently in draft. It reminds Members of their responsibilities for the proper running of their offices, and particularly of the need for record-keeping.

### *Public money*

1.6 Members' allowances are funded by taxpayers and Voted by Parliament to itself. Public money must be spent, and be seen to be spent, with propriety and regularity (only for those purposes that Parliament has voted), and to provide value for money (in terms of outputs achieved for inputs).

### *Existing assurance arrangements*

1.7 Members' pay and allowances are paid from the House of Commons: Members Estimate, which is technically a government Estimate. The existing arrangements for oversight and audit reflect the constitutional position of the House and its Members.

1.8 On 29 January 2004, the House passed a resolution to appoint the Members Estimate Committee (MEC). It was given the authority to codify and modify the House's resolutions on Members' allowances, but not to create new charges on the Estimate nor increase rates of charge or payment. The Speaker is responsible for interpreting the House's resolutions and giving directions on their detailed application in individual cases.<sup>3</sup>

1.9 The Clerk of the House, as the Accounting Officer for the Members Estimate, is accountable for ensuring the House's resolutions are properly put into effect. The Members Estimate Audit Committee, appointed by the Members Estimate Committee, consists of two Members of the MEC and two external members. It advises the Accounting Officer on the discharge of his duties.

1.10 The Comptroller and Auditor General (C and AG) currently audits the resource accounts of the House of Commons: Members Estimate, reporting to the House.

1.11 The framework of rules currently governing the administration of Members' allowances, and within which the C and AG audits the accounts, is drawn from the Resolutions of the House of Commons. It is based on the principle that Members are primarily responsible for identifying, claiming and certifying their own expenditure. Current controls on expenditure therefore ensure that payments are correctly accounted for and paid to the correct recipient, but Members are primarily responsible for ensuring the regularity and propriety of the expenditure for which they are claiming.<sup>4</sup> Their signed claims are generally accepted by the Department of Resources as being for a Parliamentary purpose (although for some claims, for example for offices rented from a political party, additional evidence is required), with the department focusing its checks on whether the claim is appropriate and in accordance with the Green Book. The C and AG audits whether the payment made has been proper and regular against the stated purpose of the claim, but does not generally question whether the use to which the parliamentary resources were put was in fact appropriate.

1.12 The Members Estimate Audit Committee has recently looked at this framework and made suggestions for change to the MEC. Further consideration is on hold awaiting the outcome of the current review of pay and allowances.

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<sup>3</sup> The wording of this paragraph has been taken directly from *House of Commons: Members Estimate, roles and authorities*, amended June 2004.

<sup>4</sup> The wording in this paragraph is drawn from the *Annual Report, Resource Accounts & Audit Committee Annual Report 2006-07* (HC 832).

## TWO: WHO IS THE ASSURANCE FOR?

- The public
- The House (via the Accounting Officer)
- Members individually
- Political parties

### *The public*

2.1 The public have a right to know that their taxes are being spent properly and for the purposes intended. All assurance and audit of the public accounts is therefore ultimately for them, via the House. The press are active in seeking information to test the integrity of parliamentarians, and can be powerful players on behalf of the public.

2.2 Members of Parliament are the representatives of the people and by extension of the public interest. The governing principles of any assurance system must therefore be that

- it puts the public interest first, and
- it is open to an appropriate degree of public scrutiny.

### *The House*

2.3 Members of Parliament are elected by the public and are answerable to them at the ballot box. The House of Commons, however, is an institution in its own right, producing accounts and meeting other institutional requirements. It is in the constitutional position of being accountable to itself for its expenditure and, through its publications and through its open debate, to the public.

2.4 One of the questions central to the issue of assurance, is where the balance should lie between the House and Members as individuals being accountable for expenditure on allowances. To what extent does the accountability of individual MPs at the ballot box obviate the need for the House to be separately accountable, or should the House bear that accountability and so require greater assurance? The House has developed greater responsibility over the years, by increasing the rules and submitting itself to scrutiny, for example through the Commissioner for Standards, to underpin the accountability of individual MPs. It is in the interest of the whole House that assurance systems are robust and transparent. Individual lapses that call into question the integrity of one Member affect the reputation of the House as an institution.

### *The Accounting Officer*

2.5 The Accounting Officer is appointed by the House to be responsible for ensuring the regularity of financial transactions and for maintaining a sound system of internal control that safeguards public funds. Any systems of assurance must support him in the discharge of these duties, so that, in turn, he can provide assurance to the House.

### *Members individually*

2.6 Members individually have a keen personal interest in knowing that they (and others) are acting within the letter and the spirit of the rules that the House has agreed. They do not want to attract public opprobrium and damage their reputations through inadvertently breaching public interest standards.

2.7 Individual breaches of the rules that call into question the integrity of one Member can affect the reputation of Members generally. This is the case in other professions but even more so for Members of Parliament because the public's requirement for personal integrity in their representatives is generally higher.

For Members it is important therefore that

- the principles and rules under which they claim expenses are clear, and clearly based on public sector standards; and
- the assurance processes are universal and effective.

### *Political parties*

2.8 Political parties can suffer reputational damage when things go wrong, in much the same way as the House. The Parliamentary Parties have a key leadership role to play whereby senior politicians set a good example to their junior colleagues, and in supporting disciplinary measures when necessary.

2.9 Assurance is therefore ultimately for the public and carried out in two ways:

- institutionally, for the House via its Accounting Officer; and
- individually, for Members, both personally and as Party members.

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### THREE: TYPES AND STANDARDS OF ASSURANCE

- Public interest standards
- Propriety, regularity and outputs
- The Green Book
- Further work

#### *Public interest standards*

3.1 Assurance in the private sector is given through internal and external audit, and aims to ensure that the company accounts present a “true and fair” view of the business’s financial position and assets to the shareholders.

3.2 As Members’ expenses are paid from public money, the standards of assurance need to be *public standards*. This implies that, as for all Government expenditure voted by Parliament, assurance to the House needs to cover

- propriety and regularity of expenditure; including
- evidence of outputs achieved (ie the use to which public resources have been put).

This goes further than the present systems of assurance, by including a sharper focus on what is achieved for expenditure.

#### *Propriety, regularity and outputs*

3.3 Currently, audit mainly checks that expenditure has not been fraudulent or applied to purposes not agreed by the House as set out in the rules. However; hitherto there have not always been receipts or records to enable the checks to be evidence-based. The stated purposes of the expenditure are usually accepted as sufficient for the audit, and checks do not normally go beyond the Member’s signature.

3.4 In order to make a judgement about whether Members’ allowances have been correctly applied, evidence of what has been bought or what work has been achieved for the money must be seen. Members’ recent decision to require of themselves receipts for all items of expenditure over £25 will strengthen the basis for audit in the future.

3.5 The decision to submit receipts with claims will require some changes in DR systems. The database for recording Members’ claims can be expanded, and the level of checking before a claim is paid can increase.

3.6 Audit systems in both the private and public sectors rely on record-keeping rather than physical checks. The evidence of outputs will vary depending on the expenditure in question. For physical assets, and other non-pay items such as mortgage payments and so on, it will be possible to verify purchase from receipts. If a historic database is kept, repeat claims can be deterred. For pay items, primarily staff outputs, it will be possible to verify activity and performance if, as proposed in the new draft Members’ Guide, simple HR systems are put in place in Members’ offices, which include clear reporting lines, performance feedback records, absence records and trial period reviews. This is no more than basic good employment practice requires.

3.7 In addition, DR could provide each Member with an annual statement showing details of claims made with the stated purpose for each, so that the Member can confirm that the DR record correctly states the position. This would give the Member the opportunity to verify that expenditure across the year is in line with the letter and spirit of the principles and rules, as well as to spot any duplicate or erroneous payments that might otherwise have been missed. Seeing the year as a whole presents a different picture to the Member than that provided from an individual claim or even a monthly statement.

#### *The Green Book*

3.8 At present members claim allowances under the system set out in the Green Book. This has certain clear rules, but also allows for a degree of discretion. This discretion is often exercised through discussion with the Department of Resources who advise on whether a particular proposal is likely to be within or outside the rules.

3.9 In order to provide a firmer basis for audit, the Green Book parameters within which expenditure:

- is proper and regular;
- achieves a good value output; and
- is verifiable;

need to be made more coherent and consistent across allowances, so that the auditors have a good basis on which they can come to conclusions and offer a view. This would, however, reduce the scope for negotiation and flexibility.

3.10 The review of the Green Book should start from a high level re-statement of the responsibilities of Members for their own internal controls. These might be expressed as standards along the following lines:

“In claiming parliamentary allowances, Members should

- (a) comply with the law, the Code of Conduct for MPs,<sup>5</sup> and the Green Book rules;
- (b) ensure that those making allowances claims are equipped to do so;
- (c) ensure that the quality and verifiability of claims is monitored”.

3.11 Each of the three would be further defined to provide an explanation of what would be expected. For instance, a) would cover the need to avoid using public money for party or personal purposes, the need to comply with limits on particular claims, the need to avoid bringing the House into disrepute, the need to use public funds well and so on; b) would cover the need for the proper organisation of those making allowances claims, the take-up of guidance and training, reporting lines and so on; c) would cover the need for records and receipts to be kept, for staff contracts, for performance feedback systems, for absence records, for regular review of systems and procedures and so on. They could also be backed up with examples for Members of what is and is not acceptable behaviour.

3.12 This may be perceived as burdensome. Members would need to be free to carry out their responsibilities for these matters in the ways that suited their particular offices. The task need not be hugely onerous, but would require some tighter ordering of Members’ systems and procedures.

The effectiveness of the internal controls in Members’ offices would be capable of being assessed (see Quality Assurance in Members’ Offices at 4.4 below).

#### *Further Work*

3.13 Further work on the review of the Green Book will depend on the shape of the new system being developed for Members’ pay and allowances. Full consultation with all individual Members on the new draft Green Book would be needed. It would need to be “owned” by Members so making sufficient time for individual Members to consider and endorse it would be essential.

#### FOUR: AUDIT AND ASSURANCE

- NAO Audit
- Quality Assurance in Members’ offices

#### *NAO audit*

4.1 The external audit of the financial statements and resource accounts is carried out by the NAO, within the remit given to them by the House. This remit does not require them to check on what is achieved with Members allowances beyond the Member’s signature. This limits the C and AG’s ability to give a clear bill of health in relation to propriety and regularity.<sup>6</sup>

4.2 In their report number 64 published in January 2008, the Senior Salaries Review Body (SSRB) recommend that “MPs . . . agree that each year a small sample of MPs, perhaps 5–10%, . . . have their expenditure claims audited by the National Audit Office.” This signals the SSRB’s concern but needs to be developed into a more deeply-rooted and systematic solution.

4.3 In order to provide the Accounting Officer, the House and the public with greater assurance of the regularity of the financial statements and resource accounts, NAO have signalled that they would need three things:

- a redraft of the Green Book;
- better records and receipts to be provided by Members to the House; and
- evidence of procedures and systems of internal control in Members’ offices, as feeder system to those of the House authorities.

The first two requirements have been covered above. The third would require a new quality assurance process for Members’ offices to be set in place.

<sup>5</sup> See footnote 1. It includes the Nolan Principles and Rules of Conduct based on Resolutions of the House.

<sup>6</sup> NAO also carry out value for money (VFM) audits in government departments on behalf of the Public Accounts Committee of the House. VFM audits are selected in relation to the risk to the public purse, and are therefore conducted on major programmes or projects. The level of total expenditure on Members’ allowances would not bring them within the normal remit of an NAO VFM audit.

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*Quality Assurance in Members' offices*

4.4 Members need to satisfy themselves, the public and the House that they are seriously addressing any shortcomings in their own systems for claiming allowances. In order to do this they need to assess how they are meeting the restated Green Book standards for internal control, which were suggested at para 3.10 above in the following terms:

In claiming parliamentary allowances, Members should:

- (i) comply with the law; the Code of Conduct for MPs; and the Green Book rules;
- (ii) ensure that those making allowances claims are competent to do so;
- (iii) ensure that the quality and verifiability of claims is monitored.

4.5 Members could be both supported and challenged in establishing proportionate internal control systems through the introduction of a new process of Quality Assurance. This would focus on the robustness of the systems and procedures in Members' offices; it would be pro-active rather than reactive; and would report first to Members individually so that they could redress any shortcomings. It would operate under oversight by a Committee of the House.

*Quality Assurance Team.* There are two main sources for carrying out the quality assurance work:

- a new assurance team of officials set up within the Department of Resources; or
- an external professional body assurance team commissioned by the Department of Resources.

4.6 An internal DR assurance team would:

- need to be kept separate from the House's Internal Audit function to prevent a confusion between financial audit and systems assurance (this has been facilitated by the move of Internal Audit from DR to the Office of the Chief Executive);
- be more familiar with the workings of Members, the allowance system and the Green Book;
- perhaps be less willing to challenge Members; and
- possibly be less expensive.

4.7 An external professional body assurance team would:

- be seen as independent by the public, working to professional public interest standards;
- be seen as independent by Members, as so perhaps more acceptable to them;
- perhaps be more comfortable with challenging Members; and
- possibly be more expensive.

4.8 The assurance team would have access to the Members' records held by the Members themselves. They would initially report to the Member, advising the Member of any problems they found during the assurance. They would assess the robustness of a Member's systems for ensuring they were meeting their Green Book responsibilities by interviews with Members and office managers and by sample checking of records at Westminster and in the constituency.

4.9 *Oversight.* This function would be carried out under contract to the House authorities. It could report to a committee of Members appointed by the House on a quarterly basis (for transparency and reporting see section 5). A range of sanctions would be available to the Committee to enable a proportionate response to be made to individual lapses (see section 6).

4.10 The Committee would have the right to inspect and check on the work of the assurance team at any time, and a number of sample checks on the assurance work would be carried out annually.

#### FIVE: PUBLIC REASSURANCE, TRANSPARENCY AND REPORTING

- Publication of Standards
- Reports to the oversight Committee
- Publication of Assurance Reports
- Reports to individual Members

#### *Publication of Standards*

5.1 Once the Green Book standards have been restated, they should be published in the usual way alongside the Members' Code. This would foster public confidence in the process of assuring Members' allowances.

### *Reports to the oversight Committee*

5.2 The House would need to agree on the matters to be reported by the assurance team to the oversight Committee. These reports would for the most part be general rather than specific, but would name Members and detail cases in the case of intentional, reckless or repetitive failure on a major scale. The definition of “major” will have to be determined.

5.3 The House would also need to agree the sanctions that the oversight Committee may apply on its behalf. (see section 6).

5.4 The oversight Committee would report matters of material relevance affecting the propriety and regularity of expenditure to the Accounting Officer and to the Members Estimate Audit Committee.

### *Publication of Assurance Reports*

5.5 The oversight Committee would publish a report annually on the findings of the assurance team. It would number minor breaches, and report major breaches individually along with the remedies and sanctions that had been applied. It should aim to satisfy the public interest in the robustness of the controls on Members’ allowances and bring major failures to public light, while avoiding petty witch-hunts.

### *Reports to individual Members*

5.6 Reports to individual Members by the assurance team on internal control systems and procedures should be supportive, challenging, and for the Member’s use only. They should not be published. They might include comments on matters such as:

- examples of where public finance has been well used;
- the evidence base and adequacy of record-keeping;
- any inadvertent or unknowing failures against the standards;
- any intentional or reckless failures against the standards;
- any repetitive failures; and
- whether failures have been remedied and if so, how.

These reports should be full and frank. They should be provided within a month of the assurance review, or sooner for matters needing urgent attention.

5.7 If there are matters of concern that have to be reported to the oversight Committee under the agreed arrangements (see 5.2 above), the Member should be given the chance to comment on them to the Committee.

## SIX : CONSEQUENCES AND SANCTIONS

- Authority to impose sanctions
- Range of sanctions
- Appeal

### *Authority to impose sanctions*

6.1 Members are currently subject to the Standards and Privileges Committee on breaches of the Code of Conduct. Sanctions can include repayment, suspension and/or a fine, as agreed by the House case by case, although the main sanction remains public criticism as a result of a published report.

6.2 The oversight committee for Members’ assurance would need the authority to impose sanctions too. They would take proportionate action in the event of failures, after taking a view on the seriousness of any breach of standards (see the hierarchy at 5.6).

6.3 The House would need to agree what sanctions might apply and to bide by the decisions of the Committee.

### *Appeal*

6.4 The principles of natural justice suggest that some sort of appeal against a decision of the Committee should be available. It is difficult to identify a higher authority than the House itself, unless a separate small Appeal Committee were set up made up of very senior Members.

## SEVEN: COSTS

7.1 There will be start-up costs in strengthening the checks and the database in DR, redrafting the Green Book, developing a Quality Assurance system and trialling all these changes with Members.

7.2 The costs of running a new assurance system will depend on

- the annual coverage. 20% of Members' offices annually would give 100% coverage in a 5-year Parliament. (It might be wise to take a risk-based approach in parallel.)
- the relative costs of external and internal staff.
- the availability and expertise of the assurance team. If a new assurance team is set up, people will need to be recruited, trained and taken up the learning curve.
- the ready availability and location of the documents and records.

If 20% of Members' offices were covered annually, the annual cost to the taxpayer of assurance visits would be between £150,000 and £500,000 (these figures assume between 1 and 3 days per review at £1200 per day if conducted by an external provider). This is between 0.1% and 0.3% of the annual cost of the Members estimate. In addition start-up costs and on-costs (eg training) would arise. The cost if the assurance team consisted of officials would be perhaps half that sum.

7.3 *Financing.* The costs of assurance should be met from the Members' Estimate and managed through DG Resources.

## EIGHT: FREEDOM OF INFORMATION IMPLICATIONS

8.1 The application of Freedom of Information to the work of the assurance teams turns on who owns the data being examined rather than whether the assurance visits are conducted by the House or an external provider. If the data is owned by Members and remain in their offices, then this would be exempt from FOI as Members are not themselves public authorities. In principle, reports prepared by the assurance teams, and any data held by them, would be subject to FOI even if the visits were conducted by an external provider as they would be working on behalf of the House authorities and the contract would be with the corporate officer. The details of this will be examined further if the MEC wishes the concept of quality assurance visits to be explored.

## NINE: TIMING

9.1 Implementation of the proposals in this paper would need to be carried out in phases. The sequence might be along the following lines:

- determine the new system for pay and allowances;
- expand the DR database to deal with receipts;
- rewrite the Green Book;
- develop the Member assurance scheme;
- consult members; and
- introduce new systems.

Realistically, this would take about a year from decision-making to full introduction.

## CONCLUSIONS

10.1 The proposals set out in this paper would support the public interest in the proper use of taxpayers' money by:

- (a) strengthening the evidence and systems basis for the NAO's regularity audit in support of the Accounting Officer and the House; through:
  - restating and making more coherent and consistent the principles and rules in the Green Book;
  - extending the checks against receipts and the information database on expenditure by the Department of Resources;
  - introducing pro-active quality assurance in Members' offices to provide a check for Members and the Accounting Officer on the adequacy of their systems and procedures in claiming allowances;
- (b) introducing a new annual published report from the relevant oversight committee on the adequacy of controls over members allowances, noting any major failures.

They would do this without compromising the sovereignty of the House.

## PARLIAMENTARY ALLOWANCES: KEY CONTROLS

1. Attached is a schedule of the key controls applied by the Department of Resources to Members' claims. This is not an exhaustive list of all the checks, but it reflects those most familiar to Members and those that are high cost or high risk. Other checks not shown in the schedule include, for example, ensuring that claims have an original Member's signature and other such administrative requirements.

2. ACA, IEP and travel lend themselves well to desk based checking of this sort where payments are involved. Staffing and the Communications Allowance are more difficult. Generally we have difficulties with Members over the staffing controls. Newsletters are noticeable by their absence from the list; checks here are entirely voluntary.

## ADDITIONAL COSTS ALLOWANCE

<i>Check</i>	<i>Control</i>	<i>Summary</i>
Verification of main and ACA home	Nomination form	MP needs to provide addresses of main and second homes. All future claims are checked to ensure that costs are relevant to second home.
Verification of Housing Costs	Mortgage Interest Statement/Lease agreement	MP is required to provide up to date documentation that demonstrates interest/rent costs. This is logged and compared against all subsequent claims.
As above	Rent/lease agreement	An up to date mortgage interest statement or rent agreement needs to be provided a
Allowable Costs	Staff review	All itemised costs are reviewed for basic eligibility against Green Book. Certain items (furniture, electrical goods etc) are reviewed to ensure that they fall within specified limits (the John Lewis list).
Purchase verification	Receipts	Receipts required for all individual items above £250 (£25 wef April 2008) and all ad-hoc accommodation costs (eg hotels).
Cash limit	Staff intervention	Members are generally not allowed to exceed the maximum of the annual allowance; claims reduced if necessary.

## TRAVEL

<i>Check</i>	<i>Control</i>	<i>Summary</i>
Car ownership	Form completion	Members are required to verify that all journeys have been carried out in a vehicle wholly owned and maintained by them.
Standard journeys	Central log and staff reviews	All journeys are reviewed against a predetermined list of "standard" destinations. Stations and airports are checked by staff to ensure they are relevant to the Member's home or constituency.
Spouse/employee limits	Staff review	Number of journeys undertaken by family members and employees monthly. If limits are exceeded, Members are required to repay the relevant sum.

## INCIDENTAL EXPENSES PROVISION

<i>Check</i>	<i>Control</i>	<i>Summary</i>
Verification of premises and costs	Office Lease	A copy of the lease is required. Details are also required of any additional service charges (eg use of office facilities).
Market rent	Independent valuation	An independent valuation is required when the office is rented from a political organisation.
Allowable Costs	Staff review	All costs are reviewed for eligibility against the Green Book.
Purchase verification	Receipts	Staff ensure that receipts are attached for all individual items above £250 (£25 wef April 2008) and all taxi costs.
Cash limit	Staff intervention	Members are generally not allowed to exceed the max of their allowance; claims reduced when necessary.

## COMMUNICATIONS ALLOWANCE

<i>Check</i>	<i>Control</i>	<i>Summary</i>
Websites content	Periodic reviews	Members' websites are subject to a limited review each time an invoice relating to the maintenance/upkeep of the site is received.

## STAFFING ALLOWANCE

<i>Payment type</i>	<i>Control</i>	<i>Summary</i>
Salary	Contract and payroll form SA1	A contract of employment must be lodged with the Department (in some cases Members employ staff on a one off casual basis and do not issue contracts).
Salary	Job Description	Provision of job descriptions alongside the contract.
Salary	Pay review	Pay must be within approved range for the job.
Over Time Payment	Members are required to provide details of overtime on the claim form SA2	Members are required to provide a breakdown of additional hours worked for larger payments.
Bonuses	The Green Book states that payment should not exceed 15% of the salary earned. Form SA3 is used.	No information required about why bonus payment are awarded. 15% cap is checked by payroll.
Salary Increase	Form SA1 used.	As a rule of thumb, salary increases above 10% are queried by the Department. Members are asked to provide details of any contractual change eg the post holder undertaking additional hours.
Sick Pay Entitlement	Sickness certificate.	This is in accordance with the standard contract where half pay becomes payable after a period of time. Members are required to keep record of their staff on sick leave and notify payroll accordingly. Medical certificates are required for sickness over 7 days in accordance with the Green Book.
Maternity Leave entitlement	Members are required to provide payroll with a copy of the Mat B1 with a letter confirming the start dates of maternity leave	Reduced pay and statutory maternity pay are payable.

## 2. STAFFING ARRANGEMENTS AND OPTIONS

### INTRODUCTION

This report sets out a number of options for alternative staffing arrangements for Members, for consideration by the MEC.

The report starts by examining the employment status of Members' staff and the legal definitions of an employee. Statistics show the number of staff employed by Members and other information.

### SUMMARY

The options are arranged under three separate models, namely:

**New Westminster model:** This option proposes some strengthening of the current arrangements whereby Members remain the employer of their staff.

