



Review Body on Senior Salaries

REPORT No. 48

Review of parliamentary pay and allowances

Chairman: Sir Michael Perry, CBE

Presented to Parliament by the Prime Minister by
Command of Her Majesty
March 2001

Volume 1: Report

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Foreword

Review Body on Senior Salaries

On 6 October 2000 the Prime Minister asked the Review Body on Senior Salaries (SSRB) to carry out a review of parliamentary pay and allowances. This followed the 1996 Review Body's recommendation, accepted by the Government, that parliamentary pay should be reviewed every three years starting in 2000. The commissioning letter is at Appendix A. The areas the Review Body were asked to cover are as follows:

- (i) the salary of Members of the House of Commons;
- (ii) the salaries of Ministers and other office holders;
- (iii) the rate and structure of peers' expenses allowances including the secretarial allowance for Ministers and other paid office-holders in the House of Lords;
- (iv) the Office Costs Allowance in the House of Commons.

In addition the Review Body was asked to consider the present system of calculating the Resettlement Grant.

The SSRB was asked to report by early 2001.

The Members of the Review Body are:

Sir Michael Perry, CBE *Chairman**
John Baker, CBE
The Hon Michael Beloff, QC
David Clayman
Professor Sandra Dawson
The Rt Hon Baroness Dean of Thornton-le-Fylde‡
Sir Terry Heiser, GCB*
Sir Sydney Lipworth, QC
Janet Rubin*
George Staple, CB QC
Professor Sir David Williams, QC DL

The Secretariat is provided by the Office of Manpower Economics.

* Members of the sub-committee on parliamentary pay and allowances, chaired by Sir Michael Perry.

‡ To avoid a possible conflict of interest Baroness Dean took no part in the Review Body's deliberations.

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Summary

1. This review arises from a recommendation in our 1996 report that parliamentary pay levels should be reviewed every three years, starting in 2000. In his commissioning letter to us in October 2000, the Prime Minister asked that we consider also the rate and structure of peers' expenses allowances, the Office Costs Allowance in the House of Commons, and the system of calculating the Resettlement Grant.

2. We sought evidence from a number of representative MPs, office holders and peers, and from the relevant House authorities. We also invited MPs and peers to make submissions to us and many took the opportunity to do so. The Government provided an analysis of the salaries and allowances currently in payment and made observations on some of these. We asked Hay Management Consultants Ltd (Hay) to carry out some work on our behalf; their findings are published as Volume 2 of this report.

Salaries of MPs, Ministers and other office holders

3. We asked Hay to consider how the salaries of MPs, Ministers and other paid office holders had moved in relation to their comparators elsewhere. The comparators used were the jobs in the public and private sector which the 1996 review found to be of similar weight.

4. Hay's findings show that MPs' pay has fallen behind that of their comparators. Whereas an MP's salary now stands at £48,371, comparators in the public sector (mainly local authorities and NHS administration) are paid £54,800, those in the private sector more. We recommend that MPs' pay be increased by £2,000, over and above any increase resulting from the normal uprating, in both 2001 and 2002.

5. Those holding ministerial or other office in the House of Commons would of course benefit from this adjustment by virtue of being an MP. We have concluded that no increase other than the normal uprating should be made in the salaries they receive as Ministers or office holders. The position is different for those holding such office in the House of Lords; they receive no parliamentary salary. For this latter group, we recommend that their salaries also be increased this year and next by £2,000 above the normal uprating.

6. We note that the Prime Minister and Cabinet Ministers do not yet draw their full entitlement. It is appropriate that this distortion to the pay system be remedied as soon as possible.

Severance payments for Ministers

7. We were asked to consider whether the present arrangements, which exclude Ministers over 65 from receiving a severance payment, take due account of the position of Ministers in the House of Lords over the age of 65 who, unlike their counterparts in the Commons, would not be in receipt of a parliamentary salary on leaving ministerial office. We note that people in similar circumstances in other areas of employment would not be entitled to receive the statutory redundancy payment. We also note that Ministers retiring from the Lords would normally be

eligible for a pension. We can find no persuasive argument for altering the present arrangement.

The Office Costs Allowance 8. This allowance hitherto has been payable to an MP to cover the costs of employing secretarial and research staff, and costs incurred in running an office, including the purchase of office equipment. Nearly all MPs argued that the present level of this allowance, £51,572, was too low. Many argued that staffing and information technology costs should be paid centrally, and should allow for the employment of more staff and standard pay scales. It was argued that the allowance did not cover necessary expenses of running a constituency office, including ensuring the health and safety of staff.

9. The recommendations below represent a significant change from the current provision. We suggest transitional arrangements should apply for a limited period.

Staff 10. We recommend that provision for staff salaries should instead be centrally administered; common pay scales, applying to all MPs' staff, should be established. Further, we recommend that MPs should be enabled to employ up to the equivalent of three full-time staff at a total cost, paid centrally, of £60,000, or £70,000 in the case of MPs with London constituencies.

Information technology equipment 11. We agree with the broad conclusions of the House of Commons Information Committee that standardised IT equipment and software, with appropriate communication links, should be centrally supplied and maintained. This should be implemented in time for the start of the next Parliament.

Incidental Expenses Provision 12. The Office Costs Allowance should be abolished and replaced by an Incidental Expenses Provision of £14,000. This would cover £9,000 for constituency office costs, including the provision of safe working conditions, and £5,000 for other incidental expenses.

Exceptional expenses 13. The House should consider a means of providing reimbursement for exceptional expenses incurred by MPs who have constituencies with special needs. Where the police have recommended that additional safety precautions need to be taken, these should be funded centrally. The House should consider the arrangements for reimbursing disabled Members for exceptional expenses.

House of Lords allowances 14. At present, the main daily allowances are for day subsistence (£37), overnight subsistence (£84), and secretarial assistance (£36). We have taken the view that, since there may be further reform of the House, now would not be the right time to consider fundamental change to the structure of the allowances. We have therefore considered the amounts of the allowances and the rules applying to their payment. Peers should not be out of pocket as a result of carrying out their parliamentary duties; it is clear that the present levels of allowances fail to fulfil this principle.

15. It is also clear from the evidence presented to us that peers are not always aware of what expenses can be reclaimed, and we recommend that a guide be published to address this problem.

16. A number of submissions proposed that subsistence allowances should continue to be payable when a peer was working away from the House, in particular on an official delegation or Committee visit. Since expenses for such formal visits are separately reclaimable, we consider that this would provide 'double reimbursement'. However, the recommendations below recognise that secretarial costs continue to accrue when a peer works away from the House and provide some additional compensation.

Day subsistence allowance 17. The evidence presented to us shows that the day subsistence allowance does not cover many of the costs incurred by peers in attending the House. Taxi fares after late-night sittings, the costs of refreshments for people visiting the House on business and other costs often have to be paid for out of the peer's own pocket. We recommend that the maximum for the day subsistence provision be increased from £37 to £60 a day.

The overnight allowance 18. Since 1994, the overnight allowance has been updated annually in line with increases in the Retail Price Index. The evidence presented to us shows that hotel costs in London have increased at a much faster rate than this. Accordingly, we recommend that the overnight subsistence provision be increased from £84 to a maximum of £120 a night, and that peers be allowed to claim for both the night before and the night after a day of attendance where this is necessary to allow them to play a full part in the proceedings of the House. We further recommend that the House investigate the possibility of setting up a more reliable mechanism for making annual adjustments to this provision.

Secretarial allowance 19. This provision currently covers only some two hours of secretarial assistance, whereas the evidence from Hay is that most peers in the present House require assistance amounting to the equivalent of one-third of a full-time secretary. Peers were concerned also that payment of the allowance was too directly linked to their attendance at the House.

20. We recommend that the secretarial allowance be increased from £36 to a maximum of £50 a day. It should be payable for 40 days, to cover those occasions when the peer is working elsewhere, whether or not the House is sitting; and for each day on which the peer attends the House when it is sitting, or is working away from the House on an official delegation or a Committee visit.

Postage 21. Many of the submissions we received from the House of Lords pointed out that MPs had access to free postage whereas peers did not. While this arrangement recognises MPs' constituency responsibilities, the significantly increased postbag peers now receive can give rise to costs amounting to £50 a week. We recommend that peers have access to free postage when dealing with parliamentary business.

Disabled peers 22. The Clerk of the Parliaments has powers to reimburse peers with disabilities for any additional costs they incur in carrying out their duties. It is not clear, however, that all peers who might benefit are aware of this arrangement. The guide we recommend (Recommendation 14) should help to publicise this provision.

Resettlement Grant 23. We were asked to look at the method of calculating this grant, which is payable to MPs and MEPs who either do not stand at a General or European election or, if they stand, are not elected. The grant ranges from 50 to 100 per cent of salary, depending on age and complete years of service above ten. Service of less than 10 years attracts a grant of 50 per cent.

24. We received few comments on this issue. The main argument put to us was that the requirement to count service in complete years produced a 'cliff-edge' effect, causing Members who just failed to complete a whole number of years service to fare badly compared to someone who had. We understand this argument but take the view that the scheme, when looked at in a wider context, is not ungenerous. We note, too, that other schemes, designed for similar purposes, also count service in complete years. We make no recommendation on this matter.

