

Review Body on Senior Salaries

Review of the financial assistance available to
Members of the House of Lords

Consultation document

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1. Introduction

1.1 At the request of the House of Lords, the Prime Minister has asked the Review Body on Senior Salaries (SSRB) to review the financial assistance available to Members of the House of Lords. The full terms of reference are at Annex A. This consultation seeks the views of the public and interested parties in order to inform the SSRB, which will report to the Prime Minister and the Lord Speaker by the end of October.

1.2 We are launching this consultation as early as possible in the review. At this stage we have a completely open mind. The SSRB bases its recommendations on evidence received and we are seeking as much input as possible to help us identify issues and options. Although we offer some tentative suggestions for comment in this document, we do not prejudge any points and we shall consider carefully all responses to this consultation.

2. Who sits in the House of Lords?

2.1 The Lords currently has around 740 Members. There are four different types: life Peers, Law Lords, bishops and elected hereditary Peers. The majority are appointed by the Queen on the recommendation of the Prime Minister or of the House of Lords Appointments Commission. The right of most hereditary Peers to sit and vote in the House of Lords was ended in 1999 by the House of Lords Act, though the Act provided for 92 to remain until further reform of the House.

3. What do members of the House of Lords do?

3.1 The House of Lords is Parliament's second chamber. It has fewer powers than the House of Commons, especially in relation to public spending, but (in almost all circumstances) legislation must be approved by the House of Lords. Many Members of the Lords have extensive experience and expertise in subjects such as health, education, business and the law. The expertise of its Members and the House's ability to scrutinise issues in depth mean that it makes a significant contribution to Parliament's work.

3.2 The House of Lords spends over half its time in the Chamber examining and revising proposed legislation. The House also plays a key role in scrutinising government and holding ministers to account for their decisions and actions. The Lords does this by holding debates, asking questions and responding to Ministerial statements. A great deal of work is also done in over 20 committees, which examine and report on major public policy issues, and technical aspects of legislation.

3.3 Patterns of attendance are highly variable. Some Members attend most days; some attend for business in which they are interested or to which they feel they can contribute because of their particular knowledge or experience; and some attend rarely or never. The average daily attendance is approximately 400.

4. Reform of the House of Lords

4.1 The Prime Minister made a statement on constitutional renewal in the Commons on 10 June 2009. In it, he discussed the ongoing process of reform of the House of Lords:

‘The Government’s White Paper, published last July¹, and for which there is backing from other parties, committed us to an 80 per cent or 100 per cent elected House of Lords, so we must now take the next steps as we complete this reform. The Government will come forward with published proposals for the final stage of House of Lords reform before the summer Adjournment - including the next steps we can take to resolve the position of the remaining hereditary peers and other outstanding issues.’

4.2 A comprehensively reformed House would be likely to require a new system of financial support for its Members. While it is possible that this review could point the way towards principles for financing Members of a reformed House, it should be clear that the focus of this review is the House as it is currently constituted.

5. How are the current allowances set and administered?

5.1 The current system of financial support is governed by Resolutions of the House of Lords. The levels of the allowances are recommended by the SSRB, and the recommendations are then subject to agreement through motions tabled in the House of Lords.

5.2 The rules for administering the system are set by the House Committee of the House of Lords. The House of Lords Finance Department manages the scheme, processes and checks all claim forms and provides general guidance. The National Audit Office audits the House of Lords’ Resource Account annually.

5.3 The main sources of guidance to Members are the ‘Members’ Reimbursement Scheme, general guide’² and the guidance notes on the Claim for Attendance Expenses form³.