**Franchise model:** the House of Commons, or other funded body is the employer providing staff to Members. The Franchise model has a number of variations or sub-options. These are set out in the paper below. In summary, the House itself need not be the employer of Members' staff and this function could be performed by an arms length body within either the public or private sectors or by a hybrid.

**Block grant model:** arrangement whereby the parliamentary or political parties employ the staff and the House provides the funds based on an agreed formula.

### PROS AND CONS

There are pros and cons of each "model". There is no perfect solution and the choice will depend on the weighting given to Members and external interests.

### CONTEXT

#### *Employment status of Members' staff*

A key issue is the legal employment status of staff (ie who is legally the employer?). This is particularly pertinent if, and when, a claim is made by an employee to an Employment Tribunal and it is necessary to determine who should respond. It is also pertinent when considering, for example, questions of equal pay.

In deciding who the employer is, two of the legal considerations are connected to *control* and *integration*. On the former, it is who decides what the work will be, how it is done and to what timescales? The integration test determines whether an individual is integrated into an organisation and under whose policies they are bound. This includes disciplinary and grievance policies as well as the approval of annual leave. It is clear that under the current Westminster arrangements, the Member is the employer.

It is necessary to bear in mind these definitions so that there remains a clear distinction of responsibility between Members and the House towards staff.

#### *Employee status*

Employee status is significant because "employers" will only be exposed to the majority of employment rights if the "working person" can prove they are an employee rather than self-employed.

The definitions of employee or worker are diverse and complex and the determination of employee status remains an intricate issue. Some employment legislation does define "employee". The main example is the Employment Rights Act 1996 section 230 (1) which defines an employee as:

"an individual who has entered into or works under (or, where employment has ceased, worked under) a contract of employment."

The issue of employment status therefore has to be established on a case by case basis in accordance with the various tests that have evolved over the years.

A variety of legislation covers who qualifies as an employee or worker, but again the definition varies from statute to statute. Examples include:

Trade Union and Labour Relations Consolidation Act 1992, section 296

Employment Rights Act 1996, section 230(3)(b)

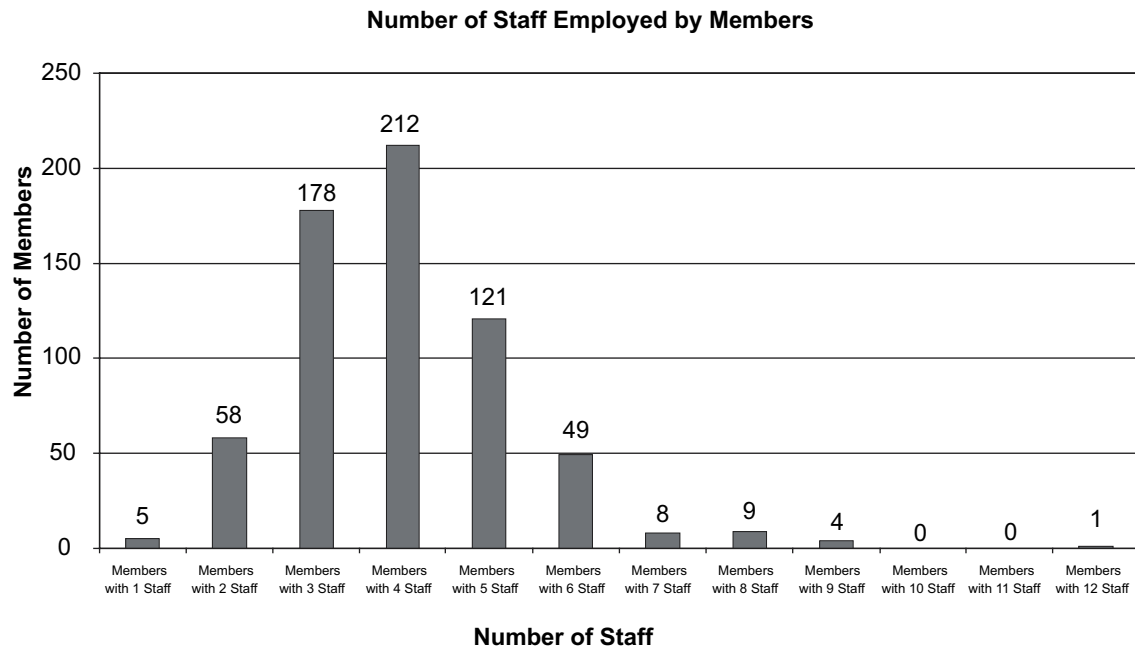
Working Time Regulations 1998 (SI 1998/1833), regulation 2

National Minimum Wage Act 1998, section 54(3)

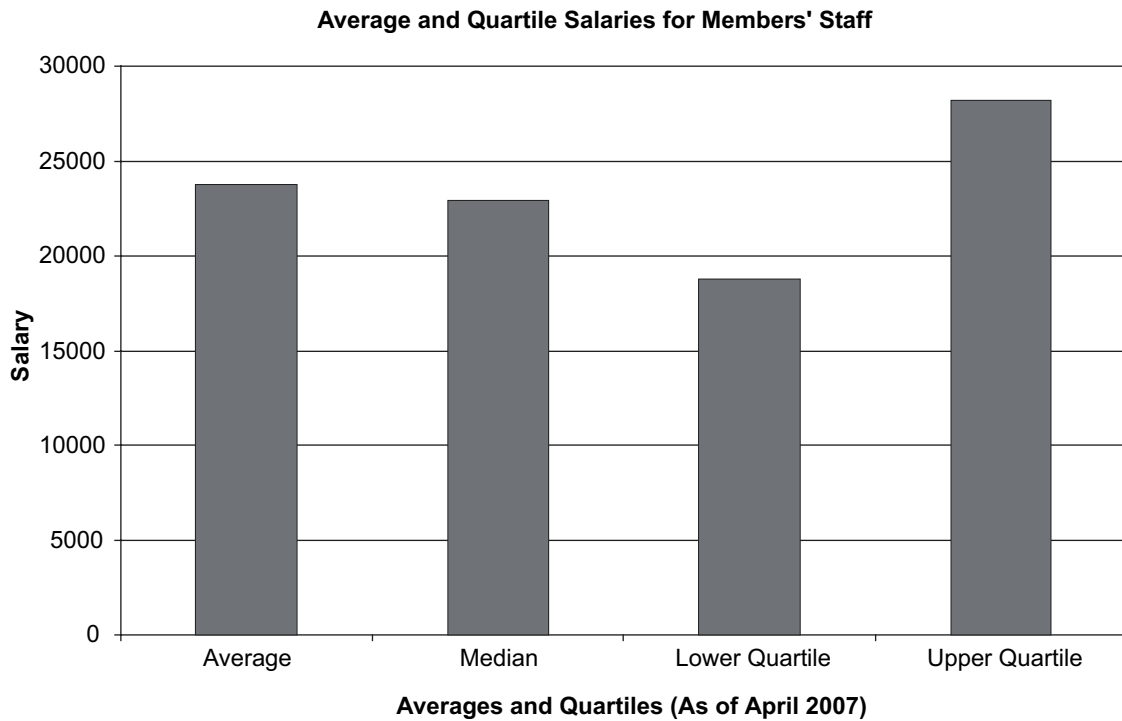
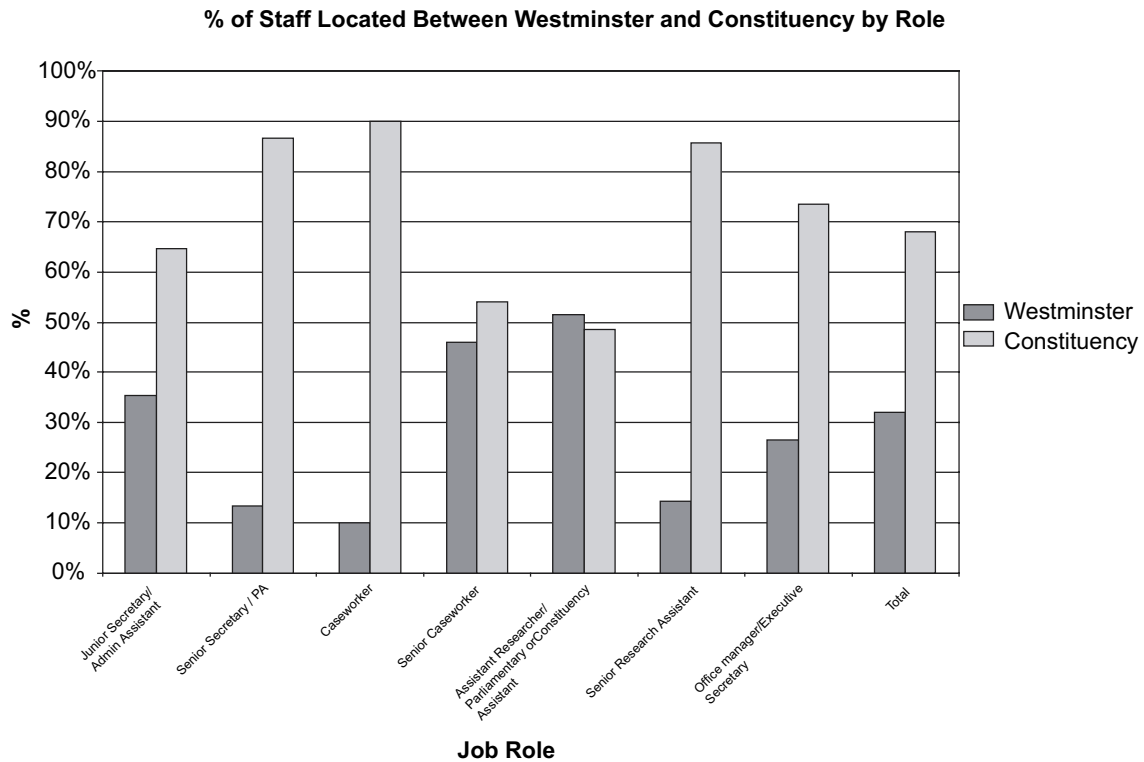
Part-time Workers (Prevention of Less Favourable Treatment Regulations 2000 SI 2000/1551), regulation 1

Case law has in general tended to apply tests around integration and control.

#### *Employee Numbers and location*



The total number of Members staff as at 31 March 2008 was 2,587.



**OPTION 1—NEW WESTMINSTER MODEL**

1. The second report of the MEC (HC464) published on 31 March stated that it always remains an option to continue with the current arrangements for staffing (ie the Member remains the employer) but to tighten the control regime to improve transparency and reduce the risk of abuse. The report on the conduct of Mr Derek Conway (HC280) is a relevant consideration.

2. A study of a number of international comparisons reveals that in the most cases the Member is the employer of their staff. This is the case in the United States House of Representatives, the Australian Parliament and the House of the Oireachtas as well as the Scottish Parliament and the Welsh and Northern Ireland Assemblies. A recent review of allowances in the Scottish Parliament recommended that Members should continue to employ their own staff.

3. The Staffing Allowance has increased by about 70%, from a baseline of £60,000 in 2001 to its current rate of £100,205. Had it increased by prices alone it would stand at about £76,000. Total expenditure is now around £60 million per annum.

4. A number of key controls were introduced following its inception in 2001. However, the principal control is through pay ranges linked to job descriptions and standard contracts of employment. A review of these key controls suggests that there are some areas that could be tightened up to improve the audit trail and strengthen the system, for example:

- Members could be asked to document why they have awarded a staff bonus. Additional bonus payments are paid at the Members' discretion. No information is required giving the reason why the bonus has been awarded. The Green Book states that a bonus cannot exceed 15% of the annual salary and this is currently the only check performed.
- Members occasionally employ staff on a one-off basis and do not issue contracts. This practice could be brought to an end.

5. In addition, the role of the Personnel Advisory Service (PAS) could be strengthened. A new training provider has just been appointed and a good practice guide for Members, as employers has recently been approved by the Advisory Panel. But more could be done. For example, PAS could be extended to include a menu of other services such as the provision of online assessment so that Members could gain additional assurances over the robustness of recruitment and selection methods used. A key question for consideration here would be the extent to which to make these voluntary or mandatory.

6. However, the most fundamental weakness of the current system is the lack of check on the actual usage of the staffing allowance and where the parallel discussions on audit and assurance are relevant. This could be accompanied by further disclosure of details (but keeping within the spirit of data protection) to assuage public concern/disquiet over transparency issues. Such details might be employees name, job title, full time or part time and location—either in London or the consistency.

#### OPTION 2—FRANCHISE MODEL—THE HOUSE OF COMMONS

Under this model the House of Commons, or other funded body would be the employer of Members' staff.

*As this is an option referred to on a number of occasions by the SSRB and others, some more detailed work is shown as two separate papers immediately following this page.*

#### *International comparisons*

The New Zealand parliament is the employer and staff are legally classed as Parliamentary Service Employees. The Member and Staff Services Section of Parliament manage the employment relationship. A poll of staff, split by party, is retained centrally by Parliament. Members are not permitted to employ family members.

The MEC received a paper on staffing arrangements in the GLA which works in a similar way to New Zealand.

#### FRANCHISE MODEL: THE HOUSE OF COMMONS OR OTHER BODY ESTABLISHED AS EMPLOYER

##### PURPOSE

1. This paper considers the employment of Members' staff and examines the feasibility and suitability of alternative means of employing Members' staff. These are:

- (i) for the House of Commons Commission or the Corporate Officer to assume direct responsibility as employer (paragraphs 5–21 refer); or
- (ii) for this to be done by a new statutory body or by a company formed for the purpose and limited by guarantee (paragraphs 22–30 refer).

##### BACKGROUND

2. The Members Estimate Committee in its Second Report of Session 2007—08 (HC464) asked whether other options for the employment of Members' staff should be considered. The Committee queried whether central employment might be worth examining and whether the House would be taking on additional responsibilities under employment law—and what additional costs would be incurred by the House.

3. The Committee also suggested continuation of current arrangements for staffing but with tighter controls, improved transparency and reduction of the risk of abuse—and what changes to administration of the staffing allowance would achieve this.

4. The Committee on Standards and Privileges considered the employment of family members through the Staffing Allowance. The Committee, in its Seventh Report of Session 2007–08 (HC 436) confirmed the proposal contained in its Sixth Report (HC 383) that Members should be required to disclose in each case the name of the staff member, their relationship to the Member, and a description of the job they do.

#### THE HOUSE OF COMMONS AS EMPLOYER

5. The House of Commons does not itself employ any staff. There are technical difficulties in the House, as an unincorporated association, entering into contractual engagements. To address this problem, the House of Commons (Administration) Act 1978 created a statutory body (the House of Commons Commission) which does have the capacity to enter into a contract of employment. The House of Commons Commission is therefore the employer of staff in the House Service. Sections 2 (1), (2) and (3) of the 1978 Act provide that;

“2(1) The Commission shall appoint all staff in House Departments, and shall determine their numbers and remuneration and other terms and conditions of service.

2(2) The Commission shall ensure that the complementing, grading and pay of staff in House Departments are kept broadly in line with those in the Home Civil Service, and that, so far as consistent with the requirements of the House of Commons, the other conditions of service of staff in the House Departments are also kept broadly in line with those in the Home Civil Service.

2(3) The Commission shall ensure that the pensions and other similar benefits of staff in or formerly in the House Departments are kept in line with the provisions of the Principal Civil Service Pension Scheme (as it applies for the time being to the Home Civil Service). . .”

6. The Parliamentary Corporate Bodies Act 1992 (c27) provided for a corporate body for each House (“the Corporate Officer of the House of Lords” and “the Corporate Officer of the House of Commons”) to hold property, make contracts and perform other functions for the purposes of the respective Houses. The Clerk of the House of Commons is the Corporate Officer and Chair of the Management Board. The 1992 Act therefore gives each Corporate Officer the capacity to enter into contracts for the purposes of the House he serves. As the Corporate Officer has “perpetual succession” as a corporation sole, it follows that any contract he makes is not brought to an end with the ending of any Parliament or on the particular post holder leaving office.

7. Although the Corporate Officer has a general power to “enter into contracts” for the purposes of the House (which would include contracts of employment), the employment of staff in the House Departments is a matter for the House of Commons Commission under section 2 of the 1978 Act. Section 195 of the Employment Rights Act 1996 applies a number of provisions of the 1996 Act (but not those on eg statutory notice periods or redundancy) to “House of Commons staff”, but this depends on the staff being employed by the House of Commons Commission (or by the Speaker).

8. Presently, staff employed by a Member have contracts of employment which are governed by the Employment Rights Act in the same way as those of any ordinary employee.

#### *Could the House of Commons Commission employ Members’ staff?*

9. The House of Commons Commission could in principle create a new department under section 4(3) of the House of Commons (Administration) Act 1978 in which Members’ staff could be employed. However, if Members’ staff were to be employed in such a new Department, the Commission would be obliged under section 2 of the 1978 Act to keep complementing, grading and pay of staff “broadly in line” with those in the Home Civil Service and to keep other conditions of service (which would probably include duties of political impartiality) broadly in line “so far as consistent with the requirements of the House of Commons”. There is also a duty to keep pensions “in line” with those under the HCSPS. Staff employed in such a Department would be employed by the House of Commons Commission and would be “House of Commons staff” for the purposes of section 195 Employment Rights Act 1996.

10. If the House of Commons Commission were to employ Members’ staff, additional costs would be incurred. Further work would be needed to quantify such costs. Components could be assimilation costs to pay and pension arrangements; potential higher costs of staff with longer service; potential increase in recruitment costs; health and safety responsibilities; and increase of staff at senior level to run the department. To set against this would be the consideration that some pay ranges would be reduced as a result of using more consistent rates for the particular work which is in fact done.

11. A more substantial question is whether the nature of the employment of Members’ staff makes it suitable to be taken into a House Department as part of the House of Commons Service. Five key issues are relevant:

- political interest/affiliation of candidates;
- Member engagement and choice in selection;
- length of service with regard to the Member’s tenure and ease of termination of contracts;

- pay and pension arrangements; and
- other terms and conditions (not detailed below).

#### Political affiliation and Member choice

12. The House of Commons Commission recruits, as does the Home Civil Service, by means of selection on merit on the basis of fair and open competition. Posts are open to all candidates who can fulfil the specific criteria, including political impartiality. Procedures, such as appropriate advertising and broad membership of selection boards, are rigorously observed so as to ensure that the competition is fair and open.

13. These procedures could make it difficult for Members to secure staff suitable for the work to be done from the “pool” recruited by the Commission and would restrict Members’ opportunity to select staff of their choosing.

14. Above all, a key requirement for staff of the House is they should be politically impartial. This is not currently a requirement for Members’ staff. To the contrary, political sympathies may (quite properly) be taken into account. Were the House to set up a separate department for Members’ staff, the staff of such a department might well be recruited partly on the basis of party political sympathies. This would effectively block movement between the “Members’ staff department” and other parts of the House Service in order to avoid any risk to the perceived political impartiality of the House Service. This could sit uncomfortably with present Commission policy which is to emphasise the unity of the House Service as a whole. To recruit taking into account party political sympathies and to allow these to be shown during employment might raise the issue of whether such a practice was consistent with the duty under section 2 of the 1978 Act to keep other conditions of service “broadly in line” with those of the Home Civil Service. In this case, it would have to be shown that the practice was “consistent with the requirements of the House of Commons”.

#### Tenure

15. The contracts of Members’ staff contain clauses for release in the event of the end of the Members’ service to Parliament. On such an event, the staff effectively become redundant. Staff of the House are employed on a permanent basis or on fixed term contracts. If Members’ staff were employed in a House Department and allocated from a pool, they would remain employed even if the relevant Member ceased to be a Member and, in principle, would not be redundant. This could cause difficulties in the event of a major change of representation following a General Election.

#### Pay and Pensions

16. If Members’ staff were to be employed by the House of Commons Commission, any variation in terms and conditions between different groups of staff carrying out like work or work of equal job weight or value for the same employer would need to be justified (eg under the Equal Pay Act 1970). Moreover, if the Commission were to employ Members’ Staff it would be obliged under s.2 of the 1978 Act to keep their terms and conditions “broadly in line” with those of the Home Civil Service (and thus, by extension with those in the House of Commons Service).

17. In principle, the barriers to parity on pay between Members’ staff and staff in the House Service are not insurmountable (but noting the expectation of a difference between London and regional remuneration). However, the current pay ranges (and, we might assume the respective job weights) of Members’ staff and staff of the House have not insignificant differences. This raises the question as to whether the nature of the work and the structure of a small office are significantly different from work and structures in the House Service; and it could make for difficult and expensive assimilation arrangements if the two distinct sets of arrangements were combined.

18. There is a difference in pension provision between staff of the House and Members’ staff, arising primarily from the different expectations of staff working for a small employer without secure tenure. The employer contribution for staff in the House of Commons Staff Pension Scheme (HOCSPS) is in the region of 22%. The employer contribution under the Portcullis Pension Plan (PPP) group stakeholder scheme is 10%. If the Commission were the employer of Members’ staff it would be obliged to keep pensions “in line” with those in the Home Civil Service.

#### *Could the Corporate Officer employ Members’ staff?*

19. The Parliamentary Corporate Bodies Act 1992 confers on each Corporate Officer the capacity to enter into contracts for the purposes of the House he serves, including the capacity to enter into contracts of employment. If the Corporate Officer employed staff, they would be “ordinary” employees (ie their employment would be governed by all of the provisions of the Employment Rights Act 1996 (unless specific provision is made, as was done in section 5(1) Parliament (Joint Departments) Act 2007).

20. Similar issues of Member selection, political impartiality and tenure would arise as with employment by the Commission, but the Corporate Officer would not be bound by the duty under s.2 of the 1978 Act to keep terms and conditions “broadly in line” with those of the Home Civil Service. On the other hand, it is for consideration whether the Corporate Officer, as the head of non party-political service, should properly assume sole responsibility for recruiting staff on the basis (at least partly) of party political sympathies.

21. The Parliament (Joint Departments) Act 2007 provides for staff of a joint Lords/Commons department to be employed jointly by the Corporate Officers of the two Houses. The 2007 Act does not, therefore, bear on the question of a Corporate Officer of the House of Commons employing staff for the purposes of the House of Commons. The 2007 Act required the Corporate Officers to keep pay, pensions and other conditions “broadly in line” with those in the Home Civil Service. The 2007 Act was of course, concerned with arrangements for the transfer of existing members of House of Commons staff to employment in the new joint department (ie PICT).

#### EMPLOYMENT BY A STATUTORY BODY/COMPANY LIMITED BY GUARANTEE

22. Employment of Members’ staff by the House of Commons Commission or the Corporate Officer is problematical, for the reasons expressed above. To address these, a separate employer could be created by creating a new statutory body or a company limited guarantee.

23. Legislation would be needed to create a new statutory body—say the “Members’ Staff Employment Service” to assume the responsibilities of the employer. This would be akin to a NDPB. Such legislation could include a statutory scheme for transferring existing contracts of employment with Members to the statutory body.

24. The governance of the statutory body would need careful consideration but could have an Executive Committee with Member representation and a Member role in appointment of a Chief Executive. The Statutory Body could report to the Commission to ensure that it remained within the control of Parliament.

25. Members’ staff would be employees of the Members’ Staff Employment Service, with terms and conditions specific to the nature of the employment in Westminster and in constituency offices. They would be “ordinary employees” and employment legislation would apply as in any other organisation or business. The numbers of Members’ staff required and an appropriate ratio per political party could be determined. Although recruitment would be done by the Statutory Body, Members could participate in selection and would have some say in the allocation of a specific member of staff to their Westminster or constituency team. The constraints identified with direct employment by the House around political impartiality and selection on merit through fair and open competition need not apply.