Recommendations *Salaries of MPs, Ministers and other office holders*

Recommendation 1: We recommend that the parliamentary salary should be increased by £2,000, in addition to any increase resulting from the operation of the usual annual review mechanism, in both 2001 and 2002. (Paragraph 2.13)

Recommendation 2: We recommend that the salaries of Ministers in the House of Lords and other paid office holders in that House should be increased by £2,000 in each of the next two years in addition to the usual increase. (Paragraph 2.21)

House of Commons allowances

Recommendation 3: Staff should remain the employees of MPs but their salaries should be paid centrally by the House authorities and should not form part of the Office Costs Allowance. (Paragraph 3.11)

Recommendation 4: New staff should be employed on agreed pay scales which would apply to all MPs' staff. The aim should be to move existing staff over to these pay scales as soon as possible, subject to transitional measures as set out in recommendation 13. (Paragraph 3.13)

Recommendation 5: MPs should be able to employ up to the equivalent of three full-time members of staff, at a total maximum cost of £60,000 a year, or £70,000 a year in the case of MPs with London constituencies. (Paragraph 3.17)

Recommendation 6: Central supply and maintenance should be provided for a standard package of equipment for each MP, consisting of up to 3 PCs, 2 printers/scanners/copiers/answer machines, a laptop and associated software. (Paragraph 3.26)

Recommendation 7: The standard package should include provision in the constituency office, and necessary links such as a virtual private network should be funded centrally. (Paragraph 3.27)

Recommendation 8: The new system should be in place to enable all MPs to benefit from it immediately after the General Election. (Paragraph 3.28)

Recommendation 9: The Office Costs Allowance should be abolished and a new Incidental Expenses Provision should be set at £14,000, to include reimbursement of approximately £9,000 for expenditure on the costs of a constituency office and £5,000 for other incidental expenditure. (Paragraph 3.40)

Recommendation 10: There should be central provision for one-off grants to be made from central funds where the police have recommended that additional safety precautions need to be taken. (Paragraph 3.41)

Recommendation 11: The House should consider a means of providing additional reimbursement of exceptional expenses incurred by MPs who have constituencies with particular problems. (Paragraph 3.42)

Recommendation 12: The House should consider the arrangements for reimbursing disabled Members for their additional expenses, with a view to affording them greater privacy. (Paragraph 3.43)

Recommendation 13: The following transitional provisions should apply:

- (i) The new system should be in place immediately following the General Election for all new MPs and all existing Members who wish to transfer.

- (ii) There should be a transitional period during which those who wish to continue their existing arrangements for staff, whether or not they take advantage of central IT provision, can retain the current level of Office Costs Allowance, updated under the existing system in line with the RPI.
- (iii) Once the Member has transferred from the old system, any reasonable contractual commitments in respect of staff and IT entered into before the General Election should be honoured through central funding until they can reasonably be terminated. (Paragraph 3.50)

House of Lords allowances

Recommendation 14: We recommend that the House of Lords authorities publish a guide to the reimbursement allowances which sets out the basis of entitlement and the costs which can be reclaimed. (Paragraph 4.14)

Recommendation 15: The day subsistence allowance should be raised to a maximum of £60 a day. (Paragraph 4.23)

Recommendation 16: The overnight allowance should be increased to a maximum of £120. It should be payable for the night following each day of attendance, and for the preceding night, where the Member certifies his or her need to stay in London. This would mean that if the House sat on a Friday it could be claimable for up to six nights that week. (Paragraph 4.26)

Recommendation 17: The House should consider whether to set up a mechanism to decide annual upratings of the overnight allowance, whether on the basis of information provided by the House of Commons Library or on some other appropriate basis. (Paragraph 4.28)

Recommendation 18: If the overnight allowance continues to be increased annually on the basis of increases in the RPI, it should be reviewed every three years. (Paragraph 4.29)

Recommendation 19: The secretarial allowance should be raised to a maximum of £50 a day. It should be payable on the basis of expenditure certified by the Member as being made on secretarial and other claimable costs, including for days when the House is not sitting or the Member does not attend, up to a maximum of 40 days a year plus the number of days the peer attends the House, an official delegation or a Committee visit away from the House. (Paragraph 4.35)

Recommendation 20: Peers should have access to free postage on House of Lords business matters. (Paragraph 4.37)

Chapter 1

Introduction

1.01 In October 2000 the Government asked the Senior Salaries Review Body to carry out a review of pay levels for MPs and Ministers and other paid office holders. It also asked us to consider the rate and structure of peers' expenses allowances, including the secretarial allowance for Ministers in the House of Lords; the Office Costs Allowance in the House of Commons; and the present system of calculating the Resettlement Grant for MPs and MEPs. A copy of the Prime Minister's letter is at Appendix A.

1.02 The current salaries and allowances of Members of Parliament, Ministers and office holders are set out in Appendix B. They have been considered by the Review Body from time to time, the last full review being in 1996. This included the following recommendations:

- Significant increases in salaries of Members and Ministers. These were accepted by Parliament, but since 1997 the Prime Minister and Cabinet Ministers have not drawn their full salary entitlement.
- An annual uprating by the same percentage as the average of the movements in the mid-points of the nine senior civil service pay bands below permanent secretary; this has been implemented.
- An automatic review of parliamentary pay levels every three years by the SSRB, starting in 2000: this was accepted, and is the recommendation from which the current report stems.
- A Consolidated Allowance for peers who attended 100 days in the previous session, allowing them to draw in advance 100 days of day and night subsistence. This was not accepted.

1.03 In addition, in 1999, following development recommendations made in 1996, the Review Body gave further consideration to various issues. Amongst other issues:

- It recommended increased salaries for Ministers below Cabinet level and other office holders in the House of Lords; these were accepted.
- It recommended the central provision of compatible office equipment for MPs' Westminster offices. This was not accepted at the time; instead, a system providing for central procurement was introduced.
- It undertook further work aimed at establishing a system which would remove the cost of employing staff from MPs' allowances. However, it could find no consensus on this issue and made no recommendations.

1.04 In this review we have looked at whether the current arrangements continue to represent a fair and appropriate approach to pay and expenses provision for MPs and peers. We have also revisited some of the issues raised in relation to the recommendations which were not implemented.

Sources of evidence

1.05 We commissioned Hay Management Consultants Ltd (Hay), who have wide experience in this field, to provide a report following interviews with Members of both Houses. Their report is published in full as Volume 2 of this report. It covers a basic pay level check of Ministers, paid office holders and Members of Parliament, comparing their salaries to those of equivalent posts in the public and private sectors (Part 1); the Office Costs Allowance for Members of Parliament, including whether the level and structure of the provision are still appropriate (Part 2); and allowances in the House of Lords, with particular focus on the levels of the allowances (Part 3).

1.06 We also asked a number of office holders and representative MPs and peers to provide evidence, together with the relevant House authorities. In addition, we received representations from a large number of MPs and peers. The Government provided evidence on the current position and the historical background, and made observations on some of the issues. The administrative authorities of both Houses provided evidence on the current administration of allowances, problems which had arisen and made proposals for change. In all, we received 199 submissions and held a large number of oral evidence sessions, including one at the Houses of Parliament.

1.07 A list of those giving evidence is at Appendix C. The large number of submissions demonstrates the strength of feeling about parliamentary allowances and, to a lesser extent, about pay. We are grateful to everyone who took the time to give us views.

Tax rules applying to allowances

1.08 As a general rule, all payments made to MPs and Ministers by reason of their office are taxable unless there is a specific exemption or an extra statutory concession covering the particular item. Relief is available for allowable expenditure under the normal Schedule E expenses rules. Appendix D briefly sets out the tax position on the main allowances.

Chapter 2

The salaries of Members of Parliament, Ministers and other office holders

Introduction and previous reviews

2.01 All Members of Parliament receive the same parliamentary salary. Until 1996 Ministers and paid office holders who were also Members of Parliament received a reduced parliamentary salary, but since then in line with a Review Body recommendation they have received the full parliamentary salary, in recognition that their constituency responsibilities continue.

2.02 Ministers and other paid office holders in both Houses receive a salary for their office. This is higher for those in the House of Lords, reflecting the fact that they do not also receive a parliamentary salary.

2.03 Since 1997 the Prime Minister and other Cabinet Ministers have not drawn their full entitlement, a fact on which we comment below (paragraph 2.17). Unless otherwise stated, salaries in this chapter relate to the pay Ministers are entitled to draw.

2.04 These salaries have been reviewed from time to time. The last major review was in 1996. Since then, they have been adjusted annually in line with the movements in the mid-points of the nine pay bands for the senior civil service below permanent secretary level. That review also recommended that there should be an automatic review of parliamentary pay levels every three years, starting in 2000. This report stems from that review.

Evidence

2.05 We received evidence on pay from the Government and members of the main parliamentary parties in both Houses. In comparison with the issue of allowances we received relatively few submissions on this subject, and most of those who commented did not argue for higher salaries.

2.06 However, some MPs strongly argued that the 1996 evaluation of their work by Hay had judged it at too low a level, in holding it to be of the same weight as work at the lower levels of the senior civil service. It was argued that a more appropriate comparator would be the chief executive of a local authority. In fact, however, Hay had considered a wide range of jobs in the public and private sector. An MP was found to have the same job weight as a major director in a district general hospital, the head teacher of a large secondary school, a chief superintendent of police and, in the private sector, a key post, reporting to a board director in a major company, with direct impact on a £100 million to £200 million resource. These comparators were endorsed by the Review Body in 1996 and are set out by Hay in Tables 4 and 5 of the External Pay Comparability report (see Volume 2, Part 1).

2.07 We were not asked to re-evaluate MPs' work for this review, but to check whether the mechanisms put in place following the last review had enabled Members to retain the comparative position in which they were placed in relation

to other workers in the public and private sector. This is what Hay have provided in their External Pay Comparability report.

2.08 There were very few comments on the salaries of Ministers, although some submissions suggested that Ministers in the Lords might merit more pay. We comment on this below (paragraphs 2.18-2.22).

General principles

2.09 The 1996 report set out the general principles applied by the Review Body in determining the pay levels. In its evidence to us the Government quoted these principles with approval. We consider they remain relevant, and have applied them again in this review. They are:

- pay should not be so low as to deter suitable candidates or so high as to make pay the primary attraction of the job;
- pay should reflect levels of responsibility rather than workload;
- whereas those with outside interests should not be deterred from entering Parliament, those who choose to make Parliament a full-time career should be adequately rewarded to reflect their responsibilities;
- pay should not be augmented in an attempt to compensate MPs for job insecurity, which is not unique to MPs;
- the basic parliamentary salary should continue to be the same for all MPs;
- there should be no pay progression linked to length of service;
- a clear distinction must be made between salary and reimbursement of expenses.