6. Current system

6.1 The main allowances and rates with effect from 1 August 2008 are:

- day subsistence: up to £86.50 per day of attendance at sittings of the House or its committees at Westminster, to meet costs such as meals and refreshments and incidental travel;

1 An Elected Second Chamber: Further reform of the House of Lords
<http://www.justice.gov.uk/publications/docs/elected-second-chamber.pdf>

2 House of Lords ‘Members’ Reimbursement Scheme, general guide, eighth edition, April 2009’ available at
<http://www.publications.parliament.uk/pa/ld/ldpeers/peers01.htm>

3 House of Lords, Claim for Attendance Expenses, Form AE May 2009.

- overnight subsistence: up to £174.00 per night when attending the sittings of the House or its committees at Westminster, to meet the cost of overnight accommodation in London while away from the main home outside Greater London;
- accommodation maintenance allowance for a second home: £116.00 per night for continuing accommodation costs incurred whilst on certain categories of parliamentary business away from Westminster, if the Member maintains a second residence for the purpose of attending the House; and
- office costs: up to £75.00 per day of attendance to cover such costs as secretarial support, research assistance and necessary equipment. Additional office costs may be claimed for up to 40 days when the House is not sitting or when the Member is not attending.

A number of other expenses, mainly for travel on parliamentary business, can be claimed. Full details and levels of the expenses and allowances are given in Annex B.

6.2 The allowances for day and night subsistence (and accommodation maintenance allowance) and office costs are claimed without receipts, as are car travel and ticketed travel not exceeding £25 per single journey.

6.3 Members are required to certify that the expenses have been incurred as follows:

- overnight subsistence: ‘incurred in such attendance [i.e. attendance at a sitting of the House or a Committee] or in respect of the maintenance of a London residence (other than a main residence) used for the purpose of attending the House’;
- day subsistence and incidental travel expenses: ‘incurred in such attendance [i.e. attendance at a sitting of the House or a Committee]’
- office costs: ‘incurred in respect of ... parliamentary duties’⁴.

7. What are the allowances intended to do?

7.1 Members of the House of Lords, other than most Ministers and a few office-holders such as the Lord Speaker, are not paid a salary for their activities in the House of Lords. Currently, unsalaried Members of the House of Lords are entitled to receive allowances for certain expenditure incurred in attending the House. In our 2007 report we stated that “the basic principle underlying the members’ reimbursement allowance scheme is that members should not be financially disadvantaged as a result of carrying out their duties”.⁵

⁴ House of Lords, Claim for Attendance Expenses, Form AE (front) May 2009

⁵ Senior Salaries Review Body, Review of Parliamentary Pay and Allowances, Cm 7270-I, paragraph 6.1

7.2 The scheme is intended to reimburse actual expenditure incurred while carrying out parliamentary business and payments are therefore not subject to income tax. Reimbursement of attendance expenses may be claimed only in respect of attendance at sittings of the House or its committees. The allowances are not designed to provide a source of income for Members, nor are they intended to be a fee for attendance at the House regardless of expenditure. In other words, the allowances are intended solely to reimburse all out of pocket expenses incurred in attending the House such as bus, tube or taxi fares (long distance travel costs are reimbursed separately), the additional costs of meals away from home, and, if necessary, overnight accommodation; and office costs (including secretarial / research support).

8. Ministers and Paid Office Holders in the House of Lords

8.1 Paid Ministers and other paid office holders cannot claim the members' overnight allowance but instead may receive Night Subsistence Allowance, equivalent to 220 nights at the overnight subsistence rate. This is available to those whose main or sole home is outside London and who need to fund other accommodation in order to undertake official duties. The allowance is currently £38,280 per annum; it is taxed and paid with salary.

8.2 These Members may also claim reimbursement of up to £5,658 a year for secretarial assistance with parliamentary duties. Details and levels of other allowances to Ministers and paid office holders in the House of Lords are at Annex C. (It should be noted that paid Ministers' Night Subsistence Allowance and travel expenses are paid by their Departments, not the House of Lords.)

9. Issues

9.1 We welcome views on all options, including maintenance of the current arrangements, for the system of financial support for Members of the House of Lords, in line with our Terms of Reference (Annex A). The following issues seem to us to merit close consideration but there may well be others that we have not identified.