26. Policy advice on terms and conditions could be provided, as could the “bureau” service for administration and casework and training provision as currently in place. The House authorities could assume administrative responsibility for such employment. The House already provides payroll (and outsourced pension administration) services, mandatory contracts of employment, rates of pay and a Personnel Advice Service for Members’ staff. These arrangements could be adapted and expanded as required.

27. This option would need detailed consideration and the practicality of the provision of staff for constituency offices is a further dimension. A particular issue is the continued employment by the Body of staff who (for whatever reason) have not been allocated to a particular Member. Just like any employer, the Body may have to accept the cost of retaining staff for whom there is no work, or of making them redundant.

28. The same degree of separation could be achieved, without legislation, by creating a company limited by guarantee, for example “Parliamentary Employees Ltd”. Members could participate as directors in the running of the Company. The Chairman could, for example, be a member of the House of Commons Commission with, possibly, a member of the House of Commons service as Chief Executive. Non-executive directors could also be appointed.

29. Such a company would be limited by guarantee (ie it would have no share capital). Accounts would be made public and could be subject to National Audit Office scrutiny. It would, in any event, have to comply with Companies Act reporting requirements.

30. The Company would be the employer and hold responsibility for selection and allocation, with Member involvement, of the staff. The Company would employ staff on appropriate terms and conditions. The provision of staff to support Members in their Westminster and constituency duties would in effect be much the same as under the Statutory Body arrangement. The company route has the advantage that it could be set up quickly, and also dissolved quickly (if the arrangement does not work).

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SUMMARY

31. The aim is to provide arrangements that allow maximum flexibility in terms of Member preference and participation in selection whilst reducing the potential distraction for Members from their main duties, inherent in the responsibilities of an employer. A key concern is also retaining public confidence in the transparency and propriety of means of employing Members' staff.

32. A number of options (viz employment by the Commission, by the Corporate Officer, by a Statutory Body or by a company limited by guarantee) are presented for consideration, as alternatives to the Member remaining the employer. None presents insurmountable legal difficulty, but the option of employment by the Commission or Corporate Officer does create a potential problem for the sustaining of a non-party political House of Commons service. In the case of the Commission, taking over employment of Members' staff might raise problems in respect of the duty under s. 2 of the 1978 Act to keep other conditions of service broadly in line with those in the Home Civil Service. The creation of a Statutory Body is perhaps a "Rolls-Royce" solution, but similar results could be achieved by creating a company limited by guarantee.

FRANCHISE MODEL—OUTSOURCING

AGENCY PROVISION OF EMPLOYEES

1. Employment Agencies typically provide either
  - (i) a service of introduction to an employer, often in a specific profession, for permanent or fixed term employment; or
  - (ii) temporary workers to fill gaps.
2. In the first instance, the employment relationship is straightforward, the commissioning organisation is the employer and pays the agency a fee for the introductory service. In the second, in principle the agency is the employer of the worker or the individual opts for self-employed status.
3. Employment legislation renders the determination of the employment status and rights of the temporary worker somewhat complex (see earlier definition of an employee). For example, agency workers who are supplied to an employer who stay for over a year may accrue rights as employees against the employer. The assumption does not automatically arise when a year has gone by, the test used is whether an "implied contract" has arisen between the worker and the end user.
4. There are possible future developments in this area. A Private Member's Bill, The Temporary and Agency Workers (Prevention of less Favourable Treatment) was introduced in December 2006 by Paul Farrelly. There is also Draft EU Temporary Agency Workers Directive on the horizon.
5. A meeting was held with an agency which had some experience of providing a service to Parliamentary Offices in London and the Home Counties. The agency operates in the same way as other employment agencies. It acts as an introductory service for recruitment services and employs temporary workers to meet clients' needs for short-term staff. Care is taken to match the individual to the client and political affiliation would be taken into account. A temporary employee is returned to the agency if not suitable or at end of requirement.
6. For the introductory service the agency charges between 15 and 25% of the annual salary; for temporary workers, the client pays the hourly rate for the number of hours worked plus the Agency's commission which is a percentage of the temporary worker's pay, employers' National Insurance and any expenses agree. VAT is chargeable on the entirety of the charges.
7. It is not inconceivable that an agency could specialise in provision of employees for parliamentary work; however an introductory service alone is not what is being sought here. Nor is the provision of temporary work other than the extent to which agencies are currently utilised for this purpose.
8. Information is still being sought from employment agencies about the possible provision of a total service for the employment of Members' staff. It is not clear that there are private sector bodies acting in this way (other than in "gangmaster" type arrangements). The stumbling block appears to be the fact of being the employer but not actually in control of the work. However, this is still being explored.

OUTSOURCING

9. There are many examples of outsourcing in the public and private sectors where this delivers a better service and value for money for defined functions. However the work outsourced tends to be "back-office" and transactional (eg for the administration of staff pensions) and it is difficult to see how the requirements of each Member, both in Westminster and constituency offices, could be effectively managed by an outsourced arrangement.

## AN NHS AGENCY ARRANGEMENT

10. NHS Professionals provides an interesting example of a body set up to provide high quality flexible staff to Acute, Primary Care and Mental Health organisations across England. It's purpose is to hold a bank of health professionals available for temporary placements on shift and other work (currently some 60,000 staff are in the bank). As part of the NHS it is in a unique position to offer staff flexible working arrangements whilst ensuring Trusts achieve best possible value for their flexible staffing spend.

11. The NHS Professionals concept was originally created as a set of national service standards that were adopted by a number of local Trusts. These local models then merged to become a Special Health Authority in 2004, following calls for one national organisation with a common set of goals to be formed. The body as a Special Health Authority can be the employer of staff who are in its bank.

12. The key difficulty with this arrangement in the House context is that of the status of the employer. The analogy would be the setting up of a further House department and the inadvisability and unsuitability of this is outlined in the paper on the House of Commons as employer.

## OPTION 3—BLOCK GRANT MODEL

1. This option sets out an arrangement whereby the political/parliamentary party has responsibility for staffing with funds provided as a block grant payable from the Members estimate and distributed directly to the parties. The parties would be free to determine the support necessary for Members and, indeed, the employment relationship. Options would be to deliver staffing to individual Members or discrete geographical locations or to provide centrally certain defined functions (eg research) or any combination of these. It would be down to the parties to make the necessary payroll arrangements.

2. Recent reports on party funding and election monies may not make this a favourable option and there are audit/accountability issues around the division of parliamentary/political business as discussed further on in this paper.

## SHORT MONEY

3. A comparable arrangement currently in Westminster is in the administration of the scheme to provide financial assistance to opposition parties and representative money, otherwise known as Short Money. Under the governing resolution of the House opposition and representative parties are entitled to receive a block grant based on the number of seats and votes won at a General Election. It is only available to assist the parties to carry out their parliamentary business. Each political party is responsible for the allocation of individual entitlements.

4. Each party claiming Short Money must provide a certificate from an independent professional auditor each year, to the effect that all expenses for the year were incurred exclusively in relation to that party's parliamentary business. Any sums remaining unspent at the year end (31st March) must be repaid. If an acceptable audit certificate has not been provided within the timescale laid down (9 months after year end), payments are suspended until an acceptable certificate has been received.

The following table shows the broad sums currently payable in 2008–09:

<i>Party</i>	<i>Amount payable</i>
Conservative	£4,715,454*
Liberal Democrats	£1,733,772
Other	£530,659
Total	£6,979,885

\* Includes additional sum payable of £647,112 specifically for the Leader of the Opposition's Office.

The Members' Estimate for 2008–09 includes £60.7 million for the staffing budget. If this sum were distributed across all parties based on the parliamentary seats won at the last General Election figures the position would look something like this:

<i>Party</i>	<i>Number of seats won in 2005</i>	<i>Amount payable £m</i>
Labour	355	£33.4
Conservative	198	£18.6
Liberal Democrats	62	£5.8
Other	31	£2.9
Total	646	£60.7

#### POOLED RESEARCH FACILITIES

5. The Parliamentary Resources Unit provides factual research and briefing to Conservative Members and receives funds by way of subscriptions from individual Members' staffing allowance or the Incidental Expenses Provision. Similarly the Parliamentary Office of the Liberal Democrat party provides support to Liberal Democrat Members. Broadly speaking around £620K per annum of allowances is used in this way.

6. The most recent SSRB report no: 64 (paragraph 5.22) welcomes the use of pooled research and support facilities on a value for money basis, but does not make any specific recommendation. They noted that staff employed in this way are not entitled to the 10% pension contribution payable if they were employed by the individual Members and this issue may need to be addressed if such an arrangement were widely adopted.

#### INTERNATIONAL COMPARISONS

7. The Norwegian parliament grants funding to the party parliamentary groups and not to individual Members for staffing arrangements. The grant given to the parliamentary groups consists of a basic grant and is supplemented by an additional grant per elected Member. The parliamentary party groups are therefore the employer and not the individual Members. Similarly in Sweden, the party groups in the Rikstag receive financial support for staff of Members. The support is intended to cover costs for administrative and research assistance for the Members. The assistants are not recruited or employed by the Members personally; the party secretariat is the employer.

#### ACCOUNTABILITY ISSUES

8. A recent research paper compiled by Dr Michael Pinto-Duschinsky contains assertions that there is evidence to suggest that taxpayer funded allowances are used for party political purposes rather than parliamentary. In the wider context, a decision on the Government backed review on state funding to political parties by Sir Hayden Phillips has been postponed indefinitely. These demonstrate the particular sensitivities surrounding the whole issue of party funding and the use of tax payer's money. The conclusion may well be that the block grant model carries with it significant reputational risks not only for the individual parties and Members but, more importantly, the House as a whole.

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### 3. STAFFING ARRANGEMENTS IN THE GLA

#### PURPOSE

1. This paper explains the arrangements used by the Greater London Authority (GLA) for employing staff to work for Assembly members, as this has model been cited by some Members of Parliament as a possible option for the House. The MEC are asked to take note of the information. It will be used as alternative options are developed.

#### GLA ARRANGEMENTS

2. The GLA consists of two distinct parts: a directly elected Mayor, and a separately elected Assembly. There are 25 Assembly members, of whom 14 are constituency members representing constituencies comprising between two and four London boroughs, and 11 are London-wide list members who represent the whole of the Capital.

3. Staff who work for Assembly members are employees of the GLA and work within the "Secretariat" (this covers Assembly support, scrutiny and investigation, committee services and external relations). They are on the same pay scales as staff of the administration. The parties to the contract are the GLA and the staff member, not the Assembly member. Of the 680 staff working for the GLA as a whole, 68 work specifically in PA, research and communications roles for Assembly members. The average pay for these posts is £26,278–£29,005 (for grade 5) and £29,001–£32,012 (grade 6). All staff of Assembly members are based in one location, City Hall.

4. Recruitment of staff to work for Assembly members is conducted through a policy of fair and open competition. Under the governing legislation (GLA Act 1999), Assembly members do not have the power to make appointment decisions. The Head of Paid Service (the Chief Executive) has these powers and delegates appointment decisions to officers employed by the GLA. Assembly members are, however, able to review the job applications, listen and observe selection interviews and give their views afterwards. At least two GLA officers must be present at each selection. Family members may apply, but would be expected to go through the same appointment process and be appointed on merit.

5. Recruitment is to a specific post (eg as a personal assistant), with the recruitment pack specifying which Assembly member has the vacancy at that time. Staff can be moved, firstly within a party group. The GLA has not yet had to move a member of the secretariat to a different party group, and they are currently considering how to manage this in the light of the forthcoming election, and whether offering a role with a different party group constitutes “suitable alternative employment”.

6. The GLA does not ask for applicants for these jobs to be politically neutral nor to be politically affiliated with the party they apply to work with and they do not enforce this contractually. The advertisement nevertheless makes it clear which member and party they will be working for, at least initially.

7. Each represented party is looked after by a Head of Office within the Secretariat structure, who are responsible for managing the workforce for each political group.

## CONCLUSION

8. The scale of the GLA “political” staffing is of a different magnitude and proportionately out of kilter with Westminster. There are 68 GLA political staff compared to circa 2500 Members’ staff. The GLA political staff are 11% of the size of GLA’s officer staffing resource, whereas in Westminster on a similar model the political staff would be 125%. All GLA staff are based in one location, whereas two-thirds of Members’ staff are based in constituencies. Hence, any conclusions about what is and what is not workable cannot readily be drawn from the GLA experience.

9. In other respects there are similarities such as the staffing allocated to Assembly politicians (about three per member) and the salary scales, which are within the House pay ranges, although much narrower than the House ones.

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## 4. INCIDENTAL EXPENSES PROVISION—SPENDING PATTERNS

This report looks at how Members spend their Incidental Expenses Provision (IEP) with specific focus on the cost and use of constituency offices. The following figures are mostly based on the 2006–2007 financial year where the maximum of the allowance was £20,440. However, it was possible to transfer up to £8,700 into the allowance from the staffing budget. The total spent on IEP in 2006–07 was £12,917,610. The average spend was £19,996.

It should be noted that with the introduction of the Communications Allowance in April 2007, certain costs (production of newsletters, website maintenance, surgery adverts etc) are no longer part of the IEP.

### KEY POINTS

- 75% of the IEP is spent on general running costs such as office rent, utilities, stationery and office equipment.
- 82% of Members spend over 80% of the allowance.
- 45% of Members transferred money into the IEP from their Staffing Budget to meet necessary costs.
- 78% rent constituency offices, either through a commercial arrangement or via their local association.
- The majority of Conservative and Liberal Democrat Members rent from their local association.
- The average cost of renting an office is £5,773 per annum. Renting commercially is around £1,000 pa more expensive than renting from the local party but this is not necessarily like for like.

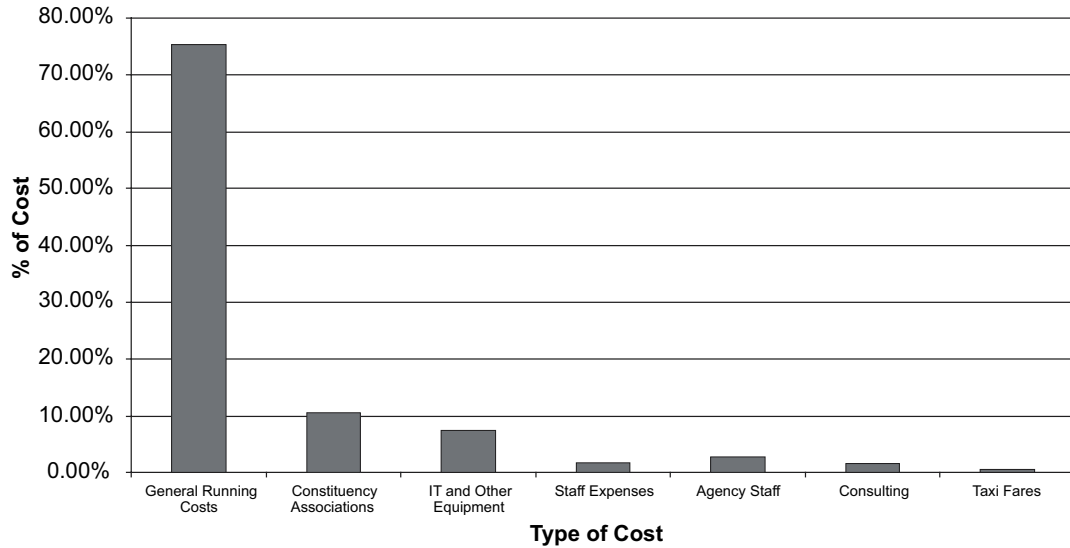
### SUMMARY OF STATISTICS

#### *Graph 1—Use of Incidental Expenses Provision*

- Members are able to use the IEP to cover costs relating to the running of offices in the constituency and/or Westminster. 75% of the allowance is spent on day to day costs such as rent, rates, utilities and general office items. These items are categorised under a single code in the financial system.

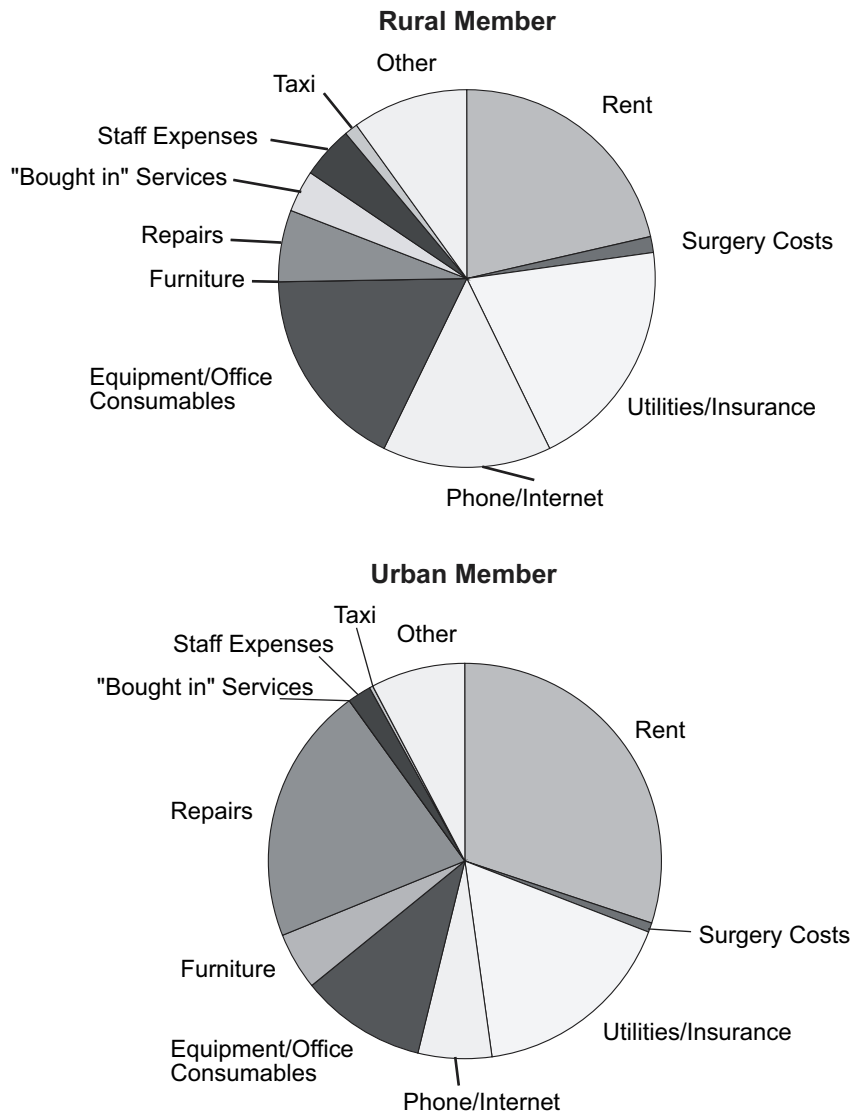
- A further 10% is paid to constituency associations for services provided. Members who enter into arrangements with their local party do so for a number of reasons. Some rent office space (for which an independent valuation is required by the Dept of Resources before payment is made); others pay for facilities such as use of staff, share of utility charges and use of office equipment. A breakdown of charges is required by DR before payment is authorised.

**Graph 1: Breakdown of Expenditure on IEP 2006/2007**



Graph 2—Example Expenditure Patterns—2007–08

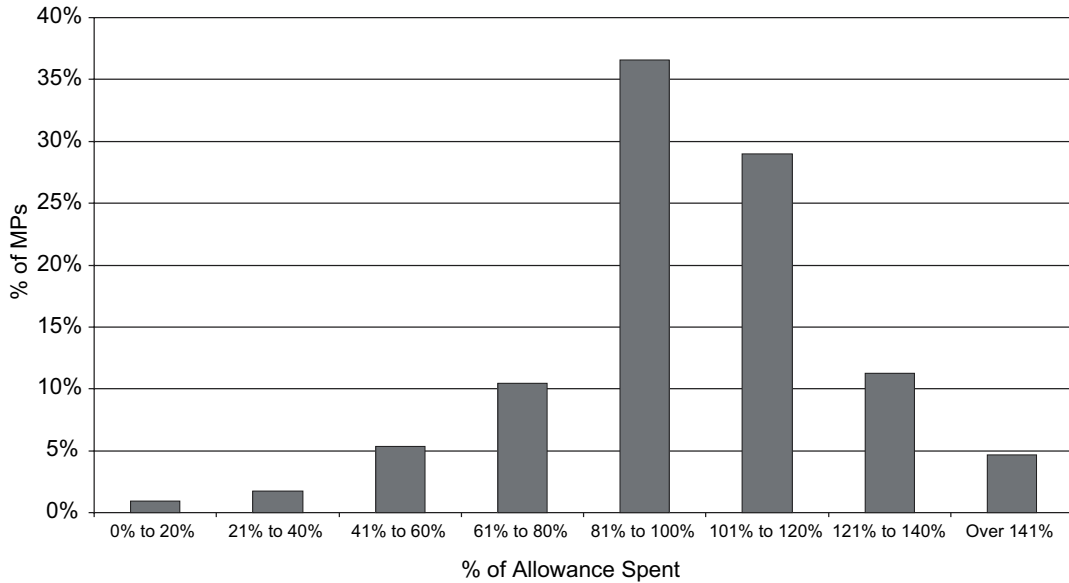
- The analysis of spending is based on two Members, one representing a rural constituency, the other an urban one. The similarity of the expenditure patterns is more striking than the differences.
- In both cases, rent is the largest item of expenditure, followed by utilities and equipment for the rural member; repairs and utilities for the urban Member.



Graph 3—IEP Spend

- 82% of Members each spend over 80% of the allowance, 45% transfer extra funds from their staffing budget to meet all relevant costs. Only 3% of Members spent less than 40% of the allowable allowance.

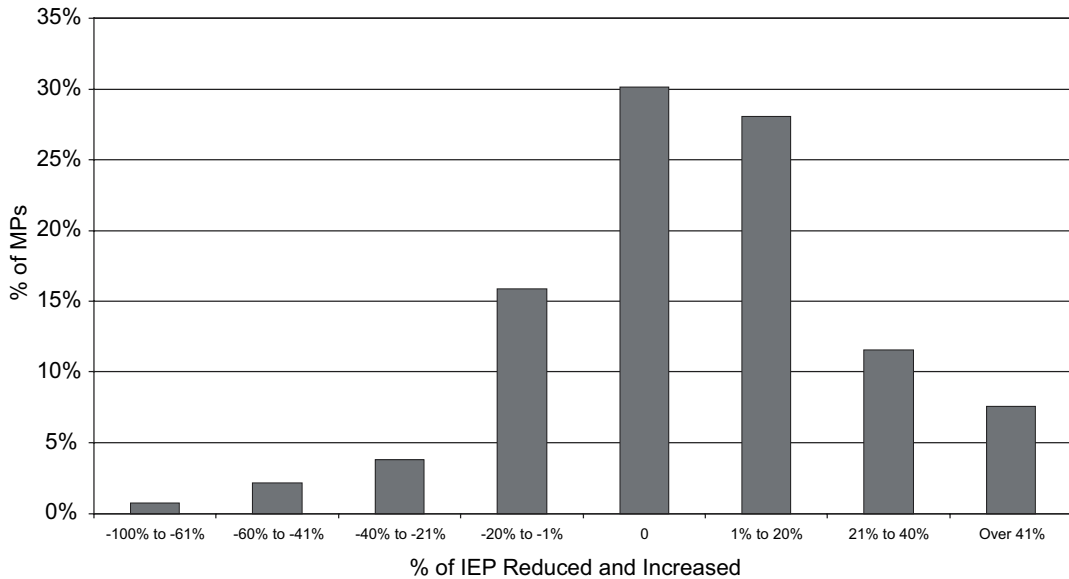
**Graph 3: Average Expenditure on IEP for 2006/2007**



Graph 4—Transfer of funds to/from IEP

- 70% of Members transferred money into or out of the IEP during the course of the year. Of these, around two thirds needed to increase their budget to meet necessary costs.
- Almost half of all Members transferred money into the allowance.