Parliamentary salaries

2.10 In 1996, we found that parliamentarians' pay had fallen behind that of comparators in the public sector and elsewhere, and we recommended that steps be taken to redress this situation. Our recommendation that MPs' pay be increased to £43,000, an increase of 26 per cent, was accepted by Parliament and implemented on 1 July 1996. We recommended also that a review mechanism be introduced whereby the salaries of MPs, Ministers and paid office holders be adjusted annually in line with the average movement in the mid-points of the nine senior civil service pay bands below the level of permanent secretary. This too was accepted, and the first uprating made on 1 April 1997.

2.11 It was hoped that the introduction of the uprating mechanism would ensure that parliamentary salaries would not, thenceforward, lose ground against salaries being paid elsewhere in the public sector. In practice, as is clear from Table 6 in Hay's External Pay Comparability report (see Volume 2, Part 1), this has not proved to be the case. Progressive pay scales mean that those in comparable work in other parts of the public sector have been able to receive higher individual increases than MPs, who have no such flexibility and all receive the same annual increase. MPs' pay now stands at £48,371. Salaries in the public sector (mainly local authorities and NHS administration) have increased from a median value of £44,000 in 1996 to £54,800 at July 2000 — 13 per cent above the salary of an MP. It is clear that Members of Parliament now receive lower salaries than those doing similarly weighted work in other parts of the public sector. Table 6 in Part 1 of Hay's report shows that they also receive substantially less than private sector comparators.

2.12 In making our determinations we are required to take account of Government policy on economic and public expenditure matters, including affordability, amongst other relevant considerations. We therefore propose that an adjustment should take place over two years, amounting to an increase of

£2,000 in both 2001 and 2002 in addition to any increase resulting from the normal review mechanism. These amounts would be consolidated and pensionable in the normal way. A further review might be appropriate, in say three years' time, to establish whether there should be any further adjustment.

2.13 *Recommendation 1: We recommend that the parliamentary salary should be increased by £2,000, in addition to any increase resulting from the operation of the usual annual review mechanism, in both 2001 and 2002.*

Ministers and other office holders in the House of Commons

2.14 The Hay report (see Volume 2, Part 1, paragraph 3.1) shows that there are few jobs elsewhere in the public or private sector which might be considered comparable to that of a Government Minister, particularly at the level of Minister of State or above. For the Prime Minister it could identify no direct comparator. The Hay report also indicates clearly that Ministers have fallen significantly behind such comparators as there are in terms of salary.

2.15 It has always been recognised that work in Government or parliamentary office brings rewards other than salary and does not attract full market rates of pay. While recognising this, the review in 1996 recommended a number of significant changes which were intended to ensure fair differentials between Members of Parliament and Ministers. Parliament agreed to these recommendations.

2.16 If our recommendation above on MPs' pay is accepted, Ministers and other office holders in the House of Commons will receive an additional £2,000 in each of the next two years in their parliamentary salary. We have concluded that no additional increase in their office holder salary, beyond the usual annual adjustment, should be made. All the evidence summarised above suggests that those pay levels represent the minimum that Ministers should be paid.

2.17 We note, furthermore, that the Prime Minister and Cabinet Ministers do not yet draw the full salary to which they are entitled. This action distorts the parliamentary pay system and creates inequity. While recognising the Government's motive of setting an example of moderation, we would hope that this distortion will be remedied as soon as possible.

Ministers, Whips and other office holders in the House of Lords

2.18 Ministers and other office holders in the House of Lords do not have a parliamentary salary in addition to their office holder salary, as do those in the Commons. Nor do they have the time available to their fellow peers to do other, non-parliamentary, work. In recognition of this they receive a higher office holder salary than those in the Commons, although still some way below the total of parliamentary and office holder pay available to those in the Commons, who also have constituency duties to fulfil.

2.19 We received several submissions about and heard evidence on the salaries of Ministers in the House of Lords. It was argued that Ministers in the Lords had to cover their whole department's responsibilities in the House, as well as having their own area of responsibility. A Whip might have to cover several departments, and may be the sole spokesperson in the Lords for business relating to those departments, having to steer through significant quantities of Government legislation. Ministers and Whips in the Lords might therefore be argued to shoulder a bigger range of responsibilities than those in the Commons, and we were asked to consider recommending a higher increase.

2.20 These salaries were last considered in depth, and considerably increased, less than two years ago following our 1999 report on Parliamentary Development Recommendations (Report No. 43). A full job evaluation study would be needed to assess whether there have been significant changes in their responsibilities since that time which would merit different treatment. We were not asked to carry out such an evaluation, nor would we think it appropriate so soon after the last major

review. We think it right, however, broadly to maintain the differential with the parliamentary salary. Since Ministers in the Lords cannot benefit from the £2,000 additional increase in parliamentary salary which will apply to those in the Commons, we recommend that they should receive an additional increase to reflect this.

2.21 *Recommendation 2: We recommend that the salaries of Ministers in the House of Lords and other paid office holders in that House should be increased by £2,000 in each of the next two years in addition to the usual increase.*

2.22 Similarly, we heard arguments that in the Lords the Chairman of Committees and the Leader of the Opposition and Opposition Chief Whip should receive higher increases to reflect a level of responsibility which was greater than currently recognised. In the absence of a full job evaluation exercise we are not able to judge the extent to which the situation has changed since we last considered these posts or to draw conclusions on the merits of these arguments. We therefore make no recommendation on this.

Chairmen of Select Committees

2.23 Several submissions argued that the additional responsibilities carried by Chairmen of Select Committees in both Houses should be recognised in pay terms. Some submissions suggested that differential pay would be beneficial in providing a career structure for Members who would not achieve Ministerial office.

2.24 There is no doubt that Chairmen of Select Committees in the House of Commons have a higher level of responsibility than other Members of Parliament. However, we have not on this occasion been asked to recommend a differential pay structure to reflect this.

Severance payments for Ministers

2.25 Severance payments were first introduced for Ministers in the Lords in recognition that, unlike their Commons counterparts, on leaving office they had no parliamentary salary to fall back on. The payment was subsequently extended to Commons Ministers and paid office holders on the grounds that, on taking up their appointment, they must relinquish all other paid interests. A severance payment helps to bridge the gap while they re-establish these interests, or create new ones, when they leave office.

2.26 The Prime Minister, the Lord Chancellor and the Speaker of the House of Commons are excluded from receiving a severance payment because they have preferential pension rights. Other Ministers and office holders are eligible provided they are aged under 65. We were asked to consider whether the present situation, whereby those over 65 are not entitled to severance pay, takes sufficient account of the fact that Ministers in the House of Lords do not have a separate parliamentary salary to fall back on.

2.27 We were not persuaded that Ministers in the Lords who were over 65 should receive a severance payment. We understand that the payment's main purpose relates to finding alternative work and is similar to that of a redundancy payment. We note that employees who have reached the age of 65 are not eligible for a statutory redundancy payment. Moreover, ex-Ministers in the House of Lords who are aged 65 will be in receipt of a pension, whereas those in the Commons, while receiving their parliamentary salary, will not be able to draw their pension until they cease to be a Member. We consider that Ministers in the Lords are not sufficiently disadvantaged to justify a change in treatment, and we make no recommendation on this.

Chapter 3

House of Commons allowances

- Introduction and past reviews**
- 3.01 We were asked to review the Office Costs Allowance, which is payable to MPs in respect of office expenses, including equipment, secretarial costs and research assistance. The allowance currently stands at £51,572 a year. Other allowances available to Members of the House of Commons include an Additional Costs Allowance for MPs with constituencies outside inner London; a London supplement for MPs representing inner London constituencies and for Ministers; and various travel allowances. All the allowances are uprated annually by reference to the RPI.
- 3.02 The Motor Mileage Allowance was recalibrated following a Review Body recommendation in 1996. The 1996 report recommended further consideration of issues relating to the structure of the Office Costs Allowance, on which the Review Body reported in 1999. In particular, it considered whether a system could be established to remove staff costs from the allowance and provide for staff to be employed centrally rather than by individual MPs. However, the Review Body could find no consensus for changing the structure and encountered a strong desire by MPs to continue to employ their own staff. It therefore made no recommendations on this. Its recommendation for central provision of information technology equipment was not accepted by the House, which instead moved towards central procurement.
- 3.03 If changes are to be introduced successfully, it is essential that they command the support of the majority of those to whom they apply. The recommendations we made in 1996 and 1999 did not inspire this degree of support, with the result that a system which most people believe to be unsatisfactory in one way or another has remained in place. It has therefore been our prime objective in this review to ensure that our recommendations command broad support.
- 3.04 The evidence we have received suggests that the recommendations set out below meet this objective. Nevertheless, it is clear that not everyone would welcome changes. The current Office Costs Allowance gives MPs freedom to allocate the money across the full range of allowable expenditure. For example, some Members may choose to buy more equipment rather than employ staff; or to employ one person at a high salary rather than maintaining a constituency office or employing more staff at a lower rate.
- 3.05 This flexibility, however, is accompanied by serious issues of accountability which, as is clear from the evidence put to us, are of concern both to many Members and to the relevant authorities. First, the difficulty in identifying and allocating the elements of expenditure gives rise to a lack of transparency. Secondly, because MPs have significant freedom to spend a large sum of money — amounting indeed to more than their salary — the public tends to view the allowance as part of MPs' personal compensation rather than as a sum restricted to the reimbursement of proper business expenses. Thirdly, it was suggested to us

that the current system allowed potential for abuse or misuse, although no cases of actual abuse have been drawn to our attention. The allowance is strictly for parliamentary and constituency work, and it is essential that public confidence is maintained that it is properly accounted for, transparent and not diverted to other purposes. We have borne these points in mind in formulating our proposals.

The Office Costs Allowance 3.06 The allowance covers costs associated with the MP's office at Westminster and, where the MP has a constituency office, in the constituency. From the allowance the MP must pay secretarial and research staff, provide and maintain equipment and buy office supplies.

