



HOUSE OF LORDS

House Committee

1st Report of Session 2010-11

**Financial Support for Members
of the House of Lords**

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The House Committee

The House Committee is appointed each session to set the policy framework for the administration of the House and to provide non-executive guidance to the Management Board; to approve the House's strategic, business and financial plans; to agree the annual Estimates and Supplementary Estimates; to supervise the arrangements relating to Members' expenses; and to approve the House of Lords Annual Report.

Current membership

The members of the House Committee are:

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- Lord Baker of Dorking
- Lord Brabazon of Tara
- Lord Craig of Radley
- Baroness D'Souza
- Baroness Hayman (*Chairman*)
- Baroness Hollis of Heigham
- Baroness McIntosh of Hudnall
- Lord McNally
- Baroness Royall of Blaisdon
- Lord Strathclyde
- Lord Wakeham

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**FIRST REPORT OF SESSION 2010-11
FROM THE HOUSE COMMITTEE**

FINANCIAL SUPPORT FOR MEMBERS OF THE HOUSE OF LORDS

1. This report invites the House to agree to important changes, put forward by the Leader of the House, to the system for financial support available to Members of the House. It also makes a number of consequential and more detailed recommendations.
2. In June 2009, the then Prime Minister, at the request of this Committee, asked the Review Body on Senior Salaries (SSRB) to review the financial support available to Members of the House of Lords. The SSRB published its report on 26 November¹, and on 14 December the House accepted the principles and architecture of the system proposed by SSRB and established an ad hoc group of Members (“the group”), chaired by Lord Wakeham, to consider and consult on the SSRB’s proposal and to advise this Committee on their implementation. The ad hoc group reported on 28 June².
3. The Leader of the House made an oral statement on the same day³, outlining his proposed response to the SSRB’s review of financial support in light of the publication of the ad hoc group’s report. He announced his intention to table Resolutions for agreement by the House before the summer recess to put in place a new scheme. It is intended that the Resolutions should be considered by the House alongside this report.
4. We take this opportunity to put on record our gratitude for the work of the SSRB. They conducted the review at our request to a tight timetable. Equally the ad hoc group, chaired by Lord Wakeham, has done a very valuable job in consulting Members widely and offering sensible advice to this Committee on how a new scheme, within the principles and architecture of the system proposed by the SSRB, might best be implemented.

Daily allowance

5. The SSRB recommended “the introduction of a daily fee for attendance by Members” and for this fee to be a combination of the existing allowances for day subsistence, secretarial and office costs. The group accepted these recommendations, but proposed that the “daily fee” be renamed “daily allowance” as, unlike a professional fee, such a payment would be expected to cover the associated costs of attendance, such as secretarial support or meals and taxis in the course of a Member’s Parliamentary duties. **The Committee recommends the introduction of a new daily allowance, and this term is used in the Leader’s Resolution.**

¹ Review of Financial Support for Members of the House of Lords, 24 November 2009, Cm 7746

² Financial Support for Members of the House of Lords : Report of the ad hoc group, HL Paper 13, 28 June 2010

³ HL Deb, 28 June 2010, cols 1512-1524

6. It is difficult to arrive at specific criteria for measurement of a Member's contribution to the work of the House. Every review body which has considered the issue has seen attendance at the House or a Select Committee as the best indicator which can be applied fairly to all Members. Much Parliamentary work is by necessity carried out outside the Chamber; and we recognise too that many Members carry out Parliamentary work independently of the House and during recesses and at weekends. We take the view that financial support for Members should continue to be based on attendance as its core criterion.

Level of the daily allowance

7. In addition to the introduction of the daily fee, the SSRB recommended maintaining a separate allowance of up to £140 to cover the costs of overnight accommodation for Members whose principal residence is outside a reasonable commuting distance of Westminster. The group accepted the SSRB's recommendation but proposed that an optional interim arrangement be put in place whereby Members could choose to claim up to £100 without entering the more complex arrangements proposed by the SSRB for the £140 allowance.
8. The group also highlighted an alternative option of "a simplified allowance, to replace the daily allowance and the overnight allowance recommended by the SSRB."
9. In recommendation 17 of its report, the group suggested that this option might be considered in light of the coalition Government's plans to reform the House for the next Parliament.
10. In his oral statement, the Leader of the House expressed his view that such an alternative approach should be adopted. It would, he said, represent the "abolition of the expenses regime as we know it, and in future, payment for staying overnight, taxis, meals, secretaries and research assistants would all come out of that single payment."
11. The group and the Leader both suggested that the combined allowance would be a simpler alternative, without the need to install additional and more complex bureaucracy, possibly on a very temporary basis.
12. There was support for the Leader's proposal from the Leader of the Opposition and the Convener of the Crossbench peers. Given the Government's plans for reform of the House of Lords for the next Parliament, the context of financial support to Members has changed; we accept the arguments against introducing more complex or costly arrangements on a temporary basis when a simpler and more comprehensible alternative is available.
13. The House's agreement to the Leader's Resolution would mean that the recommendations of the SSRB and the ad hoc group for overnight subsistence would be redundant. These are recommendations 8-13 of the SSRB's report and recommendations 11-16 and recommendation 18 of the ad hoc group's report.