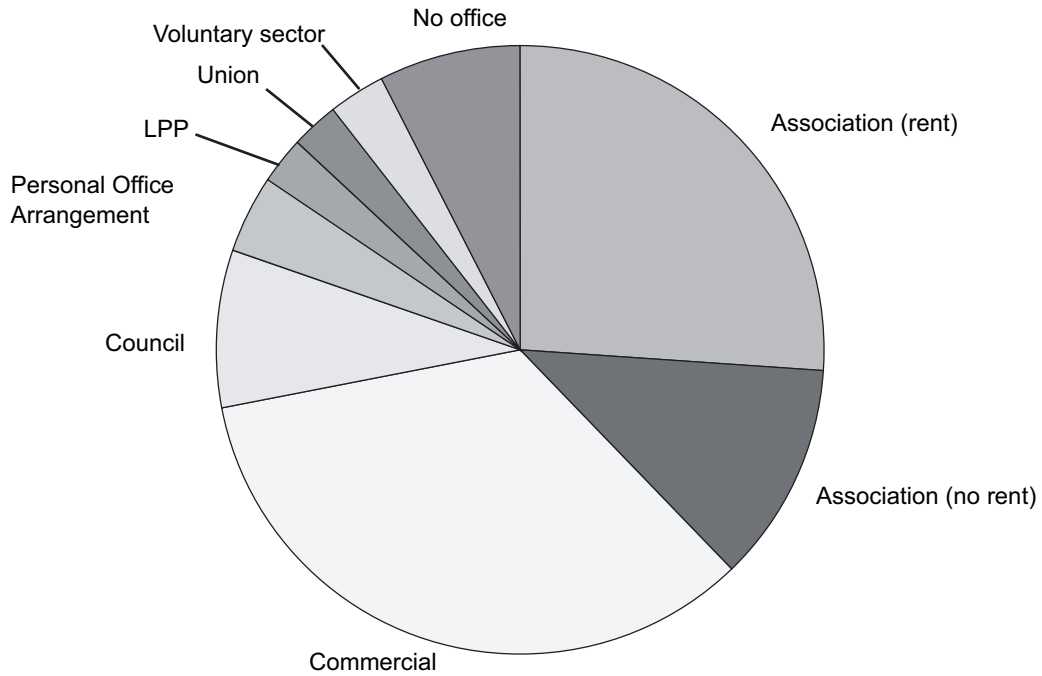
**Graph 4: Virement of IEP allowance 2006/2007**



Graph 5—Location of constituency offices

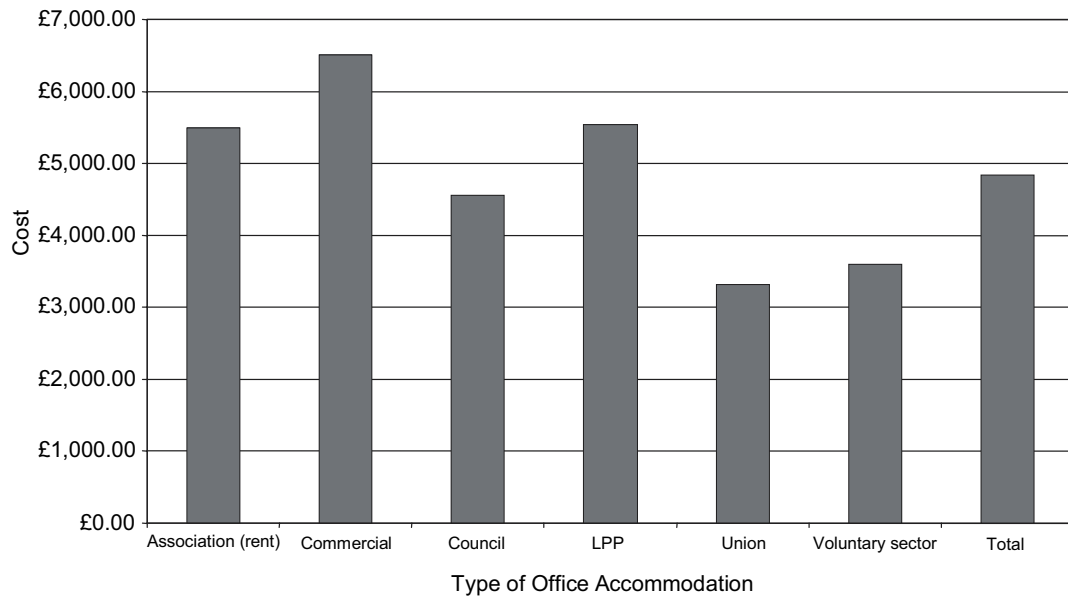
- 78% of Members have a constituency office, for which they pay rent costs. 38% use premises that are provided by and/or shared with the local party although about one third of these do not pay any rent but use the office on an ad-hoc basis and make use of facilities.
- 34% of Members have commercial premises.
- 17% of Members rent from a “politically-affiliated” organisation (eg unions, Labour Party Properties, councils).
- A small number of Members (4%) have personal office arrangements (eg an office in their home). The IEP cannot be used to cover any part of the rent in these circumstances although additional on-costs may be claimed.

**Graph 5: Type of Constituency Office Accommodation of Members**



*Graphs 6—Cost of office by type*

- For those Members who pay for office accommodation, the average cost in 2006–07 was £5,773 per annum. Renting commercial premises costs slightly more than renting space from a local association.
- The average spend on rent for all Members (ie including those that do not use, or pay for, a constituency office) is £4,380. This equates to 21% of the 2006–2007 IEP.
- It has been difficult to ascertain the relative cost of office space as, in most cases, documentation is not held showing the size of office that is being used by Members and their staff. However, in the small number of cases where that information is available, there is little worthy or consistent data.

**Graph 6: Average Cost of Constituency Offices by Type of Accommodation**

Graph 7—Cost of office by location

- Perhaps surprisingly, offices in Northern Ireland are the most expensive with an average cost of £11,322 per annum.
- Outside of NI, renting office space is most expensive in London (£7,360) and cheapest in the East of England (£4,550).
- There are not huge variations between regions but as referred to earlier in the paper, costs do not take into account the size or nature of the office.

**Graph 7: Average Cost of Constituency Office by Location**



## 5. MEMBERS' CONSTITUENCY OFFICE ACCOMMODATION

### INTRODUCTION

This paper considers the feasibility of the House taking responsibility for local constituency offices. It should be read in conjunction with the IEP data analysis circulated separately.

### CONSTITUENCY OFFICES

1. The SSRB recommends that office lease or rental costs should be separated from the IEP and met in full by the House, up to a maximum floor area (see annex A). Currently, four-fifths of Members pay for office costs from their IEP. The striking messages from the IEP data analysis are

- (i) the relatively high proportion who do not hire premises (22%) as a recognised constituency office. It is not clear the extent to which this decision is an economic one (ie unaffordable) or personal choice; and
- (ii) that the majority (55%) of offices are tied in some way to politically affiliated entities.

### ISSUES UNDER THE CURRENT SYSTEM

2. On average Members currently spend about £5,700 on office rent. The rest of the IEP is readily spent on other office costs. Market data supports the SSRB's contention that in more prosperous areas it is a challenge to find an acceptable office within the IEP budget. Therefore, Members may sometimes be forced to use premises smaller or less desirable than they would wish or to have none at all.

3. The burden of administration falls mainly on Members, who may not have experience in managing business property. New members often need to acquire office space in a rush, and will not necessarily find the best value and services in the time available. However, the services provided by the Member to constituents may be significantly affected by their choice of office. A common solution to the cost and management problems appears to be to rent from local political organisations.

### SSRB RECOMMENDATION

4. The SSRB envisage a system whereby the House meets rental/lease costs in full up to 800 square foot (74.5 square metres), instead of the Member paying out of their IEP. They suggest that it would work in a similar way to the current system, in which Members find an office and where necessary obtain professional advice on suitability and fair cost. This does not remove the burden of administration and property market research from the Member. It also raises questions for the Accounting Officer, namely if the House is to fund the use of commercial property directly from the Estimate it would be necessary for the House to have a greater degree of involvement in the process.

5. We have investigated a system where the House would be responsible for constituency offices on Members' behalf. We started from the basis that the House does not have the necessary expertise to handle 600+ offices nationwide, but would work in partnership with one or more management agencies. We consulted two companies specialising in property acquisition and management, and our discussions confirm that a partnership of this kind would be workable. High street chains with national reach often retain specialists to manage their property portfolio in this way. However, it would have some complexity, which is discussed below.

### POTENTIAL COST OF A COMMERCIAL OFFICE IN EACH CONSTITUENCY

6. The current arrangement costs some £2.8 million per annum. To get some estimate of the cost of a change, the cost of rental/lease only has been calculated using figures for *type three offices* from the Valuation Office Agency property market report 1 July 2007. This report covers office space across the United Kingdom, from Chatham Town at under £6 per square foot per annum to central London costs of £650+ per square foot per annum.

7. The type three office is defined by the VOA thus:

“Converted former house usually just off town centre. Good quality conversion of Georgian/Victorian or similar house of character. Best quality fittings throughout. Self contained suite in size range 50 square metres–150 square metres, with central heating and limited car parking”.

<i>Office size</i>	<i>Cost per annum for 646 offices excluding management costs</i>
800 sq ft (74.5 m <sup>2</sup> )—maximum floor space recommended by SSRB	c £6.4 million
645 sq ft (60 m <sup>2</sup> )—recommended desk space for three full-time staff and one Member plus 370 sq ft for a small meeting room and other facilities	c £5.2 million

8. What is also obvious from the VOA information, on which we are seeking advice from our private sector contacts, is that retail premises are generally considerably more expensive than office premises, even if sites below primary retail are considered. This could easily double or even quadruple total costs.

#### POTENTIAL OBSTACLES TO “HOUSE MANAGED” SYSTEM

9. There are at least three member related issues that are worthy of note. The SSRB themselves seemed not to ponder these practicalities. First, there is a question of choice.

- *Will Members be able to choose not to have an office at all?*  
A presumption might be that opting-out was possible.
- *Will Members be able to choose their office location and type?*  
Our current knowledge suggests that the key constraints should be a combination of maximum square footage, maximum cost and type of premises (eg type three office as the base option). However within this, choice would be possible.
- *Will Members be able to have more than one office?*  
We suggest this would be largely controlled on the basis of geographical necessity (eg Orkney and Shetland) and cost.
- *Will Members be able to share with others eg MSPs?*  
This could prove difficult logistically.

11. In addition, two other issues would need to be addressed early. These are

- (i) the legacy of current arrangements where, perhaps, the assumption would be limiting current party political arrangements to the next Parliament; and
- (ii) linked to this is any handover of office premises after a general election. This will be especially difficult where the constituency changes political allegiance.

**Annex A**

#### SSRB REPORT NO 64 VOL 1 PG 48–49

#### EXPENDITURE ON OFFICES

5.25 In conjunction with IEP, the House provides office accommodation on the parliamentary estate free of charge and we heard from MPs who believed that this can act as an incentive for MPs to base their staff there rather than setting up an office in their constituencies. They are then typically free to transfer any surplus into staffing budgets, an option not available to MPs with constituency accommodation outside the parliamentary estate. We addressed this issue in our last report after we had received evidence from MPs who based the majority or all of their staff away from the parliamentary estate and who felt they were being disadvantaged by being largely based in the constituency. We sympathised with that argument and recommended that IEP should be increased from £19,325 to £27,500, but that the sum should be abated by £7,500 for every workstation an MP kept on the parliamentary estate for a member of staff. The reasoning for this recommendation is explained more fully in our last report.

However, the House voted to reject that recommendation. At the time, some MPs objected that the SSRB was straying outside its brief in seeking to tell MPs where to locate their staff. That was most definitely not our intention: we simply sought to treat MPs equally so that no financial advantage or disadvantage flowed to them or the taxpayer from their individual decisions on where to locate their members of staff. The principle we proposed remains sound and we set out further recommendations below to give effect to it.

5.26 Since we last reported, various changes have become appropriate to the structure of the IEP, particularly in relation to office costs and communication expenses. During this review we heard evidence from MPs that IEP was not sufficient to cover the rental costs of reasonable office accommodation in some of the more expensive parts of the country, especially if offices are to be located in town centres where rents are usually high. PwC reported, on the basis of information from the House authorities, that average office rental costs incurred by MPs were £5,000. However, they also noted that office rental costs vary widely. A sample of locations suggested that the typical annual rent per square foot for offices averaged £22 but varied by location from £14 to over £30 in London. Some MPs made similar points in their evidence and gave

examples of office costs in their constituencies which simply could not be afforded under IEP. We do not believe MPs should have extravagant offices and they need not be in prime locations, but if an MP believes that he or she needs an office in the constituency, it should be reasonably central so that constituents have ready access. We have considered how the IEP ceiling could be adjusted to allow for the wide variation in costs across the country but we cannot find a simple, workable solution using a single figure for a cap to the expenditure. Instead, we propose a cap on the maximum reimbursable floor area for an MP's constituency office. In calculating the maximum reimbursable area we have sought to allow for office space for the MP and up to four staff as well as for space for meeting constituents or other visitors. We have also referred to publications of the British Council for Offices and the National Audit Office. However, as with all ceilings, we expect many MPs to be able to manage with less.

5.27 We therefore recommend that, in order to ensure that MPs in high cost areas can afford reasonable constituency offices, actual office and "surgery" lease or rental costs should in future be met in full subject to the following conditions:

- (i) the maximum area of the premises for which cost reimbursement can be claimed should be 800 square feet, with this area to be reduced by 100 square feet for each member of an MP's staff who is based on the parliamentary estate (so an MP with all 3.5 staff on the estate would be entitled to reimbursement for a maximum of 400 square feet); and
- (ii) before renting or leasing premises an MP must obtain and forward to the House authorities a certificate from an independent chartered surveyor (ie one not otherwise involved in the transaction) stating that the premises are suitable for the purpose and that the cost is reasonable in relation to typical office premises in the constituency. The cost of obtaining that certificate should itself be reimbursable as part of the cost of the office.

5.28 We believe that this recommendation will enable MPs who cannot at present afford to rent constituency offices within the IEP ceiling to do so in future. It should also help to relieve pressure on the parliamentary estate, although that is an incidental benefit and not the purpose of the proposal. In addition, we believe this recommendation will help newly elected MPs, some of whom told us that IEP is insufficient to cover initial start up costs and running costs in the first year or so.

5.29 As a transitional measure, MPs who currently have premises larger than the suggested limits should be allowed to keep them and continue to claim the actual cost until the expiry of the lease or the next election, whichever is sooner.

Recommendation 23: We recommend 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.

## Annex B

### SSRB REPORT NO 64 VOL 1 PG 66

7.5 Our recommendation on the funding of offices is designed to enable some MPs to rent offices in their constituencies who currently cannot afford to do so because of the ceiling on Incidental Expenses Provision. It is hard to estimate how many MPs will make use of this and how much rent they will pay but as a working assumption we estimate that the average rental paid by an MP may rise from £5,000 to £6,000 because, the MPs now able to afford constituency offices will be those in high cost areas such as the centres of large towns. On this basis, the additional cost in a full year would be £0.65 million.

## 6. TRAVEL ALLOWANCE

### INTRODUCTION

1. This report looks at whether a banded model for Members' travel costs would be viable and, if so, how it might be implemented.

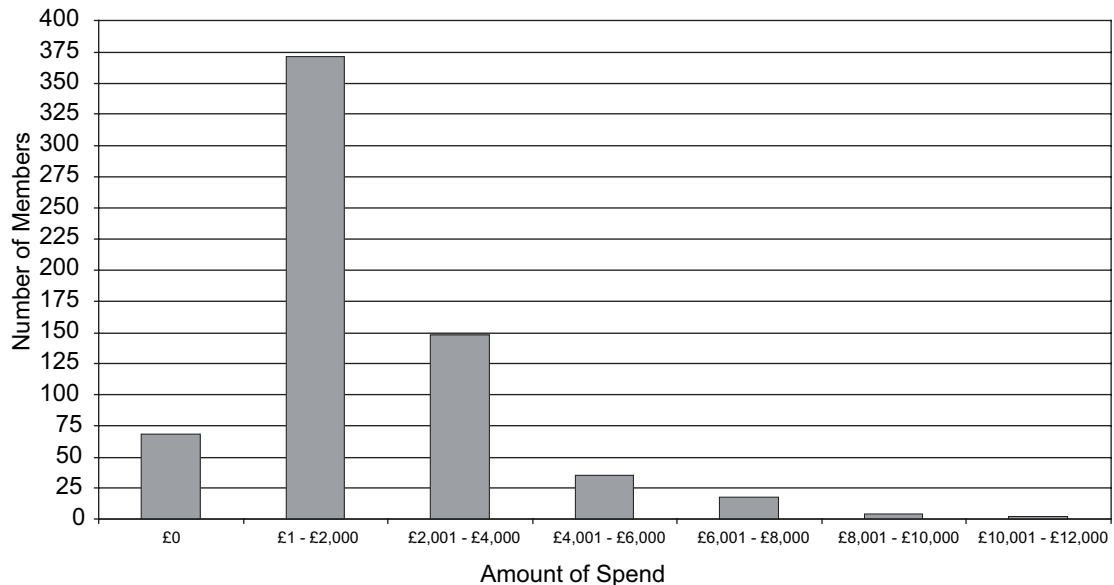
2. There are currently several elements to Members' travel costs, not all of which are dependent on the size of constituency and its distance from Westminster. Family travel, employee travel, European travel and Extended Travel are all relatively small scale and not covered in this report.

3. The various models outlined in this report therefore only take into account the cost of standard journeys, namely:

- Travel within the constituency.
- Cost of travel between Westminster and constituency.

4. There is wide variation in spend for "non-standard" travel, with some 90% of Members spending less than £4,000 per annum (see graph below). The total spend in 2006–2007 was just over £1 million and this may need to be factored into any generalised formula if it were adopted; or such expenditure could still be subject to existing rules and administrative processes.

**Number of Members Who Claim Extended, European and/or Non-Member Travel**



### BANDING MODEL

5. The model proposed within this report is based on two elements: the distance of the constituency from Westminster; and the size of the constituency (both up to seven bands). Each constituency is placed in a band for each element, giving a possible total of 49 different budgets.

6. The different bands are not interdependent and therefore each element could be treated separately. So, for example, a budget could be devised that relates solely to constituency size.

7. There has also been a suggestion of an individual budget for every constituency, again based on the same two elements. This report does not look into the details but the MEC may decide that this option should be explored further, but it would be complex.

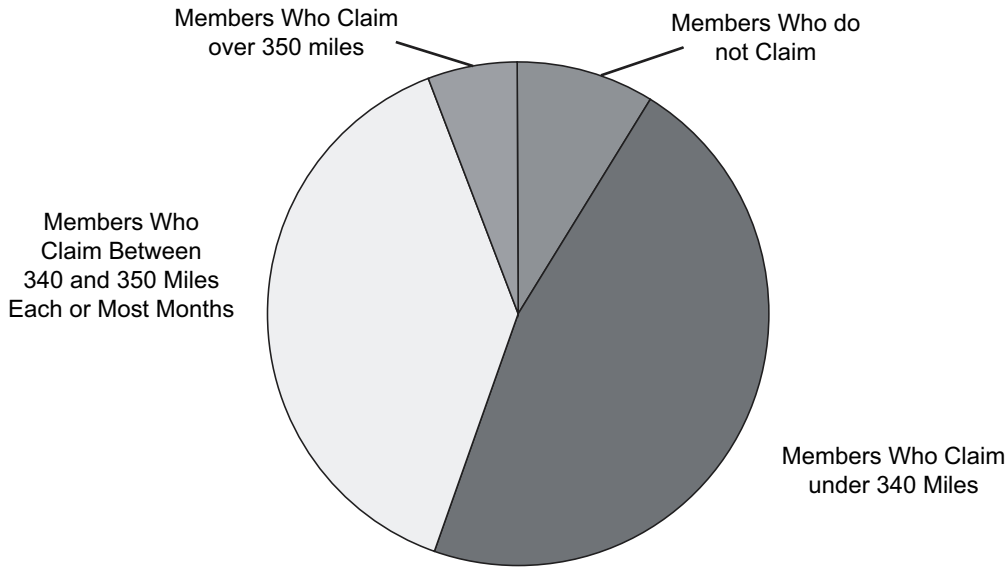
CONSTITUENCY MILEAGE

8. Members are currently able to submit monthly claims for up to 350 miles (4,200 per annum) without providing a breakdown of journeys undertaken. Where mileage exceeds this limit, full details need to be provided.

9. The pie chart shows that some 40% of Members claim between 340 and 350 miles for at least nine months of each year. Almost one third claim exactly 350 miles on every claim.

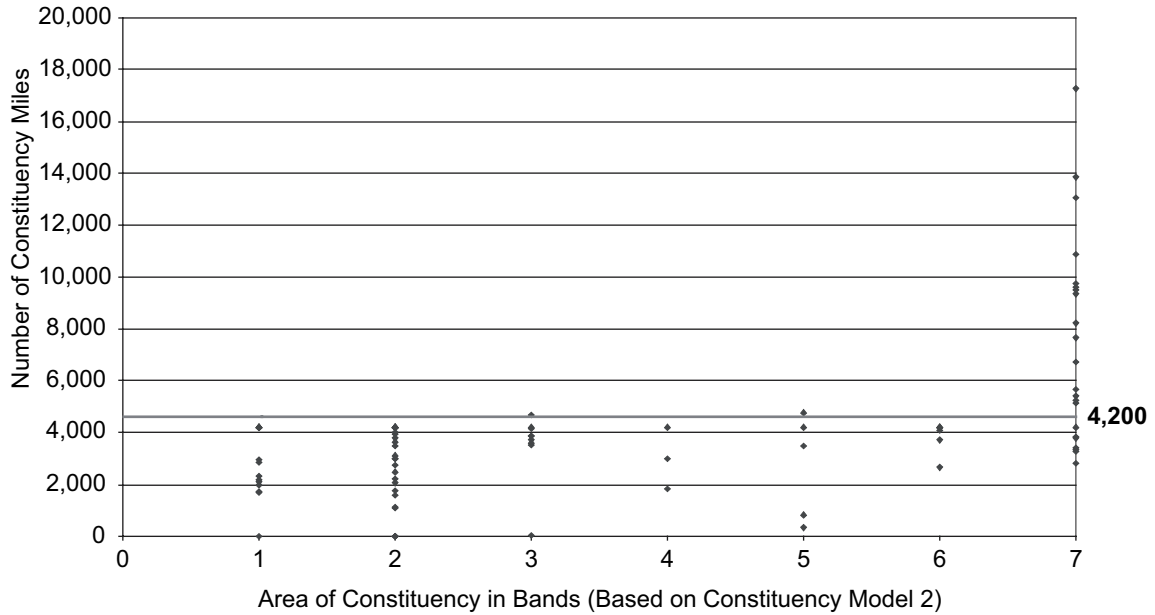
A sample of 80 Members was chosen (12.5%).

**Breakdown of Constituency Miles Claimed by Members**



The scatter diagram below shows that, other than for band 7, there is little correlation between size and the amount of mileage claimed.

**Number of Constituency Miles Claimed by Members in 2006/2007 by Bands**



\* The X axis bands from 1 to 7 refer to Constituency Mileage Banding Model 2 below.

10. The banding models below have been calculated to be cost neutral in relation to standard Member travel expenditure in 2006–07 which was approx £5.2 million, of which approximately £4.2 million was London to Constituency travel and £1 million was for travel within the constituency.

11. We have considered two possible approaches: the first is based on having an equal number of Members in each group or band; the second splits the bands into constituency sizes.

12. The estimated monthly mileage is a judgement informed by a sample of Members. This can be varied as appropriate.

13. The theoretical annual budget per Member is based on 12 months of constituency mileage at 40p per mile, going down to 25p per mile if over 10,000 miles (this only applies to Band 7 in Model 2). Of those Members who claim constituency mileage, the average cost is currently £1,405 per annum.