3.07 In addition to the allowance, some assistance with office costs is provided or available centrally:

- an office in Westminster, furnished and equipped with a telephone;
- free postage and UK phone calls from the House;
- free research facilities through the House of Commons Library;
- a 10 per cent employer's contribution to staff pensions, up to a maximum of (currently) £5,157 a year;
- staff redundancy payments in some circumstances;
- direct payment of MPs' staff by the Department of Finance and Administration, which handles some of the employment administration such as national insurance contributions and PAYE, helps to ensure that various requirements of employment law are met and provides some advice on personnel issues.

Staff 3.08 In addition to the report by Hay, we received a large body of evidence, much of it relating to staffing. MPs argued that the current allowance was significantly too small, and provided for fewer staff than MPs now needed to perform effectively. They said that there was a great disparity in conditions, that many staff were underpaid, there was no career structure or possibility of performance increases and no provision for staff training. In consequence staff morale was said to be low and there was a high staff turnover.

3.09 MPs strongly valued the relationship they had with their staff, and considered it essential that they should retain the ability to choose their employees and to decide where and how they should work. At the same time it was argued that not all MPs were 'good employers', either because of inexperience or lack of knowledge of their responsibilities, or through lack of time. The flexibility of a single allowance, while welcome, had some unfortunate consequences. MPs could be forced to choose between purchasing necessary equipment and awarding pay increases to their staff. We had evidence that some MPs had to subsidise out of their own salary the pay of the staff they considered necessary to support them.

Staff—structure of provision 3.10 The main objection to the 1996 proposal to separate staffing costs from the Office Costs Allowance was the accompanying suggestion that staff should be employed centrally. There was a clear majority view in the evidence submitted to us that staffing costs should be separated from the Office Costs Allowance, provided always that MPs would retain the right to select staff, to terminate their employment and to decide on the work their staff should do. Hay's study has confirmed that this is feasible. Central funding would provide a fairer and more open system, improve staff morale and remove some of the burden of being an employer from the MP. We believe there is general agreement that the reduced flexibility for MPs is a price worth paying for greater transparency and accountability. The Department of Finance and Administration confirmed that such an approach would be administratively practicable.

3.11 Recommendation 3: Staff should remain the employees of MPs but their salaries should be paid centrally by the House authorities and should not form part of the Office Costs Allowance.

Staff—pay levels

3.12 We have been convinced by the evidence we have received, including Hay’s report, that some greater comparability of pay between staff of MPs should be achieved. While MPs should be free to decide whom to employ, and at what level within a pay structure they should enter the employment, we consider that, in due course, all staff should have access to the same pay scales appropriate to their individual role. These scales should recognise market rates and, where relevant, recognise that employees in London generally receive higher pay than those in other locations. The House may wish to consider the most suitable pay scales. As a possible guide, Appendix E sets out the rates put forward by Hay from their database as appropriate for the range of jobs likely to be undertaken by MPs’ staff. In referring to these rates we have also looked at the pay scales recommended by the Transport and General Workers Union parliamentary branch.

3.13 Recommendation 4: New staff should be employed on agreed pay scales which would apply to all MPs’ staff. The aim should be to move existing staff over to these pay scales as soon as possible, subject to transitional measures as set out in paragraph 3.50 below.

Staff—numbers

3.14 We had evidence of greatly increasing constituency case loads and correspondence, in particular because of the growing use of new technology. We received strong representations that the number of staff for which the Office Costs Allowance currently provided was insufficient to enable MPs to fulfil their role effectively. The current allowance is based on an estimated need of up to two and a half staff. A large majority of MPs who responded to us argued for a minimum of three or even four staff.

3.15 We note Hay’s conclusion that, while two and a half staff would be adequate for many MPs, more active Members could effectively make use of three staff. From the evidence we have received we have concluded that the maximum provision for each MP should be set at a level which would enable the MP to employ up to the equivalent of three full-time staff. This maximum should include national insurance contributions but exclude the 10 per cent employers’ contribution to a pension scheme which, as now, would be paid centrally.

3.16 In determining what provision to make for staffing costs, we have taken account of Hay’s report, along with other evidence. We have concluded that an amount of £60,000 is necessary to allow for the employment of the equivalent of three full-time staff. For MPs with London constituencies, of whom there are 74, an additional £10,000 is appropriate. This provision would give MPs some flexibility, for example to cover for staff absences or to pay for ‘ad hoc’ research, but should be ring-fenced for actual expenditure on staffing.

3.17 Recommendation 5: MPs should be able to employ up to the equivalent of three full-time members of staff, at a total maximum cost of £60,000 a year, or £70,000 a year in the case of MPs with London constituencies.

Information technology equipment

3.18 Many MPs commented on issues related to the provision of IT equipment. In 1998 the Information Committee of the House of Commons considered that the time was not ripe for a move to central provision of equipment, as the Review Body had recommended. Instead, it put forward plans for central procurement, which the House put in place. MPs can choose equipment from a list provided by the Parliamentary Communications Directorate of equipment compatible with the House network — the Parliamentary Data and Video Network (PDVN). However, they have remained free to purchase their own equipment, for example

on the basis of personal preference, local contacts or particular expertise. In practice, most have chosen to buy their own equipment.

3.19 The Information Committee published its second report on 27 November 2000, with an aim of providing the Review Body with evidence for our review. The report has provided valuable information and proposals which have strongly influenced our recommendations on this issue.

3.20 The report sets out the history of the SSRB's 1996 and 1999 reports and the Information Committee's first report. It states that only 38 orders have been placed under the central procurement system, and that the Parliamentary Communications Directorate has faced increasing problems in managing Members' interface with the PDVN because of diverse systems. Even when equipment is compatible installation is more time consuming and expensive than under a centralised system.

3.21 The second report sets out the three options for reform:

- introducing a standard operating environment with minimum standards, which would enable Members to opt out of the PDVN: the Information Committee considers this would be a retrograde step;
- central procurement, which would provide some standardisation of equipment: the Information Committee notes that the results of the existing exercise have not been encouraging; and
- full standardisation of hardware and software through central provision.

3.22 The Information Committee notes that the last option was the preferred option of the Parliamentary Communications Directorate and the Department of Finance and Administration when the Information Committee published its first report. It rejected it then but undertook to re-examine it when more work had been done on costs. This has now been provided, and the Information Committee notes that there has been a dramatic increase in the use of IT, including dependency on e-mail; that the SSRB is reviewing the issue; and that, while it has stated that introduction of central provision could only be at the start of a new Parliament, there could be a General Election in the near future. It therefore considers that the time has come to make the case for central provision.

3.23 We summarise the Information Committee's conclusions and recommendations in Appendix F. We welcome and endorse the recommendation that a basic suite of equipment should be provided and maintained centrally for MPs in both their Westminster and constituency offices, along with suitable training. Standardised central provision is common practice throughout business. We believe that modern working conditions require it. We note that the Scottish Parliament and the Assemblies of Wales and Northern Ireland have all adopted central provision of IT equipment and the evidence received by the Review Body indicates that this provision has been successful.

3.24 We note that the Information Committee has costed a standard package of two PCs, two combined printers/scanners/copiers/answer machines, a laptop computer and associated software. We believe that two PCs could be insufficient, in particular for MPs with constituency offices. We consider that in principle every member of the MP's staff should have access to a PC, and therefore that up to three should be provided. Printers, scanners and other equipment could be shared within the office. Proper links between Westminster and constituency offices should be provided to enable staff outside Westminster to have access to its facilities to enable more efficient working. On the basis of figures supplied to us by the Information Committee, Hay and the Department of Finance and Administration, the average annual cost of this provision would be some £4,000

per MP; this would also cover the cost of remote access for PCs in the constituency (assumed to be two of the three proposed). As with staff costs, the provision should be ring-fenced.

3.25 We agree with the Information Committee's conclusion that the new system should be in place to enable all MPs to benefit from it immediately after the General Election. Transitional arrangements are discussed in paragraphs 3.46 — 3.50 below.

3.26 *Recommendation 6: Central supply and maintenance should be provided for a standard package of equipment for each MP, consisting of up to 3 PCs, 2 printers/scanners/copiers/answer machines, a laptop and associated software.*

3.27 *Recommendation 7: The standard package should include provision in the constituency office, and necessary links such as a virtual private network should be funded centrally.*

3.28 *Recommendation 8: The new system should be in place to enable all MPs to benefit from it immediately after the General Election.*

3.29 We endorse the Information Committee's proposal that MPs should be free to buy additional equipment out of their provision for remaining expenses (see paragraph 3.39 below), but that the Parliamentary Communications Directorate should have discretion over whether it should be connected to the PDVN.

3.30 We would wish to underline the important principle that the equipment must be used purely for parliamentary purposes. We welcome the discussion in the Information Committee's report of the particular issues surrounding the use of equipment while Parliament is dissolved, and endorse its conclusions.

Constituency office costs

3.31 The majority of MPs now choose to use some of their Office Costs Allowance in running a constituency office as well as an office in Westminster. In their view, this enables them to deal more effectively with constituency matters, maintaining a local presence close to local issues and often providing direct access to the public. This development raises issues of great importance, on which we received many submissions. The evidence put to us suggested that the provision was often insufficient to meet the costs of running a constituency office and that MPs could be faced with a clear conflict of interest if they accepted outside help with their office costs, such as subsidised premises or assistance with staffing. We would stress, once again, that any funding through the Office Costs Allowance or otherwise than through the party must be used for non-party purposes alone. It may be difficult to draw the line, for example where the constituency office is part of the party offices or where constituency office employees' work includes liaison with the press. Nevertheless it is essential that MPs take care to draw that line.

3.32 In the current review we initially had some sympathy with the suggestion, put forward in evidence and by Hay, that constituency offices should be provided centrally, for example by the House itself leasing accommodation or by local authorities providing space. Although Hay felt strongly that central provision was the best option, we are not persuaded that this would be generally acceptable to Members or achievable on a practical basis. There is currently a wide variety of arrangements, many of them sensible and pragmatic and offering flexibility which suits the MP. Central provision would require common standards to be set which could be unnecessarily restrictive or inappropriate in particular circumstances.