Distinction between expenses and income

9.2 Given the public reaction to recent revelations about the use of expenses by Members of the House of Commons, we believe there is now a need to implement in both Houses clear, transparent and accountable systems of expenses which deserve and command public confidence. We have previously recommended a clear distinction between salary and the reimbursement of necessary expenses for the House of Commons. Our starting point for this review is that any ambiguity in the current system as to the purpose of allowances in the House of Lords, or as to the amount which may legitimately be claimed, must be removed in order to provide clarity for the users and transparency for the public. The Committee on Standards in Public Life is currently reviewing the system of expenses in the House of Commons

and we are keeping closely in touch with that committee's work, as requested by the Prime Minister, to ensure coherence.

Provision of income for Members of the House of Lords

9.3 As noted above, Members of the House of Lords, other than paid Ministers and a few office-holders such as the Lord Speaker, are not paid any form of salary for their activities in the House of Lords. Historically, this was unnecessary. Members of the House of Lords were assumed to be of independent means. This position has gradually changed, not least following the passage of the Life Peerages Act 1958. In the present House of Lords, while many Members have other sources of income, including pensions, some may have little or no other means of financial support. As it currently operates, the system delivers an attendance allowance which may, for some Members, be a form of income that enables them to participate fully in the business of the House.

9.4 In the context of reviewing the whole system of financial assistance to Members, the question arises of whether steps should be taken to ensure that no Member is prevented from participating in the work of the House through lack of income. More generally, if the allowances were to be replaced by a transparent system of reimbursing certain, actual, documented expenses, this might have an impact on attendance and participation in the work of the House. For example, some Members might have to seek other sources of income because they had previously relied on the attendance allowances. Others might consider that, even though they had other sources of income, attendance was no longer worthwhile if it brought no financial recompense for the time and effort involved. In either case, such Members might attend less or not at all following a change to strict reimbursement of certain, actual, documented expenses.

9.5 The SSRB currently has no firm view on whether some form of income should be provided and the question raises many issues, some of which are touched on below. We should welcome views on both the principled question of whether Members should receive additional income to enable them to take part in the work of the House and on the mechanics of how this might be done, if it is regarded as desirable, in a way which fits with the functioning of the House. The House of Lords, as currently constituted, is not a 'full-time' House. Members are free to decide how often to attend and patterns of attendance are highly variable. Any system of payment should reflect the different levels of contributions of Members and demonstrably provide good value for money.

How might an income be provided if it is regarded as necessary?

9.6 Provision of allowances is currently linked to daily attendance. We should welcome views on whether attendance is the best basis for determining eligibility for allowances and income, if the latter is necessary.

9.7 The introduction of payment for attendance could constitute a windfall for some Members of the House of Lords who already have significant incomes. There is also

a risk that introducing a payment for attendance could prompt some Members to attend – perhaps briefly each day – simply to establish entitlement to the payment. We should be interested in views on this and on whether there is any way of making payments which recognises contribution rather than simple attendance.

Lack of clarity in the current rules on allowances

9.8 The rules regarding unreceipted claims for subsistence and office costs are not precise. Although some rules appear to be stated relatively clearly at certain points in the General Guide (e.g. ‘A Member’s signature effectively certifies that the amount claimed has been spent for the purposes of parliamentary duties’⁶), elsewhere the principles used for administering the scheme appear somewhat less prescriptive (e.g. Night Subsistence can be claimed ‘as a contribution towards the costs of maintaining a London residence in connection with ... parliamentary duties’⁷). There may consequently be different views on what may legitimately be claimed and under what conditions. For example, although the allowances are expressed as “up to” specified amounts, some Members routinely claim the maximum amount while others claim less, presumably because they recognise that they have spent less than the maximum in the course of attending the House.

9.9 Furthermore, it is unusual to have a system which is stated to be for the reimbursement of expenses but which does not require any proof of those expenses having been incurred. At best, the current rules could be seen as creating a system lacking in accountability and, at worst, they leave Members open to accusations of abuse.