#### CONSTITUENCY MILEAGE BANDING MODEL 1—EQUAL NUMBER OF MEMBERS

<i>Band</i>	<i>Area (Square Miles)</i>	<i>Number of Members</i>	<i>Estimated Monthly Mileage</i>	<i>Annual Budget per Member</i>	<i>Total Budget</i>
1	0–10.2	108	100	£480	£51,840
2	10.2–18.0	108	125	£600	£64,800
3	18.0–40.1	108	150	£720	£77,760
4	40.1–91.3	108	300	£1,440	£155,520
5	91.3–241.0	107	400	£1,920	£205,440
6	241.0–	107	750	£3,600	£385,200
					<b>£940,560</b>

#### CONSTITUENCY MILEAGE BANDING MODEL 2—SIZE OF CONSTITUENCY

<i>Band</i>	<i>Area (Square Miles)</i>	<i>Number of Members</i>	<i>Estimated Monthly Mileage</i>	<i>Annual Budget Per Member</i>	<i>Total Budget</i>
1	0–10	102	125	£600	£61,200
2	10–50	244	175	£840	£204,960
3	50–100	97	250	£1,200	£116,400
4	100–200	72	350	£1,680	£120,960
5	200–300	45	450	£2,160	£97,200
6	300–500	45	650	£3,120	£140,400
7	500–	41	850	£4,050	£167,280
					<b>£908,400</b>

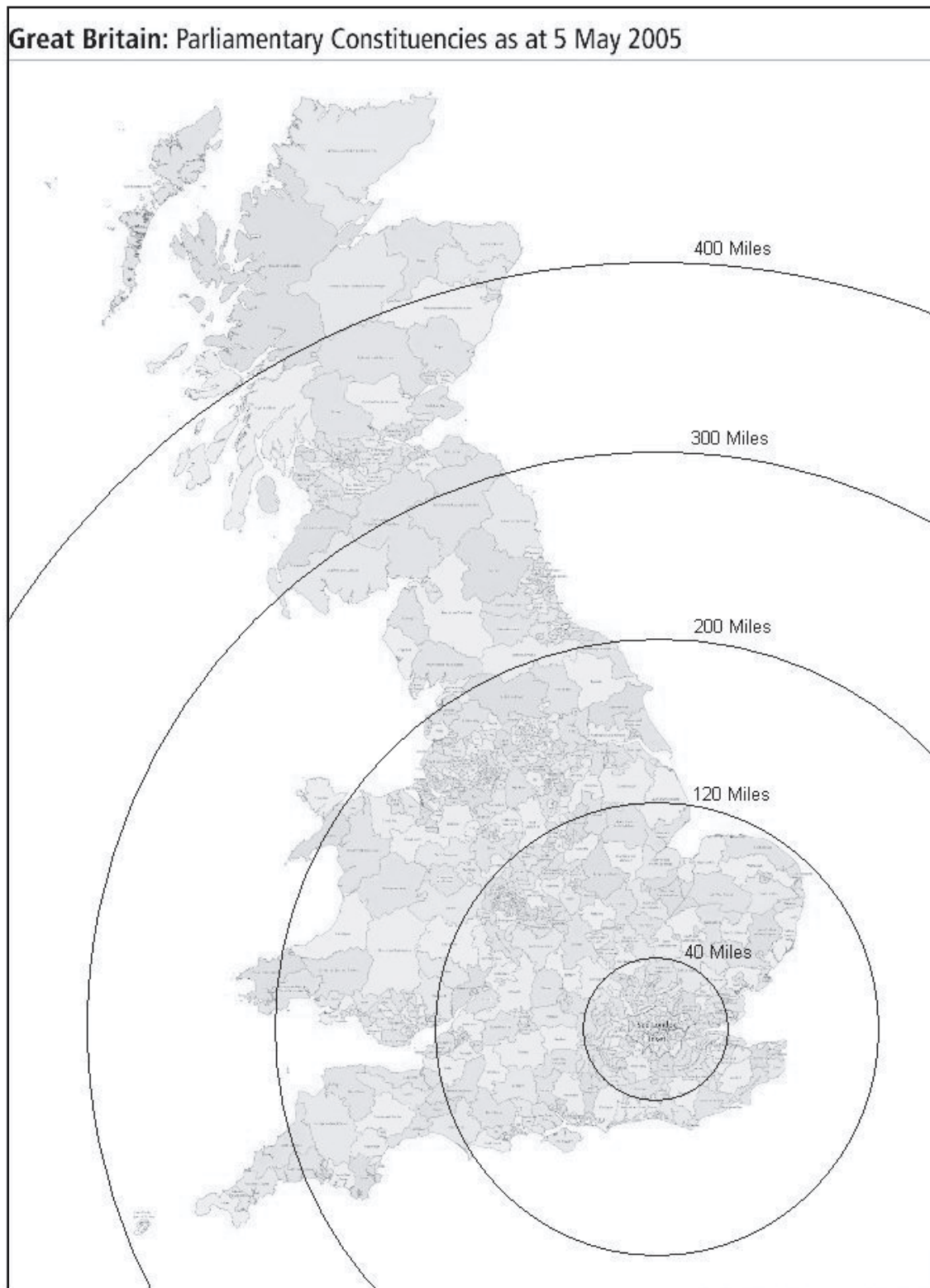
#### WESTMINSTER TO CONSTITUENCY TRAVEL

14. A review of Members' travel patterns was undertaken to determine how many times Members travelled between Westminster and their constituencies each year. Most Members with distant constituencies make one return journey per week with occasional additional journeys made in recess. Members with constituencies closer to Westminster make a larger number of journeys as they often return during a sitting week.

#### *London to Constituency Banding*

15. A graphical representation of a London to constituency banding can be seen from the map on the following page. For the purpose of this exercise, a constituency was considered to be within a given band if it contained at least approx 80% of its area.

## MAP OF LONDON TO CONSTITUENCY BANDING



NB: Northern Ireland constituencies (not shown on map) fall within the 300-400 mile band.

16. Two banding models have been devised based on the map, as seen in the tables below. Model 2 has an additional London banding.

17. The return journey cost is based on a constituency on the outer edge of each band and the cost taken from the National Rail ticket guide or, for the bands further away, based on flight costs.

#### LONDON TO CONSTITUENCY BANDING MODEL 1—NO LONDON BAND

<i>Band</i>	<i>Distance</i>	<i>Number of Members</i>	<i>Number of Return Journeys</i>	<i>Return Journey Cost</i>	<i>Annual Budget per Member</i>	<i>Total Budget</i>
1	0–40 miles	133	60	£45	£2,700	£359,100
2	40–120 miles	186	40	£135	£5,400	£1,004,400
3	120–200 miles	204	40	£246	£9,840	£2,007,360
4	200–300 miles	46	40	£355	£14,200	£653,200
5	300–400 miles	69	40	£500	£20,000	£1,380,000
6	400+ miles	8	40	£680	£27,200	£217,600
						<b>£5,621,660</b>

#### LONDON TO CONSTITUENCY BANDING MODEL 2—WITH LONDON BAND

<i>Band</i>	<i>Distance</i>	<i>Number of Members</i>	<i>Number of Return Journeys</i>	<i>Return Journey Cost</i>	<i>Annual Budget per Member</i>	<i>Total Budget</i>
0	London	74	120	£8	£960	£71,040
1	15–40 miles	59	60	£45	£2,700	£159,300
2	40–120 miles	186	40	£135	£5,400	£1,004,400
3	120–200 miles	204	40	£246	£9,840	£2,007,360
4	200–300 miles	46	40	£355	£14,200	£653,200
5	300–400 miles	69	40	£500	£20,000	£1,380,000
6	400+ miles	8	40	£680	£27,200	£217,600
						<b>£5,492,900</b>

Every Member falls into one of the bands in the London to Constituency and Constituency Mileage Models and their annual travel budget would be the combination of both.

Alternatively, a preference could be made for just one of the above elements.

#### EFFECT OF THE MODELS—WINNERS AND LOSERS

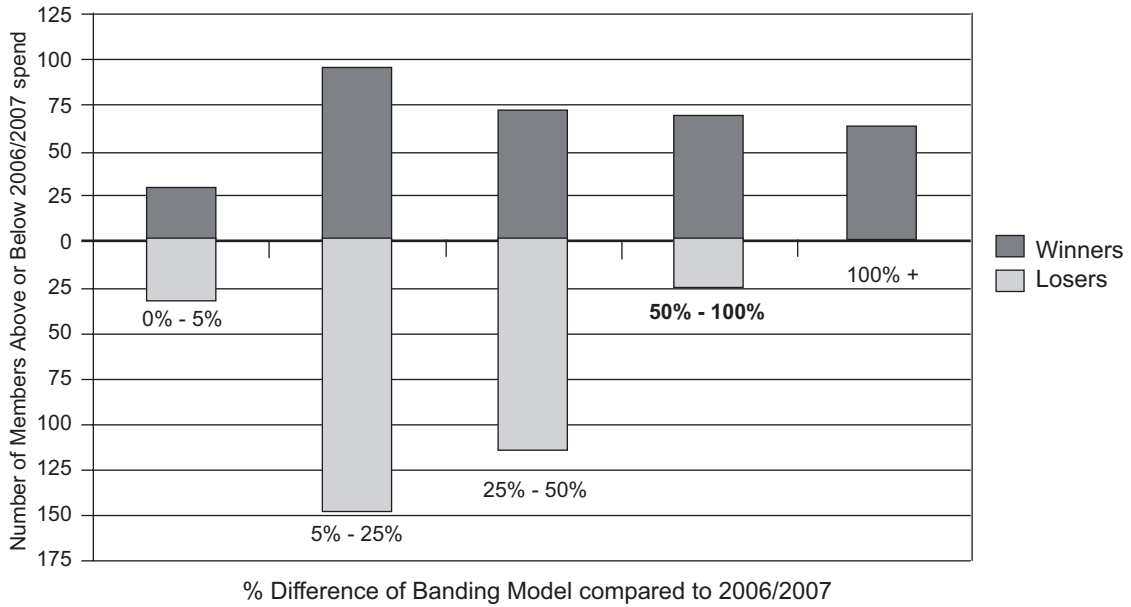
18. In all cases, the overall cost of the models is broadly neutral. However, there are winners and losers. The graph below shows the comparison between the model and the actual level of claims made by Members in the 2006–2007 financial year.

19. This shows that, based on the figures shown in the charts above, around 30 Members gain by up to 5%, with a similar number losing that amount.

20. Where the gain or loss is between 5% and 25%, there are a higher number of Members affected (almost 100 “winners” and 150 “losers”). As the differentials increase, the proportion of winners also increases, with approximately 60 Members receiving more than 100% as against what they actually claimed in the 2006–2007 financial year.

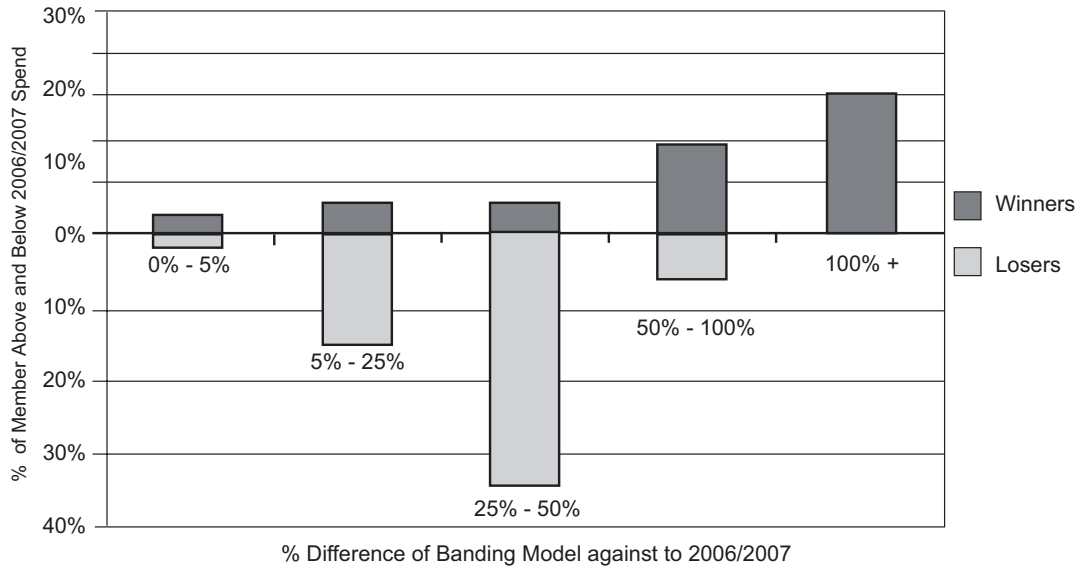
Overall, the difficulty is the marked contrast and the significant loser group.

**Comparison of Both Elements of Banding Model against Member Spend in 2006/2007**



Using just the constituency size element, it can be seen that similar difficulties prevail. This is based on a sample of 80 Members.

**Comparison of Constituency Element of Banding Model against 2006/2007 Spend**



## 7. PARTNER TRAVEL

### OVERVIEW

1.1 The SSRB recommended that the spouse travel entitlement be extended to a named partner where a Member did not have a spouse or civil partner (for details see Annex). It was suggested that “named partners” could be defined using information from the Parliamentary Contributory Pension Fund. This paper considers the practical details of this recommendation.

1.2 Currently, up to 30 single journeys between London and the constituency or the Member’s main home may be claimed for married partners and partnerships made under the Civil Partnership Act 2004 (The Green Book, 7.6.1–7.6.2). We estimate about 100 Members could benefit from this extension at a probable cost of some £100,000. The spouse and civil partner journeys are not considered a taxable benefit as a result of a long standing concession from HMRC. Using PCPF data to define partners, although seemingly objective, presents a number of problems as set out below.

### NOMINATION OF PARTNERS IN THE PCPF

2.1 Members of the PCPF may nominate a partner to receive a dependant’s pension in the event of their death using part two of the PCPF Death Nomination Form. Spouses and civil partners automatically receive this benefit, without the need for nomination.

2.2 Members can also nominate one or more individuals or charities to receive a 4x salary lump sum, which is paid on death in service. As this nomination is not restricted to partners, it cannot readily be used as a criterion for spouse travel purposes.

2.3 Both nominations are held by the PCPF, not the House. If the House wished to use PCPF records for travel claims, permission would have to be obtained from the relevant Member. In the future data collection could be adjusted to obtain permission at the time of nomination. If permission was not forthcoming no entitlement to the information by the House would exist.

2.4 The criteria for award of a dependant’s pension are:

- (i) the pension member and nominee must have been in an exclusive, financially dependant/interdependent relationship and
- (ii) this relationship must have existed for a minimum of two years at the time of death.

2.5 However, at the time of registration, no checks are made to verify the relationship, as the conditions apply only at the date of death. Thus, under the current pension system, the status of the nominee’s relationship with the pension member is not verified.

2.6 Checks for evidence that might be made on death but are not at the time of nomination are:

- (i) joint mortgage or rent agreement;
- (ii) joint bank account;
- (iii) evidence of payment arrangements for household expenses;
- (iv) evidence of the member and their partner living at the same address;
- (v) children’s birth certificates where the member and partner are shown as the parents; (ie not short birth certificates showing only the date of birth.)
- (vi) partner is a beneficiary in member’s will.

2.7 Extension of this pension nomination to the immediate qualification for travel would therefore not be a simple “read across”. Instead the House authorities would have to make an immediate check against agreed criteria (which could be as in 2.4). This check would be irrelevant for pension purposes because it would have to be reassessed on death. Arguably therefore the pension connection made by the SSRB is something of a red herring.

2.8 The House, if minded to pursue the SSRB’s recommendation, could either

- (i) produce its own criteria and operate a separate system; or
- (ii) use the pension nomination but in the knowledge that no checks had been run to establish whether the person was indeed a long-term partner.

2.9 The second of these options would be a curious choice in the context of a review which was looking to provide greater reassurance about the House’s systems for administering Members’ allowances. It would also be at odds with the Scottish Parliament review which has recommended withdrawal of all family travel.

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**CONCLUSION**

3.1 Extending spouse travel to long-term partners can be done. But it is not as simple as the SSRB and their advisers led themselves to believe. The pension nomination route is sub-optional. And any extension is likely to end the tax concession currently enjoyed.

**Annex**

*Page 63, Review of parliamentary pay, pensions and allowances 2007 Volume I*

6.23 Members are entitled to claim reimbursement for up to six return journeys between their home and Westminster per year for their spouses and children (under 18). Ministers and other paid office holders in the Lords can claim up to 15 return journeys each year for their spouses and children. These entitlements were extended to include registered civil partners in November 2006. A number of members felt that this entitlement should increase to match that of MPs (30 single journeys a year between the constituency or main home and London for spouses, civil partners and children aged up to 18). However, MPs are generally required to divide their time between London and their constituencies. Members of the House of Lords do not face the same pressure to maintain a home away from London, although they may choose to do so. We therefore recommend no increase in the number of return journeys available to the spouses, civil partners and children of members of the House of Lords.

6.24 We heard from some members who felt that it was unfair that long-term partners do not have the same travel entitlement. We agree and recommend that the travel entitlement be extended to include a named partner.

Recommendation 33: We recommend that Spouses', Civil Partners' and Children's Travel entitlement be extended to include a named partner where a member does not have a spouse or civil partner.

*Page 43, Review of parliamentary pay, pensions and allowances 2007 Volume II*

4.72 These arrangements have recently been extended to unmarried MPs with registered Civil Partners and the SSRB has been asked to endorse this and to consider whether it should be extended further. In our view spouse travel should additionally be available for any partner who is registered under the House of Commons pension scheme as the sole beneficiary. However, we do not believe that it will be practical for travel arrangements to be extended further because the reimbursement should only be applied to those who can be defined by reference to objective criteria.

*Report to the Review Body on Senior Salaries, Review of Parliamentary Pay and Allowances, PricewaterhouseCoopers LLP.*

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## 8. CAR LEASING

### PURPOSE

1. The Department of Resources was asked to investigate the possibility of the House acting as a corporate body for the purposes of leasing cars for Members. This note sets out the results of initial research.

### SUMMARY

2. The issues to be considered are fairly detailed and are set out in the annex. Broadly, the House administration (or, rather, the Corporate Officer) could act as a corporate body for the purposes of leasing cars for Members; however with any scheme

- Costs begin to get cheaper than for personal leasing once the organisation commits to take 50+ cars.
- The costs are calculated on a number of variables, including expected mileage, make/model of car etc. There are too many variable to provide costs at this stage.
- Ownership does not pass to the user but remains with the leasing company.
- There are a number of factors to consider, for the House administration as well as the Members, including legal implications in the case of motoring offences, accidents etc.
- The question of what would happen after an election would need to be considered, as contracts are usually for a fixed period with heavy early-release penalties.

## CONCLUSION

3. A car leasing scheme is feasible, but the details would have to be worked up with care. Before doing so the MEC would need to provide a steer as to whether its interest is

- (a) in achieving economies of scale (through bulk ordering) with leasing costs being met by the Member; or
- (b) as a service provided “free” by the House administration perhaps offset by a reduction in an allowance (as with the office accommodation arrangement discussed on 7 May);

4. If the former, the MEC, might wish to consider whether it might be more appropriate to decide on such an arrangement separately from the review of allowances, along with other possible contractual arrangements to achieve better value for money (for example, photocopiers rental has previously been mentioned).

**Annex**

## CAR LEASING/CONTRACT HIRE

This product is offered in two distinct forms:

- Personal leasing for individuals (ie Members).
- Contract Hire for companies/ authorities (ie the House).

In reality both products are the same.

The product is variable depending on user choice and may include any of the following options:

- Vehicle only (supported by manufacturers’ warranty).
- Servicing.
- Full maintenance (to include necessary tyre change, brake pads etc).
- Road tax.
- Insurance.

## TECHNICAL

### 1. *Legal Ownership*

The essence of this type of arrangement is that legal title in the vehicle can never pass to the lessee. At the end of the agreement the vehicle is returned to the lessor.

2. Contract term can be anything between 18 months and 5 years.

3. All rentals are subject to VAT.

4. The norm is a 3 year contract. This dovetails perfectly into the period of manufacturer warranty so the rentals need to reflect only servicing costs and not replacement of worn out items.

5. It is customary to pay an initial rental amounting to three months rental in advance—though this is negotiable. Remaining rentals start immediately, so the three month pause is at the end of the period—eg on a 3 year contract you would pay 3 in advance + 33 monthlies starting a month after the contract date.

6. The residual value must be based on mileage, so an annual mileage must be agreed at the outset. This will be reviewed mid contract and it (and the rentals) will be adjusted accordingly.

7. Where a vehicle is returned in a poor condition, damaged or with excess mileage, an additional charge will be made. (Mileage at 6p a mile).

## FINANCIAL CONSIDERATIONS

It is difficult to come up with a simple cost formula at this stage as this depends on the model chosen, its specification (for example, there are over 190 options for a Ford Mondeo alone), annual mileage, contract term, etc. Equally, depreciation varies by model and this must all be built into rental cost. There are simply too many variables.

## VAT

If the House chose to act as lessee for cars supplied to Members then it could reasonably be considered that the VAT element is neutral as it is paid back into the public purse.

For Personal Leasing Plans, the Member would have to pay the VAT, which is not recoverable.

## PERSONAL TAXATION

Many employers have switched to give their employees a “car allowance” rather than run fleets themselves in view of the tax position; cars are a taxable benefit. Although Members are not employees as such, they would still have to pay benefits tax if the House provided the car under a lease or otherwise. This would be avoided if the personal leasing option were taken.

## MARKETPLACE

The car supply marketplace has historically been volatile, and prices and discounts available tend to fluctuate on a quarterly basis depending on sales and manufacturer aspirations. Current discounts would be reflected in the rental at the inception of the individual contract. Anticipated residual values will change also from time to time, and these will also affect rental cost.

## ADDITIONAL SUBSIDY—REDUCED COST

To achieve an additional subsidy from the manufacturer, a commitment to take vehicles would be needed. Here, fleet discount comes into play.

This would be subject to negotiation with the manufacturer, and would depend on the value of the fleet to be acquired. No examples have been obtained. The greater “the fleet” the bigger would be the subsidy.

This additional subsidy could be collected in one of two ways:

- (1) By offering a reduced monthly rental **OR**
- (2) By a payment back to the House (if personal lease at full cost to MP)

There is also an option for the House to subsidise the rental by paying an agreed sum to the lessor to reduce private leasing rentals to the end user (Member), should this be the favoured option.

## UNDERWRITING

Clearly, if the House was to be the lessee, then its credit is undoubted and no formal underwriting process would be necessary. However, if the Personal Lease option was to be chosen, then individual MPs would have to be credit checked, though “lightly”. Should a Member have a chequered credit history (County Court Judgments etc), this could prevent approval without the indemnity of the House.

## FURTHER CONSIDERATIONS

### *Legal Implications*

1. If the House were to become the Lessee it would need to apply some resource to manage its “fleet”. It would receive parking and speeding tickets and congestion charge penalties etc and it would need to be able to pass these on to the respective Member.

In the event of non payment by the Member the House would ultimately be responsible for payment.

2. The House would need to investigate and consider the implications of the recent addition of the “Corporate Manslaughter” legislation and how this would come into effect if one of “its” cars was involved in a fatal accident.

3. There may be others.

### *General Elections/Premature Retirements/By Elections*

The uncertain nature of the term between elections gives added complications.

#### 1. Early Termination

Such agreements are based on a fixed term and rely on full payment of rentals. Early termination in the result of a change of Member for what ever reason would be costly. The vehicle could not simply be returned without payment of a substantial proportion of outstanding rentals. (This would be subject to negotiation but not less than 50%).