3.33 We have concluded that MPs should continue to be funded individually for constituency office costs. In arriving at what we consider an appropriate standard figure for all Members, we have taken account of the concern expressed by many MPs for the safety of their staff whilst working in constituency offices. We endorse

Hay's suggestion that a figure of £8,000 would be sufficient for the costs of a constituency office, including insurance and business rates, and consider that an additional £1,000 should be allowed to ensure that staff can be provided with the safe working environment which they are entitled to expect. We further consider that there should be provision for one-off grants to be made where the police have recommended that additional safety precautions need to be taken.

3.34 We recognise that a flat-rate provision would disadvantage those with constituencies in high cost areas. We note that MPs' needs for constituency offices, and their costs, vary enormously. Constituencies may be in areas with very high, or particularly low, premises costs; some cover areas of high population, others are spread over large areas of less populated territory. Some have particular problems calling for special measures such as interpreters or a particularly high case load. MPs' working methods add to the varied needs and approaches. In all offices, there is a need to make provision to ensure the health and safety of staff. We considered some of these issues in 1999 when looking at the possibilities of an Exceptional Needs Allowance for MPs whose constituencies had particular problems giving rise to higher costs. We found no consensus on the way forward and made no recommendations. However, the evidence suggests that the issue has not gone away. Whilst we recommend that a standard figure set out in the paragraph above should apply to all MPs, we suggest that the House (perhaps by setting up a Committee) should consider how those Members could best be helped who have constituencies with particular problems which give rise to exceptional expenses.

Other expenses 3.35 Office costs include other incidental expenses, for example on stationery. Hay's report and the submissions we have received suggest that MPs need the flexibility to cover a number of matters, such as:

- (i) office incidentals, including disabled access
 - (ii) additional and/ or upgraded computer equipment
 - (iii) insurance
- and, where these costs cannot be met by the central staff budget:
- (iv) staff bonuses, overtime payments and travel
 - (v) additional staff sick cover
 - (vi) interpreters
 - (vii) staff training.

3.36 Hay suggests around £5,000 to cover incidental expenses such as these. We consider this to be a reasonable sum.

Disability provision 3.37 Members who have particular needs because of disability are able to claim an additional allowance to cover the cost of special equipment or other adaptations. Currently, these additional payments have to be voted through the House by Resolution, which the Members concerned could find embarrassing and intrusive. Clearly there needs to be accountability to ensure that payments meet real needs, but we wonder whether Members' privacy might be better protected. While this is a matter for the House, we suggest that the arrangements might be considered, perhaps by a Committee.

Incidental Expenses Provision 3.38 If our recommendations are accepted, two major items of office expenditure, on staff and computer equipment, which currently have to be funded through the Office Costs Allowance will instead be funded centrally. Clearly, this would have significant implications for the Office Costs Allowance, and we propose that, to avoid confusion, that allowance should be formally abolished.

3.39 In its stead we propose a new provision, called the Incidental Expenses Provision, which would reimburse MPs for expenditure incurred in relation to their remaining needs — constituency office accommodation, including security

(£9,000 a year) and other incidental costs which would vary from Member to Member (£5,000), amounting to £14,000 a year. Provided it were used for the appropriate purposes MPs should have freedom to spend more or less on the component parts.

3.40 *Recommendation 9:* The Office Costs Allowance should be abolished and a new Incidental Expenses Provision should be set at £14,000, to include reimbursement of approximately £9,000 for expenditure on the costs of a constituency office and £5,000 for other incidental expenditure.

3.41 *Recommendation 10:* There should be central provision for one-off grants to be made from central funds where the police have recommended that additional safety precautions need to be taken.

3.42 *Recommendation 11:* The House should consider a means of providing additional reimbursement of exceptional expenses incurred by MPs who have constituencies with particular problems.

3.43 *Recommendation 12:* The House should consider the arrangements for reimbursing disabled Members for their additional expenses, with a view to affording them greater privacy.

Budgetary arrangements for central provision

3.44 It is not for us to tell the House how the budgets for the central provision of staff and equipment should be arranged, but within the context of a modernisation of the allowances system, it would appear right that a budget be created from within the Members' vote. This could provide for the central provision of staff, IT equipment and staff and Members' training and would give the Department of Finance and Administration greater flexibility to meet changing demands between reviews.

Conclusions on office costs

3.45 These recommendations represent a significant change from the current provision. We believe they provide a foundation for arrangements which will meet the future needs of a modernised House and effective Members. We also consider that the removal of major elements of discretionary spending from the provision, by the ring-fencing of staffing and computer-related costs, will make the reimbursement of legitimate expenses more transparent, reduce opportunities for possible or perceived abuse and increase public confidence.

Transitional arrangements

3.46 All these changes, in particular to staffing arrangements, cannot be brought into effect overnight. In addition to facilitating an orderly introduction, the transitional arrangements we recommend should help to reconcile those Members who would prefer to retain the existing arrangements rather than move to the new system.

3.47 The new arrangements should cover all newly elected Members immediately following the General Election. Existing Members who wish to move to the new system at that time should be able to do so, bearing in mind their existing contractual obligations. These may mean that new pay rates will have to be negotiated and agreed with individual members of staff in line with the pay scales under the new system. Where the set scales would imply a reduction in pay, employees should 'mark time' at their existing pay until it is at the recommended level. With the agreement of the Department of Finance and Administration, the Member should have discretion to negotiate different arrangements in special cases, for example where our proposals would entail a breach of contract. Similarly, Members may have continuing obligations in respect of their existing computer equipment, for example in terms of lease or maintenance contracts. We suggest that the Department of Finance and Administration should undertake to reimburse any reasonable costs arising after a Member moves to the new system as a result of binding commitments which were entered into before the General Election.

3.48 We consider that it is necessary to specify a date after which all Members will be covered by the same system, and in order to benefit from the cost and efficiency gains of a centralised IT system this period should be kept to the minimum. While it is for the House administration to decide how long the transitional period should be, we would suggest that two years should be sufficient, after which the new Incidental Expenses Provision arrangements should cover all MPs.

3.49 However, until the end of the transitional period some Members may wish to retain all or some of their existing system. We suggest that the following transitional arrangements should apply:

- Those who wish to carry on with no changes from the current system should retain the current level of allowance, annually updated as previously by the RPI. In order to keep to a minimum any incompatible obligations which continue after the transitional period, any new contracts of employment entered into by the Member during the transitional period should provide for pay in accordance with the agreed pay scales.
- Those who wish to take advantage of central provision of IT but wish to retain existing staffing arrangements should also continue with the whole current allowance for the interim period. We do not think it would be appropriate to deduct a notional sum, not least because of the ongoing cost commitments Members may have in relation to their computer equipment, which in this case the Member rather than the Department of Finance and Administration should bear.
- We do not think it would be feasible to provide for Members to retain existing IT arrangements while transferring staffing costs to the central budget.

3.50 **Recommendation 13:** The following transitional provisions should apply:

- (i) **The new system should be in place immediately following the General Election for all new MPs and all existing Members who wish to transfer.**
- (ii) **There should be a transitional period during which those who wish to continue their existing arrangements for staff, whether or not they take advantage of central IT provision, can retain the current level of Office Costs Allowance, updated under the existing system in line with the RPI.**
- (iii) **Once the Member has transferred from the old system, any reasonable contractual commitments in respect of staff and IT entered into before the General Election should be honoured through central funding until they can reasonably be terminated.**

Other allowances 3.51 MPs are entitled to a number of allowances covering travel and accommodation expenses. In brief, these include:

- Specified free travel on parliamentary business, mainly between Westminster, the constituency and the MP's home.
- Motor Mileage Allowance at 52.5p a mile for the first 20,000 miles of standard journeys; 24.2p a mile thereafter.
- Bicycle allowance at 6.7p a mile.
- Extended travel expenses and Select Committee/ delegation travel.

- One journey a year to European institutions or the National Parliament of an EU member state.
- 15 return journeys a year for the Member's spouse and children between home or the constituency and Westminster.
- 18 single staff journeys a year per Member between Westminster and the constituency.
- An Additional Costs Allowance (ACA) of £13,322 a year, to reimburse MPs for some expenses incurred when staying overnight away from their main home whilst performing parliamentary duties. MPs with inner London constituencies are not eligible as they automatically receive the London Supplement. MPs with Greater London constituencies must choose between the ACA and the London Supplement.
- A London Supplement of £1,473 a year, paid and taxed with salary, for MPs with inner London constituencies and all Ministers other than those with an official London residence.
- A Temporary Secretarial Allowance of six months' full pay and six months' half pay.
- A Winding Up Allowance, payable to MPs who are defeated at a General Election, die or retire, to cover expenses such as staff salary, national insurance contributions and contractual claims, travel expenses and postage costs.

3.52 The Review Body considered these allowances in 1996. The Government did not ask us to review them this time, and we have received very few comments or representations upon them. We therefore make no recommendations on these allowances, but we note that the level of the Winding Up Allowance will need to be redefined.