Definition of main and second home

9.10 Our terms of reference include the need to consider the geographical spread of membership of the House. Although Members of the House of Lords do not have constituencies, unlike MPs, many do not live in London and may be obliged to incur additional expense to attend the House. However, the current overnight allowance system might be regarded as creating an incentive for Members to designate a non-London property as their main home so that they can claim overnight subsistence in addition to day subsistence when attending the House. Similar concerns have been expressed with reference to ‘second homes’ in the House of Commons: the designation of one’s main home is open to manipulation. A suitably transparent and verifiable system would minimise such possibilities.

10. Questions

10.1 It would be helpful if respondents to this consultation document could give us their views on a number of questions, having regard to our Terms of Reference

⁶ House of Lords ‘Members’ Reimbursement Scheme, general guide, eighth edition, April 2009’ paragraph 4.1.3

⁷ House of Lords, Claim for Attendance Expenses, Form AE (back) May 2009, (i)

reproduced at Annex A. Some of the following questions reflect those currently being addressed by the Committee on Standards in Public Life's review of MPs' expenses in order to maximise the coherence of our reviews.

1. What are the necessary elements of a system of financial assistance which supports Members properly in conducting the business of the House of Lords?
2. What features would help such a system to command public confidence?
3. In the interests of clarity and accountability, should the system define more clearly what actual expenditure may be reimbursed? If so, what categories of expenditure should be reimbursed?
4. Should receipts be required to support some or all claims for reimbursable expenditure?
5. What, if any, provision for financial support should there be to ensure that every Member is able to contribute to the work of the House?
6. Given the differing patterns of attendance and contribution by Members in the House, how could it be ensured that any system of financial assistance provides value for money?
7. What financial assistance should be available to Members whose main home, properly defined, is not in London and who need to stay overnight in London to attend the House?
8. If necessary, what criteria should be used to identify a Member's main home for the purposes of expenses? (Please tick all that apply)
 - a. No criteria, at the Member's discretion
 - b. Where the Member pays full council tax
 - c. If a Member has registered his or her main home with the Inland Revenue, should that be the main residence for the purposes of House of Lords expenses?
 - d. Where a Member lives while the House is not sitting (weekends, parliamentary recesses)
 - e. Where a Member lived before becoming a member of the House of Lords
 - f. Other (please specify)
9. Should paid Ministers and paid office holders receive financial assistance with accommodation and secretarial costs in addition to their salary and departmental support? If so, what should be the basis for such assistance?
10. Is it right that the House of Lords should be in a position to determine the nature and size of its own expenses scheme? If not, how should this be done?

11. Are the arrangements for administering and checking claims adequate? If not, how should they be reinforced? What level of independent involvement (e.g. from the proposed Parliamentary Standards Authority) should there be?
12. How should any complaints or concerns about claims be dealt with?
13. What level of detail of expenses claims should be routinely available to the public without the need to make Freedom of Information Act requests for it?
14. The Terms of Reference ask us to have regard to schemes operated in comparable circumstances by other institutions. Are there any particular institutions which respondents consider to be useful comparators for this review?
15. Please comment on any other issues that you feel are relevant to our review.

11. How to respond

11.1 Responses to this consultation should preferably be structured according to the questions set out above. Responses should be sent by post to:

Review Body on Senior Salaries (HoL)
c/o The Office of Manpower Economics
Bay 617
66-74 Victoria Street
London
SW1E 6SW

or by email to lordsallowances@bis.gsi.gov.uk.

11.2 When responding, please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of a representative organisation, please make it clear whom the organisation represents, the size of the membership and, where applicable, how the views of the members were obtained.