## 2. Transfer of Hiring (Novation)

It is possible to transfer a personal lease from one individual to another, though this would depend on the willingness of the incoming MP to take over the commitment. If the HoC were the lessee, then obviously it could simply re-allocate the vehicle (no transfer of hiring being needed), though this is another “fleet management” role.

## 9. ADDITIONAL COSTS ALLOWANCE—SPENDING PATTERNS

This report looks at how Members spend their Additional Costs Allowance (ACA) and whether there are any factors that may dictate spending patterns. The following figures are based on the 2006–2007 financial year which had an ACA budget of £22,110 per eligible Member.

The figures for graphs 1 to 3 are based on all Members who are eligible to claim for ACA or on those Members who made an actual claim against the allowance.

Graphs 4 to 6 are based on a sample of 50 (8.5% of total claimants) randomly selected Members. These Members vary by Party membership, constituency location, date elected and type of claim (mortgage, rent or owner). The sample was chosen to give a fair representation of all Members.

### SUMMARY OF STATISTICS

#### *Graph 1—Use of Additional Cost Allowance*

- There are 621 Members eligible for ACA, of which 589 have made a claim from ACA. 70% claim mortgage costs on their second homes. Others claim rent or ad-hoc stays in hotels. A small number (29) have no mortgage remaining and only claim for ongoing running costs (utilities, maintenance etc).
- There are 272 MPs (44%) who claim over 99% of the Allowance (£21,889). There are a further 121 MPs (19%) who claim over 90% (£19,889) which is a total of 393 MPs (63%).
- The average spend on the allowance is £19,375 (88% of the total). This takes account of only the Members who claim.

#### *Graph 2—Location of ACA Home*

- Most Members have their second homes in London (around 80%). This proportion decreases for the (relatively small number of) Members who own their property outright, where around two thirds claim for their constituency home.

#### *Graph 3—Average Mortgage Interest Costs of MPs by Year MP Elected*

- There is little difference in the level of claims based on party membership; geographical location of constituency; or the length of time served by the Members.  
However, Members with more than 25 years service claim the least (average £16,566). This is due to mortgage interest costs which are comparatively smaller than MPs elected later or have been paid off completely.

#### *Graph 4—Breakdown of ACA Expense by Year MP Elected*

- When costs are broken down, the mortgage interest makes up the highest expense on the Allowance with food the second highest. The average for “other” costs (which includes furnishings, white goods, major repairs etc) is around £2,000 per year.

#### *Graphs 5 and 6—Percentage and Cost Breakdown of ACA Expense by Mortgage/Rent Type*

- The average mortgage interest for Members is £12,000.
- Rental costs, in general, are higher than mortgage interest costs at an average of £15,000. However, Members who rent claim, on average, less than those who own their own property. This is possibly due to the fact that they are not responsible for repairs, maintenance, improvements etc.
- In terms of affordability, the average spend on mortgage interest is approximately £12,000 per annum. This equates to a mortgage of around £225,000. This is consistent across properties in both London and constituencies. This is, of course, dependent on interest rates and the table 2 (London Property Facts) shows the level of annual charges against different property prices against a range of interest rates.

**INCREASE IN PROPERTY PRICES SINCE 1997**

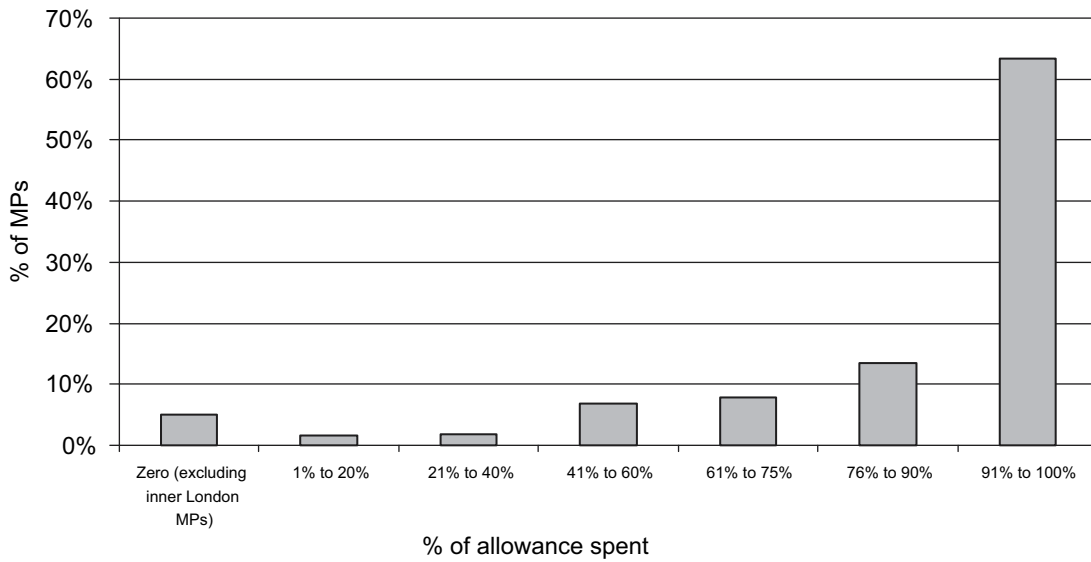
The following table shows the effect of property increases since 1997 on properties in the Westminster area.

<i>Price of 1 bedroom flat</i>	<i>2008</i>	<i>1997</i>	<i>Gross Profit</i>	<i>Capital Gains Tax (18%)</i>	<i>Net profit</i>
Westminster	£300,000	£100,000	£200,000	£36,000	£164,000
Kennington	£250,000	£83,333	£166,667	£30,000	£136,667

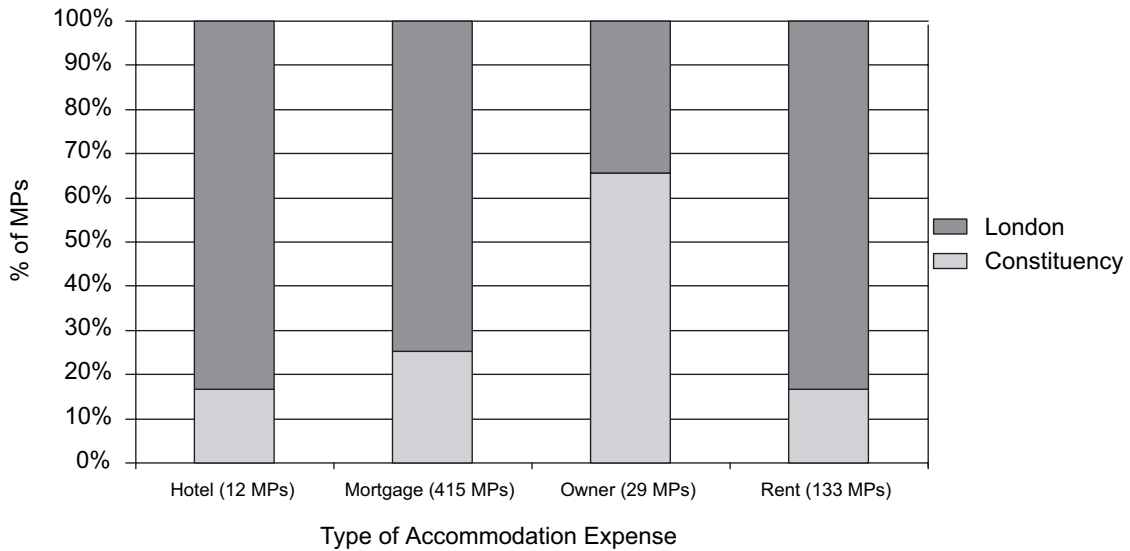
Notes: Prices taken from several property websites, looking at lower end of market. Westminster properties taken from Marsham Street/Pimlico area.

All price indicators suggest an (approximate) threefold increase in property prices since June 1997. 2008 prices have therefore been reduced accordingly by one third for 1997 figures.

**Graph 1 - Use of Additional Cost Allowance 2006/07**

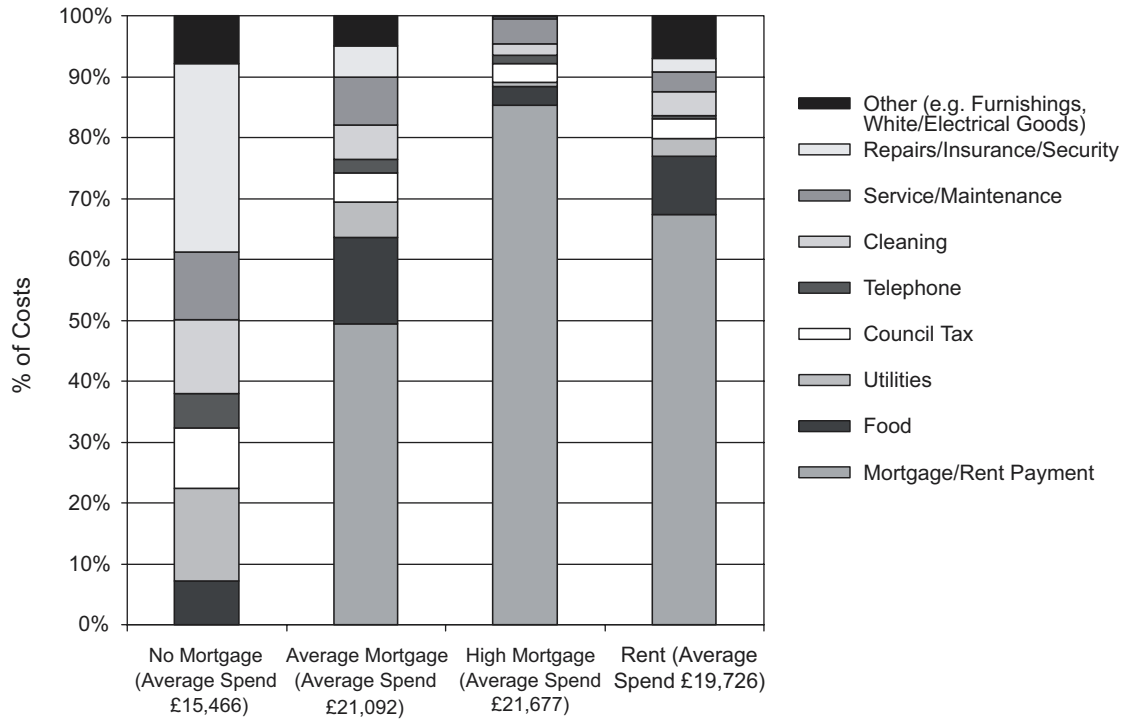


**Graph 2 - Location of ACA Home**

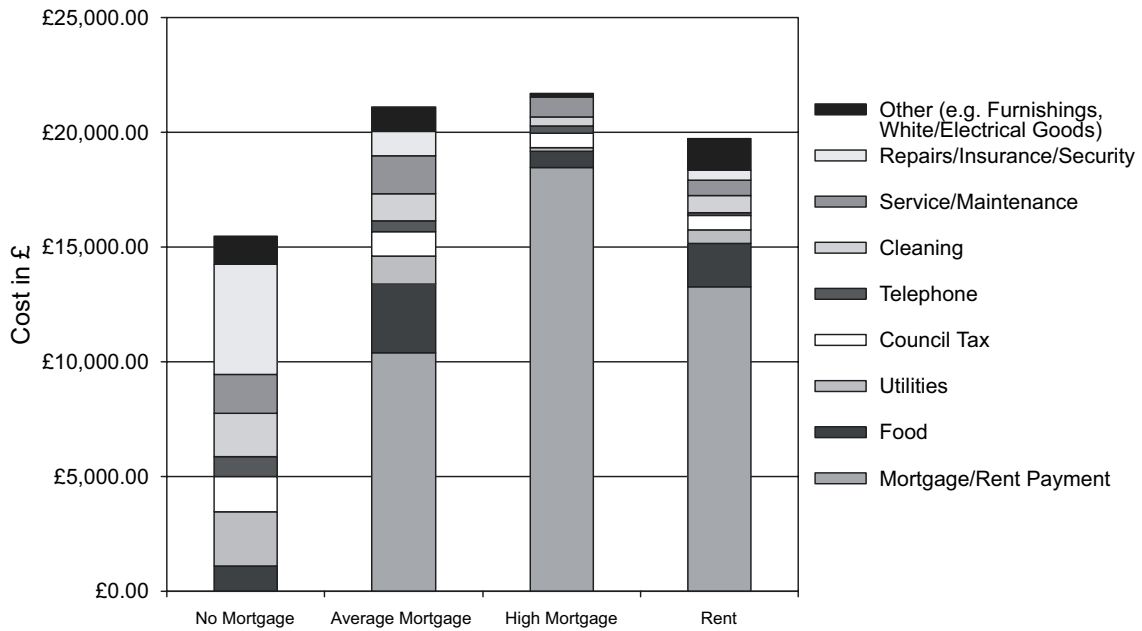




**Graph 5 - Percentage Breakdown of ACA Expenses by Mortgage/Rent Type**



**Graph 6 - Cost Breakdown of ACA Expenses by Mortgage/Rent Type**



## LONDON PROPERTY FACTS

**Table 1**

## AVERAGE COST OF FLAT PRICES IN LONDON

The following table shows the average cost of a one or two bedroom flat in various parts of inner London. The figures were taken from different sources including the January 2008 review of flat prices by the Land Registry of England and Wales and various estate and letting agencies detailing current properties on the market.

<i>Area</i>	<i>Av Price (1 Bedroom)</i>	<i>Av Price (2 Bedroom)</i>
Kensington & Chelsea	£504,763	£732,772
City of Westminster	£411,793	£616,741
City of London	£464,857	£489,990
Hammersmith & Fulham	£364,363	£458,336
Southwark	£330,594	£430,933
Camden	£270,106	£434,537
Islington	£278,963	£359,077
Tower Hamlets	£249,049	£339,138
Wandsworth	£270,296	£305,297
Lambeth	£208,700	£313,414
Hackney	£175,750	£257,483
Greenwich	£169,533	£217,972
Lewisham	£168,861	£208,574

**Table 2**

## MORTGAGE INTEREST RATES

The table below shows the amount of Mortgage interest that would be payable for various Mortgage amounts at different interest rates.

<i>Mortgage Amount</i>	<i>Cost of Annual Mortgage Interest Payable in Relation to Amount of Mortgage</i>				
	<i>4%</i>	<i>5.25% (Current)</i>	<i>6%</i>	<i>7%</i>	<i>8%</i>
£100,000	£4,000	£5,250	£6,000	£7,000	£8,000
£150,000	£6,000	£7,875	£9,000	£10,500	£12,000
£200,000	£8,000	£10,500	£12,000	£14,000	£16,000
£250,000	£10,000	£13,125	£15,000	£17,500	£20,000
£300,000	£12,000	£15,750	£18,000	£21,000	£24,000
£350,000	£14,000	£18,375	£21,000		
£400,000	£16,000	£21,000	£24,000		

## ADDITIONAL COSTS ALLOWANCE—GEOGRAPHICAL FACTORS

This short report looks at how members in the South East make use of the Additional Costs Allowance and in particular those that represent Outer London constituencies and those whose constituencies are within 40 miles of Westminster.

## BACKGROUND

Members who represent Inner London constituencies are not able to claim the Additional Costs Allowance; instead they receive a London Supplement to recognise the fact that their main place of work is in London.

Members representing Outer London constituencies have a choice of claiming the ACA or receiving the London Supplement.

All other Members are able to claim the ACA. If they do not, no supplement is payable.

*Map 1—Outer London members and ACA*

Of the 49 Outer London Members, 23 claimed ACA for the 2006–2007 financial year, all but two of whom have (or had) mortgages on their second home. The average annual expenditure is £17,200.

The attached map shows that there is no pattern to where the constituencies are when Members choose to claim the allowance.

The average distance between Westminster and the relevant Member's main home address is 11 miles. The average door to door journey time, based on information gained from the Transport for London website, is just under an hour with an upper limit of 75 minutes (for two Members, where in both cases, the advertised journey time has been adversely affected by engineering works).

Outside of London, there are 9 Members who choose either not to claim ACA at all or stay on an ad-hoc basis in hotels as and when required. Again there is no pattern to where these constituencies are and it appears to be a matter of personal choice for the Members concerned.

## ACA HOMES OF NON-LONDON MEMBERS

There are approximately 35 Members whose second (ie ACA) homes are in Outer London constituencies. 30 are Non-London constituency Members, with 5 being Outer London Members whose main home is based outside of London.

In these instances, the Members are choosing to commute from constituencies where the local Member is able to use the ACA to buy or rent a second home closer to Westminster.

*Map 2—A banded model*

The Scottish Parliament splits its constituencies into three bands.

Band 1 includes constituencies that immediately surround parliament and for which there is no overnight subsistence available

Band 2 includes constituencies that are within (approximately) 40 miles of Parliament. MSPs are able to claim a nightly subsistence rate (£110.45) for times when they are unable to return to their constituencies.

Band 3 includes constituencies that are more than 40 miles away from parliament. MSPs are entitled to an annual allowance of £11,400 which may currently be used against rent or mortgage interest costs.

If a similar system were to be used in Westminster, excluding Outer London constituencies, there are 53 constituencies that are exclusively within 40 miles of the Palace. There are a further 22 that are partially within 40 miles.

A circular boundary will produce some likely anomalies. For example, Bedford (172 on map) is outside the 40 mile boundary but is bordered on all four sides by NE Beds and Mid Beds, both of which fall partly within the boundary. Similarly, the two small constituencies of Reading East (213) and Reading West (212) fall either side of the boundary; and the highly commutable constituencies in and around Brighton are outside the boundary but (potentially) less accessible constituencies are inside.

## COMMUTING TIMES

The following tables show 4 Outer London constituencies and 4 constituencies on the 40 mile Westminster boundary along with the associated commuting time.

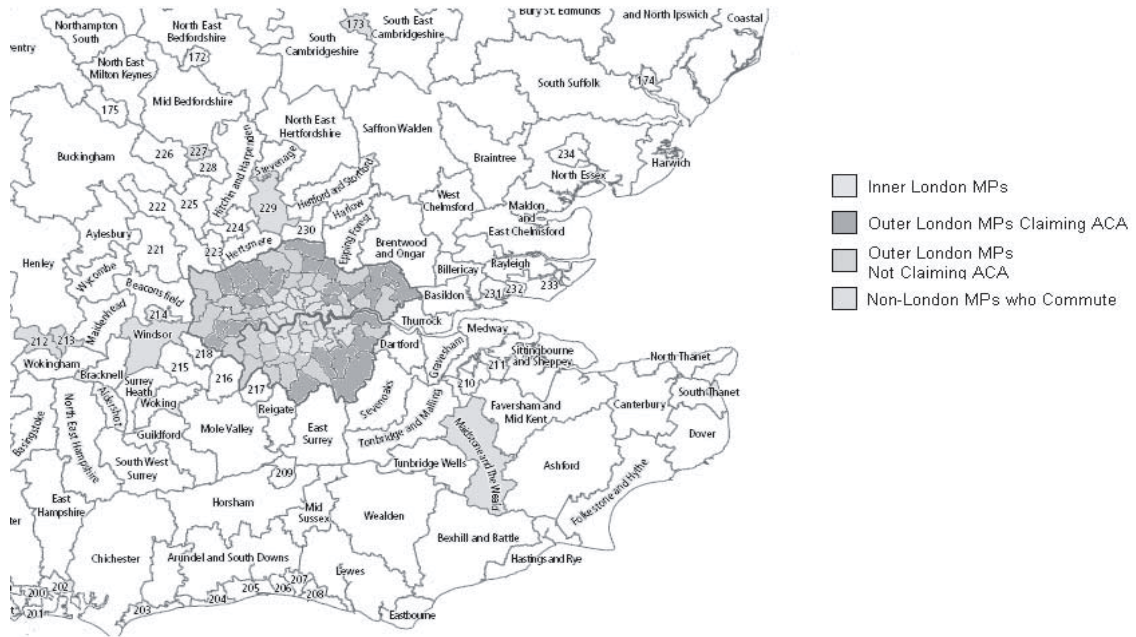
<i>Outer London Constituencies</i>	<i>Journey time*</i>
Orpington	65
Harrow West	54
Edmonton	66
Ilford South	63

<i>40 Mile Boundary Constituencies</i>	<i>Station (const)</i>	<i>Station (London)</i>	<i>Train time**</i>
Wokingham	Wokingham	Waterloo	59
Lewes	Lewes	Victoria	66
Saffron Walden	Audley End	Liverpool St	66
Sittingbourne & Sheppey	Sittingbourne	Victoria	59

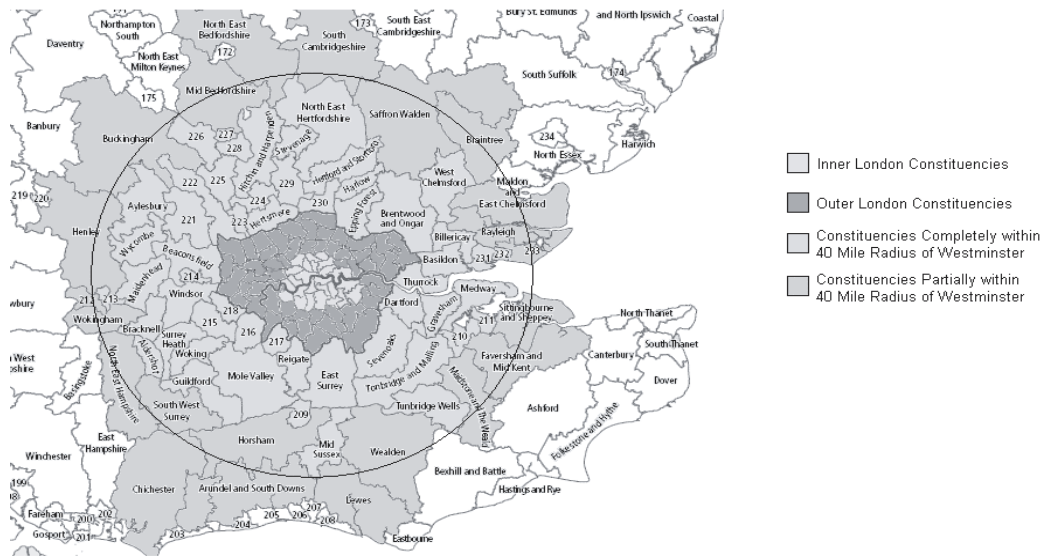
\* All journey times taken from Transport for London website. All journeys start at 10.30 pm from Westminster to the relevant Member's home address.

\*\* Train times taken from "Rail Times for Great Britain" publication. Times do not include connecting journeys at either London or constituency.

Map 1 – Outer London MPs who Claim ACA Allowance



Map 2 – Constituencies which Fall within 40 Mile Radius of Westminster



## 10. EXPENSES ARRANGEMENTS IN OTHER ORGANISATIONS

### PURPOSE

1. This note is an interim report on expenses arrangements in other organisations. It is provided as background information to support, or in some cases refute, generalised comments that “in the private sector they . . .” or “in the public sector they . . .”. The note is based on interviews and documentation and focuses on travel and subsistence (ie payments to meet daily or overnight costs away from the main place of work). Some people and organisations wanted to remain anonymous and this request has been respected in this note. We are continuing to explore arrangements in other organisations to provide a wider picture.

### SUMMARY

2. The following provides a summary of the main points, for the public and private sectors. More detailed notes are provided in the annex.

#### *Public sector*

- There is no single arrangement in the civil service; this disappeared when pay and grading was devolved in the 1980s. In some cases (eg Foreign and Commonwealth Office and Ministry of Defence), payment is only made on the basis of actuals within upper limits, with receipts expected in all cases. In others (eg Department of Health) staff can claim a flat rate without receipts, the amount varying depending on the length of time out of the office. In only one case so far (again, Department of Health), staff above grade 7 can self-authorise but mostly this is not permitted. In other cases claims are checked by a line manager or other authorising officer. Examples of arrangements are included in the annex.
- The information provided for an NHS Foundation Trust, County Council and Police Authority shows that receipts are required for all claims, including for executive and non-executive directors, and that self-authorisation is not allowed. There are minor differences between organisations in what can be claimed, some allowing taxis and alcohol with meals, for example, others not.
- All those explored so far use the HMRC rates for mileage, as currently used by the House of Commons.