14. Agreement to the Resolution would also mean that the arrangements which the House, on the advice of this Committee, made at the end of the last Parliament in March for defining and declaring Members' principal residences would be discontinued. All Members would be eligible for the same financial support regardless of where they lived. We remain strongly of the view that it was right to respond robustly to the weaknesses of the scheme which had been identified over the past year. However, we agree that, given the likelihood of reform, there are advantages in a simpler, less bureaucratic system when residence is not the critical component of the scheme.
15. **We therefore agree with the Leader's proposal that the day subsistence, overnight subsistence and office costs elements be combined into a single, flat rate of £300, to which Members are entitled on the basis of attendance.**
16. In paragraphs 20-22 below, we recommend that a reduced rate allowance should be put in place, set at £150, to which Members on certain types of official Parliamentary business away from Westminster should be entitled. **We also recommend that a Member should be able to elect to receive the reduced rate for attendance at the House, where they consider it appropriate, rather than the full allowance of £300.** In addition, we draw attention to the SSRB's recommendation that "Members who do not wish to receive a fee need not claim it."
17. A Member may elect to receive the reduced rate of £150 on a monthly basis.

Recording attendance

18. The SSRB asked that "the House explore how technology could be used to improve the system of verifying and measuring Members' attendance at the House." The group did not believe "that there is any serious difficulty with the current arrangements for recording attendance, and any additional technology is likely to have an associated cost." We agree with the ad hoc group that there is no fundamental problem with the existing means of recording attendance, which is done manually. However we consider it appropriate to invite the House authorities to consider whether there is a case for greater use of technology in recording attendance, bearing in mind the need to keep any associated costs to a minimum.

Certification

19. The SSRB and the group agreed that the relevant forms for the daily allowance should require Members to certify that they are receiving the allowance in respect of Parliamentary work. **We recommend that the relevant forms be amended accordingly.**

Authorised Parliamentary Business Away from Westminster

20. The SSRB asked the House “to consider and define which activities... should entitle Members to claim a daily fee and any other relevant allowances, subject to approval by the House authorities as authorised parliamentary business.” The group endorsed the principles that “Members of the House should not be placed at any financial disadvantage through official travel away from Westminster”; and that all travel on such authorised Parliamentary business should continue to be administered by the House administration, in conjunction with the Commons House authorities as appropriate.
21. Over the years, this Committee has agreed that Members should be able to claim certain expenses when participating in some categories of business away from Westminster. There are three categories of such business as follows:
- a) travel on behalf of the House on official select committee business and on Parliamentary delegations to certain inter-Parliamentary assemblies. Members may claim expenses in respect of any day on which they take part in such business;
 - b) travel in connection with certain authorised business, such as CPA and IPU business. Members may only claim expenses for such business in respect of days when the House is sitting; and
 - c) travel on an individual basis to the UK devolved Assemblies or the EU Institutions or national Parliaments. Members may only claim travel and actual overnight costs for this.

We see no need to make any substantive change to category c) above. Equally, we do not propose any change at present to the types of business away from Westminster which should be supported.

22. In deciding what to recommend for the new scheme, we took the view that, as the new daily allowance in part replaces the existing categories of expenses, **Members should be entitled to receive the reduced daily allowance of £150 for business away from Westminster in categories a) and b).** A table showing the proposed revised entitlements for business away from Westminster is included in Annex A.
23. So far as class of travel is concerned, we recommend that the Committee Office and the Overseas Office, which are responsible for the travel arrangements for business away from Westminster, should continue to seek to match value for money with the need for travel to meet the legitimate needs of Members, including making efficient use of the time spent on visits. We do not recommend that such arrangements should be limited to a particular class of travel.