11.3 The SSRB will make all responses available via its website unless the respondent requests confidentiality.

11.4 Furthermore, information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). Under the FOIA, there is a statutory Code of Practice for public authorities which deals with, among other things, obligations of confidence. In view of this it would be helpful if, should you regard any of the information you provide as confidential, you could explain why that is the case. If the Office of Manpower Economics (which provides the secretariat to the SSRB) receives a request for disclosure of the information, it will take full account of your explanation but cannot give an assurance that confidentiality can be maintained in all

circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Office of Manpower Economics.

Annex A Terms of reference

“To review options for the system of financial support for Members of the House of Lords, given its current role and composition; and to make recommendations.

In conducting the review, SSRB should have regard to:

- clarity and transparency;
- accountability and public acceptability;
- value for money;
- differing attendance patterns of Members;
- the geographical spread of the membership of the House;
- the financial consequences for Members in participating in the work of the House; and
- schemes operated in comparable circumstances by other institutions.”

The Prime Minister also asks that the SSRB ‘pay particular attention to the need for transparency and accountability, the need to obtain value for money and the desirability of reducing costs to the taxpayer.’

Annex B Allowances available to Members of the House of Lords

(taken from House of Lords 'Members' Reimbursement Scheme, general guide, eighth edition, April 2009' p.6, excluding footnotes)

Member Category	Types of claim	Overnight Subsistence	Day Subsistence	Travel	Office / Secretarial Costs	Accommodation Maintenance Allowance for a Second Home ⁸	Additional Office Costs	Spouse/Civil Partner And Children's Travel	Insurance cover provided
Members	Sittings of the House and Select Committee Meetings at Westminster	max £174 per night	max £86.50 per day	Yes	max £75 per day	No	max 40 days @ £75 per day	6 return journeys each per year	Yes
	Select Committee Visits	met directly	met directly	Yes/met directly	max £75 per day	max £116 per night			
	Members of parliamentary delegations	Foreign & Commonwealth Office rates	Foreign & Commonwealth Office rates	Yes	max £75 per day	max £116 per night			
	UK travel on parliamentary business	No	No	Yes	No	No			
	UK travel on armed forces and police service parliamentary scheme business	No	No	Yes	max £75 per day	max £116 per night			
	Lords outreach programme	No	No	Yes	max £75 per day	max £116 per night			
	Travel to Scottish parliaments and devolved assemblies	max £174 per night	max £86.50 per day	Yes	No	No			
	European Travel on parliamentary business	Foreign & Commonwealth Office rates	Foreign & Commonwealth Office rates	Yes	No	No			
	Other visits as specified in section 13 ⁹	No	No	No	max £75 per day	max £116 per night			
	Travel as a Representative of the House	met directly	met directly	met directly	max £75 per day	max £116 per night			

contd. overleaf

⁸ This is to cover 'continuing accommodation costs incurred whilst on a visit away from Westminster, on the same basis as Night subsistence'. (House of Lords 'Members' Reimbursement Scheme, general guide, eighth edition, April 2009' paragraph 6.4.1)

⁹ Section 13 deals with 'Other meetings and visits mandated by the House' and covers meetings of groups such as the British American Parliamentary Group and the Parliamentary Contributory Pension Fund.

Salaried Members	Law Lord	No	No	Yes	No	No	No	No
	Minister	payable with salary by departments	No	No	max £5,658 pa	No	No	15 return journeys each per year
	Office Holder	payable with salary		Yes		No	No	

Annex C Ministers in the House of Lords and Paid Office Holders' Allowances

In addition to their salary, Ministers in the Lords and paid office holders are entitled to the following allowances. In the case of Ministers, all allowances other than the secretarial allowance and travel for spouses and children are paid by Departments.

Allowance	Rate and description
Lords Night Subsistence Allowance	£38,280 a year to maintain a second home in London.
Travel	As above for Office Holders. Ministers' rates set by Departments.
Maximum number of return journeys for spouse/civil partner and children between home and Westminster: 15 per calendar year.	
Secretarial assistance	Maximum of £5,658 a year to cover the cost of secretarial assistance for parliamentary purposes.
London supplement	£ 1667 a year for those who live in London