Chapter 4

House of Lords allowances

- Introduction and past reviews** 4.01 Backbench peers do not receive a salary but can claim expenses incurred in attending the House. The main allowances currently are:
- day subsistence and incidental travel: up to £37 a day, covering meals and refreshments at the House and travel within London;
 - overnight subsistence: up to £84 a day, to cover hotel costs or to put towards the cost of maintaining a London home; and
 - secretarial allowance: up to £36 a day, covering office, secretarial, postage and certain additional expenses.
- 4.02 These allowances can be claimed only in respect of days on which the peer attends a sitting of the House or a Select Committee at Westminster. This means that, unless the House sits on a Friday, no more than four day or night subsistence claims can be made in respect of a week. In addition, peers can claim the secretarial allowance for up to 30 days during the recess. The allowances are updated each August in line with the Retail Price Index.
- 4.03 In addition, peers can claim for travel to and from the House and, for limited parliamentary business reasons, elsewhere in the UK; and for up to two journeys a year for their spouses to attend a parliamentary occasion in London.
- 4.04 Payments are made monthly or quarterly following claims certified as correct by the peer. As repayment of expenses incurred on unpaid parliamentary business, they are not subject to tax.
- 4.05 Peers were first able to claim limited reimbursement of expenses in 1957. The current structure was broadly put in place following recommendations of the Top Salaries Review Body in 1979 and from 1984 uprating was linked to changes in civil service subsistence and secretarial rates. Changes in procedures in the civil service subsequently meant the rates were not centrally promulgated, and the RPI uprating mechanism was therefore introduced from 1994.
- 4.06 The SSRB considered these allowances in 1996 and found that the basic structure still commanded general support. The report recommended the introduction of the spouses' travel allowance, which was accepted. It also recommended, for active peers, consolidating 100 days of the day and night subsistence allowances and paying it in advance. The Government rejected this recommendation because of administrative complexities.
- Reform of the House of Lords** 4.07 Since the last review major changes have taken place in the membership of the House of Lords. The vast majority of peers are now life peers, and there are 92 elected hereditary peers. An appointments commission is in the process of selecting the first group of eight to ten cross-bench 'people's peers' nominated by businesses, trade unions, charities and others.

4.08 These changes, and other developments over time, have resulted in significant changes in the way peers approach their work. The House now sees itself as much more business oriented. Attendance figures, set out in Appendix G, demonstrate that the proportion of peers attending more frequently has increased since the reforms. Members expect to contribute in a professional way, and to have the appropriate support to do so.

4.09 However, this is likely to be only the first stage of major reform. The Royal Commission on the Reform of the House of Lords, chaired by Lord Wakeham, published its report in January 2000. This recommended further significant changes, including the election of a proportion of peers, which would have fundamental implications for the membership. The Government has not yet announced when the report will be considered by Parliament.

Underlying principles

4.10 In asking us to review the rate and structure of peers' allowances, the Government noted that the issue was seen as pressing and should not await the second stage of the reforms. We have considered, however, that fundamental changes to the structure of the allowances should not take place during this transitional phase when further, more far-reaching, reforms are in prospect which would make further review of the allowances essential. The evidence we have received, including from Lord Wakeham, supports this view.

4.11 Although arguments have been put forward for remuneration of the House in the future, while the current structure of the House remains it is an important principle that peers are not paid for the work they do. The allowances they receive aim to provide compensation for expenses properly incurred as a result of their House of Lords activities. We have taken note, however, of the reforms which have already taken place, and the need to ensure that Members are not deterred from contributing because of the costs of doing so. It is our firm view that as a point of principle peers should not be out of pocket as a result of carrying out their duties. From the evidence we have received it is clear that the current levels of the allowances are insufficient to achieve this objective.

4.12 The current system of claiming and paying allowances is straightforward and relatively unbureaucratic. Those giving evidence considered it important that it should remain so. A further consequence of the principle of reimbursement only of costs actually incurred on parliamentary business is that the allowances are free of tax. Our recommendations have borne this in mind, and seek to maintain this position. At the same time, there must be proper accountability of the expenditure of public money. In general, peers certify that they have incurred the expenses they claim, without the need for receipts or other verification. The larger the sums claimed, the greater the need for accountability, but we consider that, if possible, the system should continue to provide for peers to certify the correctness of their claims. Our recommendations are made on the basis that the system will remain acceptable to the National Audit Office.

Information about the allowances which may be claimed

4.13 It was clear from the evidence presented to us that peers were not always fully aware what costs could be reimbursed or necessarily knew the basis on which payment was made. Submissions recommended that costs which could already be claimed should be reimbursable. Many did not recognise the extent to which the current scheme already took into account the need for secretarial assistance on days the peer did not attend the House. The allowances tend to be viewed as entitlements, earned by attending the House, rather than a reimbursement of costs actually incurred on parliamentary business. While much of the necessary information is included on the claim form, it would be helpful if the House authorities published a leaflet providing a straightforward, readable guide to the reimbursement allowances.

4.14 ***Recommendation 14:*** We recommend that the House of Lords authorities publish a guide to the reimbursement allowances which sets out the basis of entitlement and the costs which can be reclaimed.

Working on parliamentary business away from the House

4.15 The basis of the current allowances is attendance at the House. This means that peers who work at home cannot claim expenses, including those who are unwell and cannot attend the House but who nevertheless carry on their activities in respect of Committee and other parliamentary work. Nor can those who are travelling on House business claim day or night subsistence, although where it is official business, such as an official delegation, they can claim the actual expenses they incur such as hotel costs. It was also argued that Members participating in the Armed Forces Parliamentary Scheme should be considered to be on parliamentary business for the purposes of the allowances.

4.16 Many of those who provided evidence argued strongly that, in particular, the night subsistence allowance should be payable in these circumstances. They pointed out that the work done by Members was as much in respect of parliamentary business as it would be if they had done it in the House. Expenses, such as keeping up a London flat or secretarial costs, continued to be incurred wherever the work was done.

4.17 Similar points were made during the last review in 1996, but at that time the Review Body concluded that, since actual expenses of Committee travel were covered, to pay overnight subsistence as well would constitute double reimbursement. We understand the strength of feeling on this issue and have examined all the arguments again. We note that Members increasingly work outside the House, whether travelling or working from home, and we agree that their contribution may be equally valuable whether or not they are physically attending Parliament.

4.18 However, it is important to recall that the allowances do not have the purpose of remunerating Members for the work they do. They are intended to reimburse actual expenses incurred on parliamentary business. Members working at home do not incur the additional expense of travelling to the House, or of eating in restaurants. Furthermore the level of the allowance has been calculated for use in and around the House and the limit would not be appropriate elsewhere.

4.19 Those travelling abroad on delegations or Committee business have the expenses of the trip reimbursed. It is the case that Members who have chosen to rent or buy accommodation in London rather than staying in hotels will not have the contribution to those costs which they can claim if they attend the House. However, the overnight allowance was set up to cover hotel costs. While it is right that Members who decide to take on a flat in London in order to attend the House rather than stay in a hotel should be able to claim the overnight allowance as a contribution to those costs, it is not the intention to subsidise a permanent London home. The increase in the overnight allowance, and the increase in the number of non-attending days' claims for secretarial allowance, which we recommend in paragraph 4.35 below will help to provide an additional contribution.

4.20 We have concluded that attendance remains the most appropriate basis for the subsistence allowances. We also consider that all expenses properly incurred on authorised parliamentary business away from the House should be reimbursed separately. There is a clear view that not all such expenses can be claimed although we are told by the Accountants Office that they are claimable. The recommendation we make in paragraph 4.14 above for a clear information guide should help to dispel some of this confusion.

Day subsistence

4.21 This allowance, currently up to £37 a day, is intended to cover expenses incurred as a result of attending the House, such as the cost of meals which could otherwise have been taken more cheaply at home, and travel from London accommodation to the House.

4.22 We have had strong representations, backed by the evidence from the Hay report, that the allowance does not cover many of the incidental expenses which

peers are obliged to incur in attending the House. In particular, it is insufficient to cover taxi fares so that peers, who increasingly have to work far into the night, have to rely on public transport or pay perhaps £10 out of their own pockets. Nor does the allowance cover the cost of even the most modest refreshments for visitors coming on business, with whom peers increasingly have working meetings. We recommend that the allowance should be increased to recognise these costs, and agree with Hay's proposal of an increase to £60 a day. As now, claims should be certified by Members as being in respect of expenses actually incurred for the day in question.

4.23 *Recommendation 15: The day subsistence allowance should be raised to a maximum of £60 a day.*

Overnight allowance

4.24 This allowance, currently £84 in respect of each day on which the House is sitting and the Member attends, is intended to cover the cost of a three star hotel room. Since 1994 it has been increased annually by reference to the Retail Price Index. It is clear, however, that hotel prices in London have increased at a considerably faster rate. Hay's report, and other evidence put to us, indicates that the average cost of hotels which are reasonably accessible to the House and are of an acceptable standard for peers is now around £110 – £120 a night.

4.25 We have also had representations that the basis of the allowance means that peers who travel on a Sunday in order to attend a morning meeting at the House, cannot claim for that night if they wish also to claim for the Thursday or Friday night after the House has risen for the week. We consider that it is common business practice, and indeed reasonable, for people to travel the day before a business meeting and to have such expenses reimbursed. We recommend that the overnight allowance should be payable in such circumstances, where Members certify that they needed to be in London the night before the House sat.

4.26 *Recommendation 16: The overnight allowance should be increased to a maximum of £120. It should be payable for the night following each day of attendance, and for the preceding night, where the Member certifies his or her need to stay in London. This would mean that if the House sat on a Friday it could be claimable for up to six nights that week.*

4.27 We have considered whether there might be a more appropriate uprating mechanism than the RPI which would better reflect changes in hotel costs. We have not identified a simple alternative system which would produce an uprating figure without requiring further analysis and judgement, but we note that the hotel costs provided by the House of Commons Library have been closely in line with those produced by Hay. The House may wish to use such figures as a basis for deciding annual increases in the overnight allowance. If the RPI continues to be used, the allowance should be reviewed regularly to ensure that the rate has not fallen significantly behind actual costs.

4.28 *Recommendation 17: The House should consider whether to set up a mechanism to decide annual upratings of the overnight allowance, whether on the basis of information provided by the House of Commons Library or on some other appropriate basis.*

4.29 *Recommendation 18: If the overnight allowance continues to be increased annually on the basis of increases in the RPI, it should be reviewed every three years.*

4.30 Hay's report highlights that Members of the House of Commons (excluding those in inner London constituencies) receive a tax free Additional Costs Allowance of around £13,000 per year to cover accommodation, while Members of the House of Lords do not have this option. Hay argues that peers who undertake to attend the House at least, for example, 100 times a year should also be eligible to claim in advance the same allowance. We note, however, that a

similar proposal by the Review Body in 1996 was rejected because of administrative difficulties. We make no recommendation on this matter.