Travel expenses

24. The Committee now make a number of recommendations about Members' travel expenses.
25. The SSRB recommended that "necessary car parking at stations and airports and road tolls should be treated as permissible travelling expenses." Road tolls for these purposes did not extend to the London Congestion Charge. The group agreed. **We accordingly recommend that the House agree to the SSRB's recommendations on car parking and road tolls.** If the House agrees to this recommendation, the Finance Department will draw up an indicative list of the tolls and parking schemes which would be covered.
26. The SSRB recommended that where a House of Lords travel card is not used to pay for travel by public transport, all claims for travel should be accompanied by receipts or tickets. The group agreed. **We accordingly recommend that, where Members do not use a House of Lords' travel credit card, all travel expenses should be reimbursed on the basis of receipts or tickets.**
27. The SSRB recommended that all claims for vehicle mileage should be accompanied by details of individual journeys; and that only one claim should be made per journey, per vehicle. The group agreed. **We accordingly recommend that all claims for vehicle mileage should be accompanied by details of individual journeys; and that only one claim should be made per journey, per vehicle.**
28. The SSRB recommended that travel expenses, excluding taxis, should be paid from a Member's residence to the entrance of the House of Lords. The group agreed. In light of the Leader's proposal to introduce a flat-rate allowance, the Committee took the view that this recommendation should be reconsidered in respect of those Members who live inside Greater London because such travel could be considered to be covered by the new allowance.
29. If travel expenses for Members who live outside Greater London are still to be reimbursed, the Members concerned will need to provide the Finance Department with an address from which travel expenses to and from the House may be claimed. **We recommend that only those Members who live outside Greater London should be reimbursed for travel expenses to and from Westminster.**

30. On rail travel, the SSRB recommended that “Members be allowed to claim for first class travel where this is justified by their need to work whilst travelling.” The group had reservations about this, suggesting that it was “problematic given the lack of an obvious definition of what constitutes ‘work’”; and that as a result it could not be verified. Although the group was “prepared to recommend that, in the circumstances, it should be accepted”, it was attracted to the subsequent decision by the Independent Parliamentary Standards Authority (IPSA) to put the focus on value for money rather than on class of travel for Members of the House of Commons. In practical terms, this would mean enabling Members to travel in any class they choose, and to be reimbursed up to the ceiling cost of a standard class open ticket. We agree that the IPSA proposal has merit. **We accordingly recommend that Members be reimbursed for train travel up to the ceiling cost of a standard open ticket, whatever class they choose to travel.**
31. The SSRB recommended that spouses’, civil partners’ and dependants’ travel should only be reimbursed at the cost of standard class travel. The group recommended that the same rules should apply as apply to Members, for a limit of up to six return journeys per year, for days when the House is sitting. **We support this recommendation. These journeys should be reimbursed up to the ceiling cost of a standard open ticket.**
32. On air travel, the SSRB recommended that only the costs of travel at economy class should be reimbursed for flights within the United Kingdom. The ad hoc group received a number of representations from Members on the need for flexible tickets, in order to cope with the unpredictability of Parliamentary business. Accordingly the group recommended that the current arrangements be maintained. IPSA have indicated that they will reassess the arrangements recently put in place for MPs. **For these reasons, we do not recommend a change at this point in time to the current entitlements for the reimbursement of air travel expenses. We will reconsider the entitlements in light of the final decision in the House of Commons.**

Support for absence due to illness

33. Neither the SSRB nor the group could see a way to introduce support for Members who cannot attend the House through illness. The ad hoc group expressed its concern at this position, and asked that the next review of financial support consider the issue again. **We agree that at present it is not possible to introduce such a scheme.**

Further Review

34. The SSRB recommended that it carry out a further review three years from the scheme coming into operation. The group recommended a review after one year after this point. In light of the Leader’s oral statement on 28 June and the government’s plans for reform of the House, we propose that the arrangements, if agreed by the House, should be maintained for the duration of the current Parliament. The House would, of course, retain the ability to seek an earlier review, as appropriate, should any difficulties with the new scheme arise. **We recommend that any new arrangements are put in place for the duration of the present Parliament.**

Annex A: Proposed revised entitlements**Parliamentary business away from Westminster**

Type of business	Daily Allowance (£150 per day)	Travel	Overnight Costs	Day Subsistence	Accommodation costs for the night Before/After
Select Committee Visits and official business	Yes	Met directly	Met directly	Met directly subject to FCO/House limits	Yes, receipted hotel costs with prior approval
Members of parliamentary delegations					
Travel as a Representative of the House					
Lords outreach programme					

Other mandated Parliamentary business

Other mandated parliamentary business: BAPG, BIPA, CPA, IPU, HoCMF, ISC, PCPF	Yes (if the House is sitting)	No. Met directly by relevant body	No. Met directly by relevant body	No. Met directly by relevant body	No
Armed Forces and Police Service Parliamentary Scheme business (UK activities only)		Yes, subject to prior approval			

Other travel away from Westminster

Travel to Scottish Parliament and devolved assemblies	No	Yes, subject to prior approval	Yes, for receipted hotel costs only, subject to prior approval	Yes, subject to prior approval (receipted)	No
European Travel on parliamentary business			Yes: Foreign & Commonwealth Office rates for up to 48 hours (receipted)	Yes: Foreign & Commonwealth Office rates for up to 48 hours (receipted)	
UK travel on parliamentary business			No	No	