#### *Private sector*

- Information provided by a membership organisation representing businesses indicates that, although there may be minor variations in what can be claimed within their member organisations, the process is pretty standard: receipts are required, which are checked and approved by someone else, including at director level.
- The arrangements for the representative body itself, which is run by members for members, and is funded out of membership subscriptions, are that salaried staff can claim reimbursement for reasonable expenses incurred, receipts are always required and self-authorisation is not allowed, even at senior levels.
- The business members who act as volunteers to help run the organisation can claim an attendance allowance for meetings actually attended (£80 per day) and expenses for travel and subsistence. Receipts are required and are checked and authorised by the finance department.

### CONCLUSION

3. In general, organisations have been wary of providing evidence, especially those in the private sector. It is not possible to draw firm conclusions from the material researched so far, although it does begin to suggest that it is now pretty standard to require receipts for all travel and subsistence claims in the private sector, with flat rates now certainly no longer being standard in the public sector. The number of organisations reviewed is small so far and others will continue to be researched with a further report compiled.

4. Other sorts of expenses exist in the private sector, such as entertaining clients. We have not found it easy to explore this area and arguably it is not relevant. But oversight exists even at senior levels and a reasonableness test applies.

## INFORMATION ON EXPENSES ARRANGEMENTS IN OTHER ORGANISATIONS

1. For the three types of organisation within the individual's experience, discussions were held about:
  - What could be claimed.
  - How claims were made.
  - Whether checks were carried out.
  - Rules versus reality.

*County Council*

2. For many years Councillors had claimed an hourly rate for attending meetings and travelling time and had also claimed for mileage at rates which were set nationally. About 12–15 years ago, legislation was introduced which allowed Councils to pay Councillors a Basic Allowance (eg £5,000 per annum) which covered attendance at meetings, time for reading Council papers and attending to constituency work. The allowance also covered the cost of telephone calls and sending letters on Council business. In addition Special Responsibility Allowances could be paid to leading members (eg the Leader and Committee Chairmen) to cover their additional responsibilities. Councillors had a Common Room where they could meet and have coffee and some limited secretarial support was available, mainly for the senior members.

3. Councillors and directors could claim for mileage, train fares, parking and hotel accommodation. Claims by councillors were checked by the committee secretariat, who knew which meetings had been attended. Claims by directors were checked by the Chief Executive, and claims by the Chief Executive were checked by another director. There was no self-authorisation. In all cases claims were checked to see whether the type of expense and amount claimed were reasonable and appropriate and that the necessary evidence had been provided.

4. Other than for mileage (for which the rate was the standard HMRC rate), claims were made on the basis of actual costs incurred and receipts were required for all items. There was no specified limit, for example for hotels, but it was understood that costs should be modest and levels could be challenged. For overnight stays, claim could only be made for accommodation and meals, but not for items bought from the minibar, video charges, or wine with the meal.

5. Class of travel was changed from first class to standard class. An exception could be made if a group was travelling together and needed to work/discuss.

6. Disputed claims were brought to the attention of the Chief Executive, who would decide whether or not to approve them.

7. As a result of one routine audit check, a Member was found to have claimed, on a number of occasions, for lunch and travel twice for the same day (he had been attending meetings of one Council in the morning and meetings of a different Council in the afternoon in the same town). He was interviewed by the Chief Executive, which resulted in his resignation.

## POLICE AUTHORITY

8. Similar rules applied to Police Authority members, which included local authority members, independent members and magistrates. In addition to claiming expenses for travel and meals (based on actuals), members were paid an allowance, as for Councils, to cover time spent reading papers, attending meetings etc. In one case, a magistrate member had been given paid time off to attend meetings and so to avoid him being paid twice (ie once by his employer and once through the Authority's allowances), agreement was reached with his employer about him taking some unpaid time for his Authority duties and then being able to claim the Authority's allowance.

9. Members could claim the cost of overnight stays, if required, on the basis of actuals within an upper limit.

10. County Councillors and members of the Police Authority were loaned computers and given consumables for printing committee papers. Computers remained the property of the authority and had to be returned on departure.

11. In both organisations, taxis were only used exceptionally; members were expected to use public transport.

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HOSPITAL NHS FOUNDATION TRUST

12. Non-executive directors receive a fee, or annual allowance, for carrying out the role. For some Trusts this is set nationally but for Foundation Trusts they can set their own figure through an independent Board of Governors representing the community (which includes representatives of the local authority, primary care trust, local residents), but based on guidance on what is paid elsewhere.. This might be in the region of £40,000 for the Chairman and £12,000 for others. It is in effect an attendance allowance although no check is made on actual attendance.

13. In addition to the allowances, non-executives can claim travel from home to the hospital (train or mileage), and for attending meetings or conferences away from the Hospital. Free parking is provided at the Hospital but meals are paid for ( at the discounted staff rate). Mileage had formerly been 44p but is now based on the HMRC rate of 40p. If overnight stays are required for meetings or training courses, these are generally booked and paid for the by hospital. If for any reason flights are necessary, these are also booked by the hospital.

14. Claims are checked by the Trust Board secretary, who knows which meetings have been attended. Claims by employed executives are checked by the Chief Executive and the Chief Executive's claims are checked by the Chairman.

15. Reality and the rules are closely aligned. Any exceptions are sorted out individually, and are agreed on a once-off basis.

*Note of a meeting with a senior employee of a business association March 2008*

1. The discussion covered:

- What could be claimed.
- How claims were made.
- Whether checks were carried out.
- Rules versus reality.

2. The association represents over 200,000 companies and entrepreneurs. It is run by a combination of paid staff and volunteers from the business members. The latter receive an **attendance allowance** for meetings attended (£90 per day). They can claim **expenses for travel and subsistence** as follows:

3. *Travel*: HMRC rates for mileage; train based on cheapest fare (first class allowed if demonstrably cheaper than standard fare at time of booking); air travel—standard class; no family travel; can claim station and airport parking; congestion charge generally excluded although there are some exceptions. Receipts are required for all journeys other than by car, for which the claimant must provide details of journey against which to verify mileage claimed. Taxis are allowed although overuse is discouraged and may be challenged. Airmiles can be retained for personal use.

4. *Accommodation*: London, Brussels and similar overseas cities, up to £100; elsewhere up to £75. Receipts required.

5. *Subsistence*: maximum rates apply: £5–£15 for 5–10 hours away from home/office; £10–£30 for over 10 hours away from home/office. Receipts are required (credit/debit card receipt not acceptable), but where these are difficult to obtain, a maximum of £5 for any one meal can be claimed without a receipt for 5–10 hours away and £10 for over 10 hours away

6. *Authorisation*: self-authorisation is not allowed. Claims received later than 3 months of the expense being incurred may not paid. Claims are returned if the forms are not completed correctly and if the relevant evidence is either not attached or does not tally.

7. The same rules for travel and subsistence apply to the organisation's paid employees, with travel being booked by an agency rather than personally, to achieve best price.

8. The organisation has offices around the country. Payment of office equipment is handled centrally, and details held on an asset register. A bar-coded asset label is sent to the regional office for attaching to the item. Random audits are conducted to check that equipment is in the office for which it was purchased.

9. In terms of sanction, this can ultimately be dismissal at both the paid staff and volunteer level

10. The organisation confirmed that these basic rules applied across their member businesses, with minor variations only in what can be claimed rather than the process. Receipts were required and self-authorisation was rare. Petty cash was often an area of close attention, with all expenditure requiring receipts. It was often managed at senior levels to send the message that the organisation took the whole issue of expenditure at whatever level seriously.

## CIVIL SERVICE

*Department of Health*

Day subsistence: £5 for 5 hours out of the office, flat rate.

Night subsistence: hotels are booked centrally so can rarely be claimed for. £20.50 overnight subsistence rate for meals.

Grade 7 and above self-certify claims.

*Foreign Commonwealth Office*

Subsistence and rates of night subsistence in the UK (for all staff)

Bed and Breakfast ceiling (receipts required): inner London £120, elsewhere £ 80

Residual Subsistence (London & Elsewhere):

Lunch	Actuals up to £5
Dinner	Actuals up to £20
Personal expenditure	£3
Travel	Actuals

UK Rates of Day Subsistence (all staff from 1 April 2001):

More than 5 hours	Actuals up to £ 5
More than 10 hours	Actuals up to £10

*Ministry of Defence*

Subsistence rates: do not pay Day Subsistence Allowance or an overnight allowance for meals. Instead pay actual receipted costs of necessary additional expenditure for subsistence incurred during the day, or for evening meals, where appropriate.

Incidental expenses allowance: £5 in the UK is still payable where employees have to stay overnight.

*Crown Prosecution Service*

UK Rates of Day Subsistence

5–10 hours absence—up to £4.50 subject to the provision of receipts

10–12 hours absence—up to £9.75 subject to the provision of receipts

Over 12 hours absence—up to £13.55 subject to the provision of receipts

Subsistence and rates for overnight absences:

Hotel—actuals within a specified ceiling depending on which town/city, for bed and breakfast.

24hr meal allowance (ie dinner and lunch): Flat rate—£21 plus the appropriate amount of day subsistence must be deducted if a meal is provided by the host during the 24 hour period.

Personal Expenses Allowance: Personal incidental allowance £5

*Department of Works and Pensions*

Day Subsistence allowances:

- (i) More than 5 hours all grades £ 4.75 at least one meal purchased
- (ii) More than 10 hours all grades £ 9.30 at least two meals purchased

Overnight stays:

The actual cost of bed and breakfast will be reimbursed.

In addition an allowance will be paid to cover meals: all locations £21.00

Personal or incidental expenses allowance: £5 per night

## 11. ADDITIONAL COSTS ALLOWANCE: PER DIEM MODEL

### PURPOSE

The question will arise about the per diem rate at some stage. The purpose of this paper is to shed some light on this issue for the MEC. The key matters are about (i) market evidence (ii) the number of any individual losers and (iii) total allowance costs, all three of which are considered in this paper.

Final decisions will be for Members and the House.

### MARKET EVIDENCE: ACCOMMODATION AND SUBSISTENCE COSTS

The table below show various costs that may be relevant as comparators when determining either a per diem rate or annual allowance maximum. This has been split into two elements: cost of accommodation; and a daily food and subsistence allowance.

<i>Cost comparators</i>	<i>Daily rate</i>
<b>Accommodation</b>	
Holiday Inn—Bloomsbury (Govt Rate)	£130
Radisson—West End	£155
City Inn (Westminster)	£200
DEFRA Accommodation Allowance (Inner London)	£90
F & CO Accommodation (Inner London)	£120
<b>Subsistence</b>	
F & CO daily food allowance	£25
DEFRA daily food allowance	£21
House of Commons staff—daily meal rate	£20.50
<b>Average annual rent and essential associated cost in Pimlico/Kennington</b>	<b>£18,000 per annum</b>

### FINANCIAL POSITION OF MEMBERS OF APPLYING A PER DIEM RATE

The table shows the theoretical annual maximum budget for Members claiming a per diem rate. The table ranges from £13200 (120 days at £110 per night) to £25600 (160 days at £160 per night).

The current rate of ACA is £24,006. The median spend for Members who currently claim Additional Costs Allowance (583) is £22,000 (based on a suitable uplift of 2007–08 outcomes).

### Per Diem Matrix – Maximum Budget per Member

Per Diem Rate	Number of Days				
	120	130	140	150	160
£110	£13,200	£14,300	£15,400	£16,500	£17,600
£120	£14,400	£15,600	£16,800	£18,000	£19,200
£130	£15,600	£16,900	£18,200	£19,500	£20,800
£140	£16,800	£18,200	£19,600	£21,000	£22,400
£150	£18,000	£19,500	£21,000	£22,500	£24,000
£160	£19,200	£20,800	£22,400	£24,000	£25,600



Over 50% lose



Fewer than 50% lose



No Losers

## OVERALL COSTS

The projected spend for ACA in 2008–09 is circa £12 million.

There are currently 621 Members who are eligible to claim overnight subsistence (all bar Members representing Inner London constituencies). If there were to be a 90% take up of the per diem rate, the annual cost would be as shown in the following tables.

**Model 1**

## COMPLETE ELIGIBILITY EXCEPT FOR INNER LONDON MEMBERS

## Projected Spend for Model 1 (Based on 90% take up)

Per Diem Rate	Number of Days				
	120	130	140	150	160
£110	£7,377,480	£7,992,270	£8,607,060	£9,221,850	£9,836,640
£120	£8,048,160	£8,718,840	£9,389,520	£10,060,200	£10,730,880
£130	£8,718,840	£9,445,410	£10,171,980	£10,898,550	£11,625,120
£140	£9,389,520	£10,171,980	£10,954,440	£11,736,900	£12,519,360
£150	£10,060,200	£10,898,550	£11,736,900	£12,575,250	£13,413,600
£160	£10,730,880	£11,625,120	£12,519,360	£13,413,600	£14,307,840

Potential Saving    
 Broadly Cost Neutral    
 Additional Cost  
(This key also applies to Models 2 and 3 below)

**Model 2**

## MODEL 1 EXCEPT A HALF RATE FOR OUTER LONDON MEMBERS

## Projected Spend for Model 2 (Based on 90% take up)

Per Diem Rate	Number of Days				
	120	130	140	150	160
£110	£7,086,420	£7,676,955	£8,267,490	£8,858,025	£9,448,560
£120	£7,730,640	£8,374,860	£9,019,080	£9,663,300	£10,307,520
£130	£8,374,860	£9,072,765	£9,770,670	£10,468,575	£11,166,480
£140	£9,019,080	£9,770,670	£10,522,260	£11,273,850	£12,025,440
£150	£9,663,300	£10,468,575	£11,273,850	£12,079,125	£12,884,400
£160	£10,307,520	£11,166,480	£12,025,440	£12,884,400	£13,743,360

**Model 3**

## AS MODEL 1 EXCEPT HALF RATE FOR MEMBERS WITH CONSTITUENCIES WITHIN A 40 MILE RADIUS OF WESTMINSTER

## Projected Spend for Model 3 (Based on 90% take up)

Per Diem Rate	Number of Days				
	120	130	140	150	160
£110	£6,741,900	£7,303,725	£7,865,550	£8,427,375	£8,989,200
£120	£7,354,800	£7,967,700	£8,580,600	£9,193,500	£9,806,400
£130	£7,967,700	£8,631,675	£9,295,650	£9,959,625	£10,623,600
£140	£8,580,600	£9,295,650	£10,010,700	£10,725,750	£11,440,800
£150	£9,193,500	£9,959,625	£10,725,750	£11,491,875	£12,258,000
£160	£9,806,400	£10,623,600	£11,440,800	£12,258,000	£13,075,200

## 12. ADDITIONAL COSTS ALLOWANCE: OPTIONS

### PURPOSE

1. This paper looks at the options for change as identified by the MEC. It considers the overarching design concepts and not the detail of eligibility for London Members and other similar matters.

### KEY FACTS

2. As previously submitted to the Committee, some key facts are
  - 589 MPs claim ACA against an eligible population of 621 (take-up of 95%)
  - 70% claim mortgage costs; and 5% claim only for ongoing running costs (ie no mortgage)
  - Two thirds of MPs eligible for ACA claim over 90% of the total allowance; average spend is circa £20,000pa
  - Average mortgage interest claimed is circa £12,000pa
  - Other costs met are varied and divided fairly evenly between: furnishings etc; repairs and insurance; service and maintenance; cleaning; telephones; council tax; utilities; and food.

### MEC OPTIONS

3. Three options are mooted as possible replacements to the current arrangement, which involves reimbursement of costs through fully received claims. The three are outlined briefly below.

4. **Combining with salary:** this is conceptually straightforward and only the quantum is to be decided.

5. **Overnight costs grant:** Sometimes referred to as “*pay now check later*”, this is understood to be a concept whereby:-

- MPs are paid a standard monthly grant of equal value each month, possibly on production of a simple form certifying that housing or other overnight costs had been incurred.
- A rule book would be available which defined eligible costs in some way, probably both in terms of principles and detailed examples.
- MPs would themselves retain proof of purchase or payment and this proof could be inspected by the House authorities at any time, including during a quality assurance visit.
- At the year end or after an inspection MPs would be required to repay (i) the difference between total grant made and expenditure as evidenced by the MPs records; (ii) any purchases or payments that were outside the scope of the rules.
- Disclosure of spend would be by category (not at item level) as reported by the MP to the House each year, probably through a simple data collection exercise.

6. **Per Diem rate:** this involves payment of a set sum representing a fair estimate by the House of the cost of staying overnight in London, including subsistence costs. For this to be genuinely considered a daily rate there needs to be a linkage with actual attendance or overnight stay in respect of Parliamentary duties. The linkage, whether daily attendance or overnight stay, needs to be objectively assessable, which would seem to argue for the former. If it were attendance then careful thought would need to be given to the drafting of the House resolution so that it dovetails with the section 292 of the tax law.

7. The per diem could be paid either in equal monthly instalments to most MPs on the assumption that taking one month with another the total amount will balance over the year to the required number of days in Westminster; or it could, say, be adjusted monthly to reflect actual attendance the previous month.

### CONSIDERATIONS

8. The attached table summarises the different options and highlights issues that arise in each case. Some issues are inherent in the fundamental design; others may be ones that can be solved in slower time.

9. The MEC will wish to consider whether

- (i) this paper has properly reflected the options
- (ii) any of the fundamental design issues are potential showstoppers for the option in question
- (iii) what, if any, modifications to the options might be required.

## ACA Options

	Method of validation for payment	Sum paid	Audit method	Nature of Rules
Current system	Validation of claims by House officials prior to payment. Payment frequency is matter for Member's own claim pattern. Reimbursement only	Tallies with claim; non taxable	As now. Internal audit; NAO claims testing. Assurance light touch because home premises beyond scope of assurance visit teams	Improved Green Book. Mix of principles and examples as now
Combine with pay	None envisaged or needed	Monthly, taxable; equal amounts	Minimal check on systems of calculation, tax deductions etc	None needed
Overnight cost grant	Simple form with declaration that overnight costs incurred.	Monthly, non-taxable; equal amounts	Significant effort at assurance visit to achieve reconciliation of grant with actual expenditure and to verify conformance with rules	Revamped Green Book. Certainty substituted for flexibility to reduce reconciliation difficulties
Per diem rate	Simple form with declaration of attendance	Monthly; non taxable; equal amounts	Assurance visit and other means to verify attendance. Use of diary, travel details, voting records etc all possible sources	Few simple rules needed which defined 'attendance'
	Nature of disclosure	House Administration	Burden on Member	Pinch points and risks
Current system	Full disclosure as required by Information Tribunal. Complied by officials using data supplied	As now. Some source documentation required from time to time (e.g. mortgage statements). Advisory services available	Basic form filling. Reimbursement can impact on personal cash flow	<ul style="list-style-type: none"> <li>▪ Invites intrusion by journalists</li> <li>▪ Cash flow</li> <li>▪ Interpretation by officials</li> <li>▪ Flexibility risks inconsistency</li> </ul>
Combine with pay	None needed	Simple; payroll only	None	<ul style="list-style-type: none"> <li>▪ Presentation to public</li> <li>▪ Not easily fine-tuned</li> </ul>
Overnight cost grant	By expenditure category. Data supplied by MP	Simple throughout year; significant at assurance or other visits to undertake reconciliation etc. Advisory service availability	Significant requirement to retain relevant evidence of spending. In-year reconciliation and budget monitoring. Careful reading of rules required so that ineligible expenditure not incurred	<ul style="list-style-type: none"> <li>▪ Spend mismatch with grant at year end leading to disputes</li> <li>▪ Ineligible spending leading to disputes</li> <li>▪ Frequent reporting of mistakes and errors to MEC in early years</li> <li>▪ Disclosure returns may not tally with final spend</li> </ul>
Per diem rate	Total only; no other information held	Simple throughout year. Diary reconciliation at assurance visit	Diary and other evidence of whereabouts	<ul style="list-style-type: none"> <li>▪ Public presentation</li> <li>▪ Attendance may be issue for some MPs</li> <li>▪ Reconciliation of payment with actual attendance</li> </ul>

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### 13. LONDON SUPPLEMENT

#### INTRODUCTION

1. The MEC have requested a report on London Supplement (LS). This paper indicates the range of London Weighting and similar allowances payable in the public and private sectors.

2. The SSRB recommended an increase London Supplement from £2,812 to £3,500. The Government did not support this increase because of its pay policy. The recommendation was not remitted by the House to the MEC.

#### LONDON SUPPLEMENT

3. Members who represent inner London constituencies receive the London Supplement, an allowance currently set at £2,916, instead of the Additional Costs Allowance (ACA) of £24,006. Those Members with outer London constituencies may opt for one or the other. London Supplement is paid to Members with their salary, is subject to income tax and national insurance and is not pensionable. It is therefore not dissimilar to London Weighting.

#### LONDON WEIGHTING

4. London Weighting payments were originally paid to public and many private sector employees in “inner” and “outer” London areas to compensate for the higher cost of living and working in the capital (ie higher travel and housing costs). Retention and recruitment practices in the London area have undergone a fundamental revision over a number of years, moving away from the concept of a flat, across the board rate of allowance to all employees in London to one which is targeted. In the Civil Service, many departments consolidated London weighting into basic pay some years ago, as did the House of Commons for its staff. The value at today’s prices of these consolidated amounts is of the order of £3,000.

5. In today’s London employment market, some employers pay recruitment and retention allowances that focus on market conditions in order to attract the right staff. At senior levels allowances are less common. This is a complex issue and there are a variety of methods applied to the problem by different employers. However, London Weighting is still a feature of a number of pay systems including those for some middle to senior managers.

#### CURRENT LEVELS OF LONDON WEIGHTING

6. The Annex lists some public and private bodies who offer London Weighting and/or other similar allowances for recruitment and retention purposes. Remuneration at higher levels in both the public and private sectors is now more usually negotiated individually as a single salary package without specific London elements, but there are exceptions including, for example, certain senior civil servants, the police and the judiciary.

7. As described above, there is no longer a straightforward concept of London Weighting. However, insofar as the market appears to require higher pay in London, the average Inner London payment in 2007 was about £4,000. The lowest payment is £2,500 and the highest some £5,600.

#### CONCLUSION

8. There is no widely agreed concept and value of London Weighting and it has less salience at senior executive levels. The London Supplement is, to some extent, intended to allow for the higher cost of living permanently in the capital. At £2,916 it is at the lower end of what is currently paid as London weighting in the public and private sectors, although it is probably of about the same value in today’s money terms as the amounts of London weighting consolidated into the pay of many civil servants a few years ago.

9. There is a case, as the SSRB recognised, for the London Supplement to be increased. The SSRB suggested a £3,500 increase. There is a sound argument that it should rise to about £4,000, which could be implemented in stages if preferred.