Secretarial allowance 4.31 The secretarial allowance is intended to cover incidental office costs including stationery, postage and relevant periodicals as well as fees or salary for secretarial services. As with the subsistence allowances, payment is currently linked to attendance, although in a less direct way: expenditure must be incurred during the period of the claim, but not necessarily on the day of attendance.

4.32 The amount which may be claimed is £36 for each day the peer attends the House. Peers who incur secretarial costs in excess of this limit may recover these additional costs up to £1,080 a year in respect of non-sitting periods. In practice this additional amount is treated as payment for up to 30 days during the recesses.

4.33 We received strong representations that this allowance was too low, and that there should be greater recognition of the need which peers have for secretarial assistance when working away from the House.

4.34 We agree that £36 a day is too low, covering as it does only some 2 hours of secretarial time without any other claimable office expenses. We recognise that the system does not require or assume that costs are necessarily incurred on the same day that a peer attends the House. The link with attendance in part acts as a control on expenditure, which provides for those who are most active in their parliamentary duties to benefit the most. It is also clear that the allowance currently fails to reimburse some costs. We consider that the work of those who are on parliamentary delegations, or paying formal visits away from the House as a member of a Select Committee, should equally be recognised as an indication of active service. We have taken account of the evidence we have received, including Hay's report which concludes that most peers in the current House of Lords require secretarial assistance amounting to approximately one-third of a full-time secretary. We have concluded that there is a need for a significant increase in the allowance, in terms of both the daily amount which can be claimed and the number of days in respect of which claims can be made. This proposal would replace the current scheme, which includes the ability to claim an additional £1,080 in the recess.

4.35 *Recommendation 19: The secretarial allowance should be raised to a maximum of £50 a day. It should be payable on the basis of expenditure certified by the Member as being made on secretarial and other claimable costs, including for days when the House is not sitting or the Member does not attend, up to a maximum of 40 days a year plus the number of days the peer attends the House, an official delegation or a Committee visit away from the House.*

Postage 4.36 Virtually all the submissions we received from Members of the House of Lords pointed out that they had to pay for postage while Members of the House of Commons could post letters free from the House. UK telephone calls made from Parliament on parliamentary business are free for Members of both Houses. It was clear that many peers were not aware that the secretarial allowance was deemed to cover the cost of postage from the House, but in any case we consider that the current allowance is insufficient for this purpose. While free postage from the House of Commons recognises the weight of constituency correspondence, which does not apply to peers, Members of the House of Lords have significant and increasing levels of correspondence on House business, and we were told of costs of up to £50 a week incurred on postage. We consider that peers should have the same access to free postage on House business as is available to Members of the House of Commons.

4.37 *Recommendation 20: Peers should have access to free postage on House of Lords business matters.*

Secretarial allowance for Ministers in the House of Lords	<p>4.38 Ministers and other office holders in the Lords cannot claim the secretarial allowance of £36 a day but instead can claim up to £4,460 a year to cover secretarial expenses incurred on non-departmental parliamentary business. The allowance was introduced in 1983 and has been uprated annually in line with the RPI.</p> <p>4.39 We note that only 17 out of 26 eligible peers claimed this allowance last year, and that the amounts claimed varied greatly, from just over £200 to the maximum. However, we have received no representations on this allowance, neither that it is insufficient for those who need it nor that it is unnecessary. In the circumstances, we make no recommendations for change.</p>
Spouse travel	<p>4.40 Following a recommendation in 1996, peers' spouses can claim reimbursement for up to two return journeys a year to Westminster to attend parliamentary occasions. In their submission to the Review Body, very few peers argued that this entitlement should be increased. We are mindful that the families of MPs can claim up to 15 journeys a year but do not consider a useful comparison can be drawn between MPs, who are remunerated and have constituency duties, and peers. We make no further recommendation on this allowance.</p>
Domestic expenses	<p>4.41 We received some submissions arguing that domestic expenses were incurred as a result of attending the House, for example the provision of care for elderly spouses or children, and the cost of cleaning. However, we consider that it would be impractical to provide a formal allowance for such costs and to ensure that payment was made only in respect of House business. It would also set a precedent. If in future the House became remunerated, and if such costs were commonly recognised by employers, there would be a case for reviewing this issue.</p>
Disabled peers	<p>4.42 Disabled peers are not in remunerated work so they are not eligible for help which may be available to employees, such as Access to Work Assistance. However, under a resolution of the House they can claim reimbursement of special costs they incur as a result of their disability. It is not clear that all peers who might benefit are aware of this provision, and it is all the more important in a diverse and modern House of Lords that disabled Members should be encouraged to play a full part and should not be further disadvantaged by their disability. We hope that the guide we recommend the authorities to produce (Recommendation 14, paragraph 4.14) will help to make the provision better known.</p>
Additional travel costs	<p>4.43 We received various representations relating to travel costs not reimbursed under the current system, including parking at stations and travel from homes abroad. We have noted (paragraph 4.20) that all travel costs relating to official business travel on delegations and Committee business away from the House are reimbursable. The level of motor mileage allowance is the same as MPs and is calculated to include provision for car costs such as maintenance and car parking. We have received no evidence that changes in this allowance are necessary. Peers who live abroad can claim the cost of travel from the point of entry to the UK to Westminster, and we do not think it unreasonable for the allowance to be set on the basis of residency in the UK. We make no further recommendations on these matters.</p>
Night Subsistence Allowance for Ministers in the Lords	<p>4.44 Ministers in the Lords cannot claim the peers' overnight allowance as such but those who do not have an official London residence can claim £18,480 (the overnight allowance consolidated for 220 nights). It is paid by the Minister's department and is taxed as income. We have had no evidence to suggest that changes are necessary.</p>

Chapter 5

The Resettlement Grant

Introduction and previous reviews 5.01 A Resettlement Grant is payable to Members of Parliament and of the European Parliament who do not stand for re-election at an election, or stand, whether in the same or a different constituency, but are not re-elected. Its purpose is to provide some compensation for the uncertainties of parliamentary life, in particular the expenses which may be faced by a Member who leaves Parliament or the European Parliament. Other than finding alternative work, these may include moving house, for example from their ex-constituency or from a London or European base. Members who leave Parliament voluntarily other than at an election are not eligible for the payment, on the basis that they will normally have had the opportunity to plan their departure, often to other employment, and so will have been able to minimise or avoid additional costs.

Current arrangements 5.02 The grant ranges from 50 to 100 per cent of salary depending on age and length of service, in accordance with Table 1 below. The first £30,000 of the grant is tax free.

Table 1: Entitlement to the Resettlement Grant: percentages of yearly salary

Years of Service							
Age	Under 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
70 or over	50	50	50	50	50	50	50

Previous reviews 5.03 The Resettlement Grant for MPs was introduced in 1971 following a Top Salaries Review Body recommendation which recognised the uncertainties attached to the tenure of a parliamentary seat and the need for a bridging arrangement for former MPs while they established themselves in a new career. Since then changes have been made from time to time, following further Review Body recommendations, both to the entitlement and to the method of calculating the grant.

5.04 The Senior Salaries Review Body last considered the Resettlement Grant in 1996, but saw no case for altering the arrangements. Following representations on behalf of MEPs in 1998 the Government undertook to ask the Review Body whether the method of calculating the grant resulted in ‘cliff edges’ which could be inequitable in particular cases. Our review stems from that undertaking.

Evidence 5.05 The Government has provided as evidence to us copies of the 1998 correspondence in which MEPs made representations through the Chair of the Managers of the European Parliament (United Kingdom Representatives) Pension Scheme to the then President of the Council. In the course of our review we have received a small number of comments from MPs and representatives of the main MEP parties, mainly in response to our questions.

Issues 5.06 In 1998 MEPs argued that, since the calculation was based on only full years’ service, MEPs could lose almost a full year’s payment, depending on when an election was called. They argued that a more equitable system would be to calculate the grant on the basis of years and days of service.

5.07 They suggested that MEPs were disproportionately affected because of the fixed five year terms for election to the European Parliament: in practice service may fall just short of five years — perhaps by no more than a few days. The Member could lose up to 10 percent of the value of the grant — £4,800 on current salaries. The Government, in reply, acknowledged that the current arrangements could seem unfair because of the cliff-edge effect of the thresholds. However, a second Government response indicated that it was not clear that any change in the calculation would make a material difference. It pointed out that all Members received a minimum of six months’ pay on leaving and MEPs would in any case be entitled to higher amounts from the European Parliament’s Transitional End of Service Allowance (TESA), from which the Resettlement Grant payment had to be deducted. However, the Government agreed to put the issue to the Review Body for the next review.

5.08 Westminster MPs who submitted evidence to the Review Body similarly argued that small differences in length of service could result in significant variations in the Resettlement Grant. Some argued that more emphasis should be placed on length of service rather than age, and that entitlement for Members under the age of 50 with long periods of service should be increased.

Conclusion 5.09 We have not been persuaded that any change in the calculation of the Resettlement Grant is warranted.

5.10 As the Government pointed out, MEPs would rarely benefit from any increase because the grant is in effect deducted from their TESA, which will almost always be higher and can provide more than double the sum payable under the Resettlement Grant. While the same is not true of MPs, we note that the current grant might be considered reasonably generous, providing a minimum of six months pay to all MPs, however short a time they have served and whatever their age. We also note that other payments in similar circumstances, such as the statutory redundancy payment, are similarly calculated on the basis of whole years of service. Furthermore, any change on the lines suggested would increase the complications and could raise questions about whether those falling short of ten years’ service should have reduced payments in the same way that those above received increased payments. Finally, we found no evidence, from the small number of representations received, that there is any strength of feeling that the current arrangements are inequitable.