## LEVELS OF LONDON WEIGHTING

Comparators	Sub-divisions	London weighting 2005	London weighting 2006	London weighting 2007	Comments
<b>Central Government</b> <b>(below the Senior Civil Service grades where specific rules apply)</b>					
NAO		4,623.00	4,739.00	4,835	Included in pay scales
Dti		3,500.00	3,500.00	3,500	Plus market-related specialist pay
ACAS		4,000.00	4,000.00	4,000	Differential between London and national pay scales
Audit Commission		5,140.00	5,269.00	5,388	London employees offered free home travelcard
Home Office	Inner London	2,915.00	2,915.00	2,915	
	Outer London	1,190.00	1,190.00	1,190	
		2,626.00	2,694.00	2,694	Differential between London and national scales
MoD	Inner London	2,200.00	2,200.00	2,500	Recruitment and Retention Allowance
	Outer London	1,200.00	1,200.00	1,200	Recruitment and Retention Allowance
Work & Pensions	Inner London	4,970.00	5,120.00	5,120	Differential between London and national pay scales
	Outer London	4,050.00	4,180.00	4,180	Differential between London and national pay scales
<b>Other Public Services</b>					
<b>Local Authorities</b>					
	Inner London	3,012.00	3,099.00	3,099	
	Outer London	1,602.00	1,650.00	1,650	
	Inner fringe	729.00	750.00	750	
	Outer fringe	507.00	522.00	522	
Police (Met)	London Weighting	1,938.00	1,995.00	2,055	
	London Allowance	4,338.00	4,338.00	4,338	Combined total LW/LA is £6,393.00
	Special Priority Pay	500-5,000.00	500-5,000.00	500-5,000	Over £3,000.00 for exceptional cases only
NHS	Inner London	5,638.00	5,638.00	5,638	
	Outer London	3,946.00	3,946.00	3,946	
		3,105.00	3,105.00	4,035	
Education		4,458.00	4,592.00	4,727	
Fire Service		4,000.00	4,250.00	4,250	
Prison Service		3,420.00	3,500.00	3,600	
Probation Service		N/A	4,000.00	4,000	£2,000 London salary lead plus £2,000 London Allowance
Judiciary <sup>1</sup>	Designated posts	3,104.00	3,213.00	3,468	For employees earning £22,000 and above
BBC					
<b>Private Sector</b>					
Banks	Abbey	3,000.00	3,000.00	4,100	0-5 miles from Charing Cross. Differential w/national scales
	Barclays	3,550.00	3,550.00	3,550	0-5 miles from Charing Cross (5-10 miles £2,550.00)
	HSBC	4,000.00	4,000.00	4,000	0-3 miles from Charing Cross (3-6 miles £3,000.00)

<i>Comparators</i>	<i>Sub-divisions</i>	<i>London weighting 2005</i>	<i>London weighting 2006</i>	<i>London weighting 2007</i>	<i>Comments</i>
Co-operative Insurance <b>Not-for-Profit Sector</b>		3,887.00	3,887.00	3,450	0–3 miles from Charing Cross (3 miles to M25 £1,872.00)
Age Concern England		2,760.00	2,826.00	2,891	
Barnardo's		3,012.00	3,102.00	3,102	
Help the Aged		4,642.00	4,781.00	4,924	within M25

*Source:* Incomes Data Services HR Studies: London Allowances Aug 2006, Sep 2007

<sup>1</sup> Department for Constitutional Affairs: Judicial salary structure and salaries 2006–07

*Note:* These are generalist grades; senior civil servants or specialists negotiate individual salaries up to the Recruitment and Retention Maxima.

#### 14. THE RESETTLEMENT GRANT: PROPOSALS TO CHANGE THE AGE BASIS ON WHICH THE GRANT IS BASED

1. The Resettlement Grant is intended to assist Members in “adjusting to non-parliamentary life” when they leave the House at a General Election. Under operational rules approved by the House, it is paid to the Member once he or she has met any outstanding liabilities to the House, suppliers and staff. This is usually about two months after the election. The grant is a varying proportion of final salary, based on age and length of service (see Table A).

##### SSRB RECOMMENDATION

2. The SSRB recommended that Resettlement Grant eligibility be restricted to Members defeated at a General Election and those whose seats are abolished by boundary changes. The grant would be paid at the rate of one month’s salary for each year of service to a maximum of nine months’ salary. The overall rationale appears to be that if an MP has made a choice to leave, then little or no post-election re-adjustment will be necessary.

3. We have compared Resettlement Grant eligibility at the two previous General Elections with the new conditions suggested by the SSRB:

- 99 Members left the House at the 2001 General Election, receiving an average of 62% of final annual salary (about £3.2 million). 21 of these Members were defeated, with an average length of service of 8.5 years. Under the SSRB recommendation, only these 21 Members would have qualified for the Resettlement Grant, receiving an average of 48% of final salary (about £0.5 million).
- 136 Members left the House at the 2005 General Election, receiving an average of 64% of final annual salary (about £5.3 million). 45 of these Members were defeated, with an average length of service of 8.6 years. Under the SSRB recommendation, only 49 Members would have qualified for the Resettlement Grant, receiving an average of 60% of final salary (total of £1.7 million).

4. No two election results are the same, but generally the SSRB recommendation could be expected to reduce eligibility drastically and for those still receiving the grant to reduce the amount marginally.

##### ADJUSTING TO NON-PARLIAMENTARY LIFE

5. The SSRB report references anecdotal evidence of “difficulties faced by MPs of all ages in obtaining new employment.” According to a survey of the Association of Former Members of Parliament<sup>7</sup>, almost half of defeated and deselected ex-Members take more than three months to find alternative employment. When a large number of seats change hands, as in 1997, the average time taken to find new employment increases.

6. The recent submission to the Baker review and survey of Members have shown concern about the future composition of the House and that it might be drawn too strongly from those of independent means. If the House wishes to continue to draw from all parts of society, care must be taken to ensure that being an MP is financially feasible for those without independent means, both during their career and at the end of their service.

##### ANALOGY TO REDUNDANCY PAYMENTS

7. The SSRB notes that redundancy payments are not normally payable to those who retire or resign, but they fail to recognise that Members often do not know when the next General Election will be held. Even if they decide to leave the House at that time, plans and preparations are necessarily affected by uncertainty. Is it fair to treat them as normal leavers?

8. Withdrawal of the Resettlement Grant from Members standing down would be difficult to manage. When a similar system to that now proposed existed, it is said that Willie Hamilton, after retiring from his Fife Central seat in 1987 stood for South Hams, knowing that he was certain to lose and therefore receive the Resettlement Grant. Limiting eligibility to defeated Members only may also slow the natural process of renewal in the House, encouraging Members to continue standing until death or defeat instead of departing gracefully.

9. The SSRB recommendation would also prevent Members who have been deselected from receiving the grant, although they also say that the “level of the grant should reflect its purpose and the analogy of redundancy payments.” Denial of the chance to defend their seat is arguably as much a redundancy as defeat at an election, and a logical system would pay out to both or neither.

<sup>7</sup> Life After Losing Or Leaving, a report for the Association of Former Members of Parliament. School of Politics and International Studies, University of Leeds October 2007

10. From the General Election after next, Members will only be able to draw their pension from 65, or from 55 with an actuarial reduction (example reductions: at 60, less 25%; at 55, less 42%). Whenever they choose to receive their pension, Members may take a lump sum payment of up to 25% of total value.

#### POSSIBLE SOLUTIONS

11. The SSRB report touches on genuine issues, including the difficulties faced by Members with young families. The SSRB suggest that the current system for calculating the grant is inadequate, but its “one-size-fits-all” approach does not appear to solve the real problems inherent in the system. Instead by re-ordering the calculation table it can be made better to reflect the parliamentary cycle and the turnover of Members (see Table B). Table B is ordered around a few fresh propositions:

- (i) **Completed years of service**—The current range is between 10 and 15 years of service. This means that only Members who have served in three Parliaments actually fall on the calculation grid and they are likely to cluster together. Anecdotal evidence suggests that two Parliaments away from their profession puts Members returning to the job market at a disadvantage and using blocks of four years would ensure that the Resettlement Grant available reflects this, as well as attempting to relate such payments to the rhythm of what are usually four-year Parliaments.
- (ii) **Analogy to redundancy payments**—Currently a Member of 64 with 15+ years’ service receives 100% of salary and is almost immediately able to draw their pension. Whereas in much of the public sector pension enhancement on redundancy is at its greatest up to the age of around 53 (although this threshold will shift gradually upwards towards 58 now that the retirement age is moving to 65). We would suggest moving the 100% bracket forward to target Members who are still some years from their pension but whose prime professional years (30–50) have largely been spent in the House. We would also recognise Members less than 50 years old who have served for more than one Parliament to fulfil the “redundancy” element of this Grant.
- (iii) **Age of Member**—The percentage change each year means that a Member of 51 could receive nearly 20% more than a colleague of 49 who retired at the same time. We propose the introduction of age brackets to minimise this disparity.
- (iv) **Percentage changes**—In the course of our research we have found no reason for the small and irregular percentage increments in the current table. To simplify matters increments of 10% could be used.

#### COSTS

12. Cost estimates of Table B when applied to the 2001 and 2005 elections are:

- In 2001, compared to the actual figure of £3.2 million using Table A, Table B would have cost an additional £0.04 million (1.5%).
- In 2005, compared to the actual figure of £5.3 million using Table A, Table B would have cost an additional £0.32 million (6%).

#### A HYBRID SOLUTION

13. If the MEC wished to have a system which “nodded” in the direction of the SSRB it could adopt Table B (or indeed retain Table A) but decide that Members leaving the House voluntarily should get a flat rate of 50% of salary only irrespective of age and service. This would have a cost saving.

#### CONCLUSION

14. The MEC’s views are requested.

- (i) The SSRB’s recommendation;
- (ii) A system similar to now with Table B instead of Table A;
- (iii) A hybrid as set out in paragraph 13 above.

TABLE A: current system

Percentage of Yearly Salary Payable as Resettlement Grant							
Age	Number of completed years						
	Less than 10	10	11	12	13	14	15 or over
Under 50	50	50	50	50	50	50	50
50	50	50	52	54	56	58	60
51	50	52	55	58	62	65	68
52	50	54	58	63	67	72	76
53	50	56	62	67	73	78	84
54	50	58	65	72	78	85	92
55 to 64	50	60	68	76	84	92	100
65	50	58	65	72	78	85	92
66	50	56	62	67	73	78	84
67	50	54	58	63	67	72	76
68	50	52	55	58	62	65	68
69	50	50	52	54	56	58	60
Over 70	50	50	50	50	50	50	50

TABLE B: suggested system

Percentage of Yearly Salary Payable as Resettlement Grant					
Age	Number of completed years of service				
	Up to 4	5 to 8	9 to 12	13 to 16	17 or more
Up to 34	50%	50%	50%	n/a	n/a
35 -39	50%	50%	60%	70%	70%
40 -44	50%	60%	70%	80%	90%
45 -49	50%	60%	70%	80%	90%
50 -54	50%	70%	80%	90%	100%
55 -59	50%	70%	80%	90%	90%
60 -64	50%	60%	70%	80%	80%
65 -69	50%	50%	60%	70%	70%
70 -74	50%	50%	50%	60%	60%
75 or over	50%	50%	50%	50%	50%

## COMPENSATION ON LEAVING OFFICE

5.60 The Resettlement Grant is payable when an MP leaves the House after a general election. It is calculated as a proportion of salary ranging between 50 and 100% of final salary, dependent on age and length of service. If an MP stands down during the course of a Parliament for ill health reasons, an ill health retirement grant is payable, calculated in the same way as the Resettlement Grant (as well as an immediate

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pension based on the service the MP would have accrued if he or she had continued to serve until age 65). The Table at Appendix E sets out the percentages of salary payable. The first £30,000 of the Resettlement Grant is tax free.

5.61 We were asked to consider the operation of the Resettlement Grant in the light of age discrimination legislation. MPs are not “employed” but are elected office holders and as such the age discrimination legislation does not apply to them. However, the arrangements for the grant are contrary to the principle of the legislation and, as discussed in our last report, we believe there is a case for revisiting the structure of the grant.

5.62 The grant is designed to assist with the costs of “adjusting to non-parliamentary life” and currently pays most to those aged between 55 and 64 who have been in the House for 15 years or more. However we heard anecdotal evidence of difficulties faced by MPs of all ages in obtaining new employment and it was pointed out that those with young families faced particular difficulties. The grant is thus designed to fulfil much the same purpose as redundancy payments. Such payments are not normally made to workers who retire or resign. Moreover, the level of payments varies according to length of service. We believe the Resettlement Grant should be aligned with those principles and therefore recommend that it be paid only to MPs who have stood unsuccessfully at a general election or whose seats have been abolished as a result of boundary changes. (MPs who are deselected by their parties, or whose constituencies are changed but not abolished would not be entitled to a Resettlement Grant unless they stood and were defeated at the next election.)

5.63 We also think that the level of the grant should reflect its purpose and the analogy of redundancy payments. We therefore recommend that the Resettlement Grant be calculated as one months’ salary for each full year of an MP’s service in the House, up to a maximum of nine months’ salary.

5.64 We acknowledge that MPs may have taken decisions and made plans based on current arrangements and we therefore recommend that changes to the Resettlement Grant do not take effect until after the next general election.

Recommendation 30: We recommend 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.

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15. SURVEY OF MEMBERS BY THE HAY GROUP

Pay and allowances survey – total answers 239  
 WORKLOAD

Q1. How much time do you currently spend on the following?

Please enter a % figure in each box. Your answer should add up to a total of 100%.

Answer Options	Response Average	Response Total	Response Count
Political and legislative demands at Westminster	30.57	6237	204
Demands on political issues from lobby groups, interest groups, individuals	10.22	2084	204
Working for the constituency as a whole	21.1	4241	201
Party political demands in the constituency	7.57	1530	202
Constituency case work	22.39	4568	204
Personal involvement in public policy interests	9.44	1840	195
		answered	205
		skipped	34

Q2. In which of these areas is the workload increasing substantially? Please tick all that apply.

Answer Options	Response Percent	Response Count
Political and legislative demands at Westminster	52.7%	108
Demands on political issues from lobby groups, interest groups, individuals	54.1%	111
Working for the constituency as a whole	63.9%	131
Party political demands in the constituency	14.1%	29
Constituency case work	91.7%	188
Personal involvement in public policy interests	27.8%	57
	answered	205
	question	
	skipped	
	question	34

Q3. To what extent do your staff help you in managing the following demands on your time?

Answer Options	To a Great Extent	A Fair Amount	Very Little	Not at All	Rating Average	Response Count
Political and legislative demands at Westminster	44	81	71	11	2.24	207
Demands on political issues from lobby groups, interest groups, individuals	56	98	49	3	2	206
Working for the constituency as a whole	89	92	21	2	1.69	204
Party political demands in the constituency	12	18	74	95	3.27	199
Constituency case work	182	19	2	3	1.16	206
Personal involvement in public policy interests	17	68	91	27	2.63	203
					answered question	207
					skipped question	32

Q4. Which aspects of case work are you able to delegate to your staff? Please tick one.

Answer Options	Response Percent	Response Count
All aspects	6.8%	14
Only the most straightforward tasks	22.9%	47
Everything but the most complex	50.7%	104
Everything except those which I must 'sign off' personally	19.5%	40
	answered question	205
	skipped question	34

HOURS ON DUTY

Q5. When Parliament is sitting, please state the average number of hours you are on duty and working in each week. Include the traveling time which you consider part of your working week.

Answer Options	Response Percent	Response Count
Up to 42 hours (about 7 hours a day, 6 days a week)	0.0%	0
43-48 hours (about 8 hours a day, 6 days a week)	1.4%	3
49-54 hours (about 9 hours a day, 6 days a week)	1.9%	4
55-60 hours (about 10 hours a day, 6 days a week)	11.3%	24
61-66 hours (about 11 hours a day, 6 days a week)	18.4%	39
67-72 hours (about 12 hours a day, 6 days a week)	29.7%	63
73-78 hours (about 13 hours a day, 6 days a week)	18.9%	40
79-84 hours (about 14 hours a day, 6 days a week)	18.4%	39
answered question		212
skipped question		27

Q6. When Parliament is in Recess and you are on constituency duties, please state the number of average hours you work in a week.

Answer Options	Response Percent	Response Count
Up to 42 hours (about 7 hours a day, 6 days a week)	22.0%	47
43-48 hours (about 8 hours a day, 6 days a week)	28.0%	60
49-54 hours (about 9 hours a day, 6 days a week)	16.4%	35
55-60 hours (about 10 hours a day, 6 days a week)	16.4%	35
61-66 hours (about 11 hours a day, 6 days a week)	5.6%	12
67-72 hours (about 12 hours a day, 6 days a week)	6.5%	14
73-78 hours (about 13 hours a day, 6 days a week)	2.8%	6
79-84 hours (about 14 hours a day, 6 days a week)	2.3%	5
	answered	214
	skipped	25

Q7. Please state the number of Saturdays on average in the year when you carry out official duties in your constituency or Westminster (other than correspondence).

Answer Options	Response Percent	Response Count
0-12	1.4%	3
13-24	18.7%	39
25-36	41.1%	86
37-48	35.9%	75
49-52	2.9%	6
	answered	209
	question skipped	30

Q8. Please state the number of Sundays on average in the year when you carry out official duties of some sort (other than correspondence).

Answer Options	Response Percent	Response Count
0-12	33.0%	70
13-24	45.3%	96
25-36	14.2%	30
37-48	7.1%	15
49-52	0.5%	1
	answered question	212
	skipped question	27

UNIQUE LEGISLATIVE ROLE

Q9. Please state the number of committees you participate in. We are interested in Committees of the House, including Standing and Select Committees, and where appropriate All Party Committees on which you play a major role.

Answer Options	Response Percent	Response Count
0-3	34.6%	74
4-6	41.6%	89
7-9	14.0%	30
10-13	5.6%	12
13+	4.2%	9
	answered question	214
	skipped question	25

Q10. Some issues transcend others in terms of their importance for the people of this country. These will have an historic significance or raise fundamental ethical questions (e.g. about war, Europe or human life). How often do you devote time to these issues of public concern?

Answer Options	Response Percent	Response Count
Very frequently	25.1%	54
Often	38.1%	82
Sometimes	31.2%	67
Rarely	5.6%	12
Never	0.0%	0
	answered question	215
	skipped question	24

Q11. How often in your role as a Member do you devote time to public policy areas of your own special interest or expertise?

Answer Options	Response Percent	Response Count
Very frequently	30.2%	65
Often	38.6%	83
Sometimes	25.6%	55
Rarely	5.6%	12
Never	0.0%	0
	answered question	215
	skipped question	24

GENERAL

Q12. Have you suffered from any of the following in your time as an MP?

Answer Options	Often	Sometimes	Rarely	Never	Rating Average	Response Count
Integrity being impugned in a public way	25	105	67	20	2.38	217
Hate mail	18	95	91	13	2.46	217
Verbal abuse	13	90	104	9	2.5	216
Physical threat to your security	12	40	101	63	3	216
Actual physical attack or harm	2	8	35	167	3.73	212
					answered question	217
					skipped question	22

Q13. Have your family or friends directly suffered any of the above as a result of you being a Member of Parliament?

Answer Options	Response Percent	Response Count
Yes	61.4%	129
No	38.6%	81
	answered question	210
	skipped question	29

PRINCIPLES FOR SETTING SALARY LEVELS

Q14. Which of the following factors should be taken into account in establishing guiding principles for determining Members' pay?

Please rank each factor by order of importance

(with 1 being the most important and 6 being the least important)

Answer Options	MOST			LEAST			Response Count
	1	2	3	4	5	6	
Difficulty and complexity of work	68	63	46	22	19	7	225
Workload/hours of duty	47	60	50	37	26	5	225
Attracting the right people from diverse backgrounds	21	22	32	58	39	53	225
Responsibility as a member of a legislative body	78	42	49	33	13	10	225
Public profile and expectations	9	21	27	42	66	60	225
Impact on social and domestic life	2	17	21	33	62	90	225
Answered							217
Skipped							22

PAY

Q15. How many years experience of working in business, trade unions, industry or other profession did you have before entering Parliament?

Answer Options	Response Percent	Response Count
0-5 years	3.2%	7
6-10 years	9.1%	20
11-15 years	21.0%	46
More than 15 years	66.7%	146
	answered	219
	skipped	20

Q16. In purely monetary terms I believe I would be better off if I had not become an MP:

Answer Options	Response Percent	Response Count
Agree	72.1%	158
Disagree	10.0%	22
Neither agree nor disagree	17.8%	39
	answered	219
	skipped	20

Q17. If you agree that you would be better off had you not become an MP, how much do you think you would be better off by (pre-tax)? Please tick one.

Answer Options	Response Percent	Response Count
Up to 20k pa	8.5%	14
20-24k pa	12.2%	20
41-60k pa	29.9%	49
61-80k pa	17.1%	28
Over 81k pa	32.3%	53
	answered	164
	skipped	75

ALLOWANCES

Q18. Thinking of the purpose of each of the allowances, where does the shoe pinch most? Please rank the allowances from 1 where the budget is tightest to 5 where your needs are best met.

Answer Options	Tightest					Needs met	Rating Average
	1	2	3	4	5		
Additional Costs Allowance	70	37	41	41	33	2.68	
Incidental Expenses Provision	52	66	69	33	2	2.4	
Communications Allowance	4	21	47	64	86	3.93	
Staffing	76	73	33	30	10	2.21	
Travel	20	25	32	54	91	3.77	
					answered	222	
					skipped	17	

Q19. Thinking of a future allowances system, please indicate where the balance should lie for each of the following pairs of factors, where 1 expresses a strong preference for the first factor and 5 expresses a strong preference for the second factor.

- 1 – Strong preference for first factor
- 2 – Slight preference for first factor
- 3 – No preference
- 4 – Slight preference for second factor
- 5 – Strong preference for second factor"

	First factor			2nd			Don't know
Answer Options	1	2	3	4	5		
1 Detailed rules / 5 Discretion based on guidance	62	28	36	34	47		2
1 A few simple rules / 5 Rules tailored to multiple circumstances	70	56	29	21	30		4
1 External audit only(e.g. the NAO) / 5 Internal audit only (e.g.House authorities)	30	39	60	33	42		7
1 Transparency on spending / 5 Members should be trusted	76	51	28	21	27		5
					Answered		213
					skipped		26

Q20. I think that constituency office rents should be met by the House authorities within a tighter framework of control.

Answer Options	Response Percent	Response Count
Agree strongly	20.3%	44
Agree	25.8%	56
Neither agree nor disagree	31.3%	68
Disagree	12.0%	26
Disagree strongly	10.6%	23
	answered question	217
	skipped question	22

Q21. Members' staff should be employed by the House, not by the Member.

Answer Options	Response Percent	Response Count
Agree strongly	19.3%	42
Agree	16.5%	36
Neither agree nor disagree	9.6%	21
Disagree	26.1%	57
Disagree strongly	28.4%	62
	answered question	218
	skipped question	21

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COMMENTS - please refer to separate document

Q22. If you have anything else you would like to mention, or would like to add to your answers above, we would be very interested to hear your feedback.

Please write your answer in the box provided below.

Answer Options	Response Count
	141
answered question	141
skipped question	98

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DEMOGRAPHICS

Q23. In which of the following age brackets do you fall?

Answer Options	Response Percent	Response Count
Under 35	1.4%	3
35-44	13.7%	29
45-54	37.7%	80
54-64	36.8%	78
65+	10.4%	22
answered question		212
skipped question		27

Q24. Are you?

Answer Options	Percent	Count	Female	Male
Male	77.2%	159	126	520
Female	22.8%	47	19.50%	80.50%
answered		206		
skipped		33		

Q25. At which General Election were you first elected as an MP? If you were elected at a By-election, please tick the box for the General Election that immediately preceded it.

Answer Options	Response Percent	Response Count	Date of first election	% in HoC
2005	21.0%	44	125	19.40%
2001	13.3%	28	87	13.50%
1997	32.9%	69	188	29.10%
1992	15.7%	33	87	13.50%
1987	8.1%	17	64	9.90%
1983	5.7%	12	50	7.70%
1979	0.0%	0	16	2.50%
1974 or earlier	3.3%	7	29	4.50%
	answered question	210		
	skipped question	29		

Q26. Which of the following best describes your current role?

Answer Options	Response Percent	Response Count
Minister/ PPS	20.2%	42
Opposition front bencher/ party spokesman	29.3%	61
Chairmen's Panel member or Select Committee chairman	13.9%	29
Backbencher	36.5%	76
	answered question	208
	skipped question	31