5.11 We have concluded that we need make no recommendations on this issue.

SIR MICHAEL PERRY, CBE
JOHN BAKER, CBE
THE HON MICHAEL BELOFF, QC
DAVID CLAYMAN
PROFESSOR SANDRA DAWSON
SIR TERRY HEISER, GCB
SIR SYDNEY LIPWORTH, QC
JANET RUBIN
GEORGE STAPLE, CB QC
PROFESSOR SIR DAVID WILLIAMS, QC DL

Appendix A

Commissioning letter from the Prime Minister



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

6 October 2000

Dear Mike,

Your letter of 14 September to the President of the Council indicated that the Senior Salaries Review Body were ready to undertake a review of Parliamentary pay and allowances. This follows your 1996 review, which included the recommendation, accepted by the Government, that Parliamentary pay should be reviewed every three years, starting in 2000.

I am writing to confirm that the Government would like to see the following areas covered in your report:

- i. the salary of Members of the House of Commons;
- ii. the salaries of Ministers and other office-holders;
- iii. the rate and structure of Peers' expenses allowances including the Secretarial allowance for Ministers and other paid office-holders in the House of Lords;
- iv. the Office Costs Allowance in the House of Commons.

In addition, I should be grateful if the SSRB would consider the present system of calculating the Resettlement Grant.

I look forward to receiving your recommendations early next year.

Yours ever
Tony

Sir Michael Perry

Appendix B

Current salary levels and allowances

1: PARLIAMENTARY SALARY LEVELS at 31 March 2001 *before* any changes following SSRB's 2001 recommendations¹

Members of Parliament ²	House of Commons		House of Lords	
	Ministerial/ office holders salary	Parliamentary Salary	Total salary	
	£	£	£	£
		£48,371		
Ministers' salaries				
Prime Minister ¹	110,287	48,371	158,658	
Cabinet Minister ¹	66,172	48,371	114,543	85,983
Minister of State	34,326	48,371	82,697	66,294
Parliamentary Under Secretary	26,053	48,371	74,424	57,244
Government Chief Whip ³	66,172	48,371	114,543	66,294
Government Deputy Chief Whip	34,326	48,371	82,697	57,244
Government Whip	22,090	48,371	70,461	52,645
Assistant Government Whip	22,090	48,371	70,461	
Opposition salaries				
Leader of the Opposition	60,659	48,371	109,030	57,244
Opposition Chief Whip	34,326	48,371	82,697	52,645
Deputy Opposition Chief Whip	22,090	48,371	70,461	
Assistant Opposition Whip	22,090	48,371	70,461	
Others: Commons				
Speaker	66,172	48,371	114,543	
Chairman of Ways and Means	34,326	48,371	82,697	
First Deputy Chairman	30,168	48,371	78,539	
Second Deputy Chairman	30,168	48,371	78,539	
Others: Lords				
Lord Chancellor ⁴				167,760
Chairman of Committees				66,294
Principal Deputy Chairman				61,773
Law Officers				
Attorney General ⁵				90,125
Solicitor General	57,656	48,371	106,027	
Advocate General (Scotland)	57,656	48,371	106,027	

¹The Prime Minister is currently drawing a Ministerial salary of £64,580 (total salary of £112,951). Cabinet Ministers in the House of Commons are currently drawing a Ministerial salary of £48,516 (total salary of £96,887). The Leader of the House of Lords and Lord Privy Seal (at present, other than the Lord Chancellor, the sole Cabinet Minister in the House of Lords) is currently drawing a Ministerial salary of £72,729. Pension contributions and entitlement for Members of the Cabinet relate to the full salary to which they are entitled.

²Members of the European Parliament who are also MPs, receive an abated salary in respect of their membership of the European Parliament equal to one third of their MP's salary (i.e. £16,124).

³The Government Chief Whip in the House of Commons is currently a member of the Cabinet and is, therefore, paid the same salary as a Cabinet Minister.

⁴The Lord Chancellor's salary is set separately at £2,500 higher than the salary of the Lord Chief Justice of England.

⁵Currently a member of the House of Lords.

2: MPS' ALLOWANCES: CURRENT PROVISION

The following main allowances are available to MPs. The maximum levels of each allowance are updated on the 1 April each year, in line with the all items Retail Price Index.

Office Costs Allowance up to £51,572

Additional Costs Allowance up to £13,322

MPs with Inner London constituencies are not eligible for this allowance, and instead receive a **London Supplement of £1,473**. MPs with Greater London constituencies can choose whether to receive the ACA or London Supplement.

Travel

Motor Mileage Allowance of:

Up to 20,000 miles 52.5p per mile

Further mileage 24.2p per mile

Bicycle allowance 6.7p per mile

Number of return journeys for spouse and family between home and Westminster or the constituency and Westminster: 15 per calendar year

Number of single journeys for staff between constituency and Westminster: 18 per calendar year

Winding Up Allowance up to one third of Office Costs Allowance

3: PEERS' ALLOWANCES: CURRENT PROVISION

Peers (other than Ministers and paid office holders) do not receive a salary. They are, however, entitled to a number of allowances, which are for reimbursement of expenditure incurred.

Allowance for attendance at the House of Lords

When Peers attend the House of Lords, they are entitled to claim three types of allowance:

Day subsistence: Up to £37 per day

Night subsistence: Up to £84 per day

Office and secretarial allowance Up to £36 per day

plus up to a maximum of £1,080 a year for active backbenchers

Travel

Motor Mileage Allowance of:

Up to 20,000 miles 52.5p per mile

Further mileage 24.2p per mile

Bicycle allowance 6.7p per mile

Number of return journeys for spouse between home and Westminster: 2 per calendar year

Allowances when on Parliamentary duties away from the House

When Peers travel elsewhere as part of their official parliamentary duties, they are entitled to claim actual expenses under the UK parliamentary travel scheme.

Reimbursement of expenses connected with disability

Lords who are disabled may also recover additional expenses incurred as a result of their disability.

4: MINISTERS IN THE HOUSE OF LORDS AND PAID OFFICE HOLDERS ALLOWANCES

In addition to their salary, Ministers in the Lords and paid office holders have the following allowances:

Ministers in the Lords
Night Subsistence Allowance £18,480 a year

This is for Ministers in the Lords who have to maintain a second home in London.

There is a **London supplement of £1,473** for those who live in London.

Travel

Motor Mileage Allowance of:

Up to 20,000 miles 52.5p per mile

Further mileage 24.2p per mile

Bicycle allowance 6.7p per mile

Number of return journeys for spouse and family between home and Westminster: 15 per calendar year

Ministers in the Lords
Secretarial allowance £4,460 a year

This is used to recover expenses on secretarial assistance for parliamentary, non-departmental purposes.

Appendix C

List of those who provided evidence

- The Government (Cabinet Office)
- Chairman of the Parliamentary Labour Party, Clive Soley MP
- Chairman of the 1922 Committee, the Rt. Hon Sir Archibald Hamilton MP
- Chairman of the Liberal Democrat Party, Malcolm Bruce MP
- Chief Whips in the House of Lords: the Rt. Hon the Lord Carter; Lord Craig of Radley
- Chief Whip in the House of Commons, Paul Tyler MP
- Shadow Leader of the House of Commons, Angela Browning MP
- Business Managers in the House of Lords: the Rt. Hon the Lord Rodgers of Quarry Bank, Lord Strathclyde
- Chairman of House of Lords Independent Appointments Commission, Lord Stevenson of Coddenham
- Chairman of ad hoc all party committee on Peers' Pay and Allowances, Lord Graham of Edmonton
- Chairman, Information Committee of the House of Commons, Richard Allan MP
- Leader of the European Parliamentary Labour Party, Simon Murphy MEP
- Leader of the Conservatives in the European Parliament, Edward McMillan-Scott MEP
- Head of Members of the European Parliament Financial Affairs Division, European Parliament (UK Rep) Pension Scheme
- Director of Finance and Administration at the House of Commons; and the Director of Operations and Head of the Fees Office of the House of Commons
- Clerk of the Parliaments
- Representatives of the Transport and General Workers Union Parliamentary Branch
- Chairman, the House of Commons Secretaries and Assistants' Council
- Librarian, House of Commons Library
- 143 other MPs
- 31 other Peers
- 1 other MEP
- 1 other member of staff
- 3 others

Appendix D

Brief description of tax provisions relating to parliamentary pay and allowances

The following is a short general description and should not be taken as authoritative.

Further guidance should be obtained from the Inland Revenue.

House of Commons and paid office holders

As a general rule, all payments made to MPs and Ministers by reason of their office are taxable unless there is an exemption or concession covering the particular item. Tax relief can be claimed for allowable expenses under the 'Schedule E' rules. In its guidance booklet¹, the Inland Revenue reminds MPs and Ministers that because an expense is reimbursed by the Fees Office does not necessarily mean it is deductible for tax purposes.

The main allowance payable to MPs and Ministers in the House of Commons is the Office Costs Allowance, which covers expenses incurred in running an office and paying for secretarial and research assistance. Payments made by the Fees Office to or on behalf of an MP out of the Office Costs Allowance are taxable, but relief can be obtained for those expenses which are wholly, exclusively and necessarily incurred in the performance of duties. Under the rules applying to the use of the Office Costs Allowance, the Fees Office can meet the cost of office equipment, such as a personal computer. This is classed as a capital asset, and tax relief can be obtained for the annual depreciation of the equipment.

The Additional Costs Allowance, which reimburses an MP with a constituency outside London for expenses incurred in staying away from home, is not taxable. Tax legislation specifically exempts this allowance from liability. However, the London Supplement, payable to MPs with a London constituency, is taxable under PAYE rules.

Travelling expenses incurred on journeys on parliamentary business are eligible for tax relief. The Fees Office normally reimburses the full cost of these. Because the amount involved is both taxable and eligible for relief, it is covered by a dispensation and need not be declared; nor should it be claimed as an allowable expense. Motor mileage allowances are taxable to the extent that they exceed the allowable cost of business journeys. Allowances paid for private journeys are taxable in full. The Fees Office has an arrangement with the Tax Office whereby the former calculates a 'profit figure' for the year which the Member is required to declare. This is taxable.

House of Lords

Peers are unsalaried and regarded as not holding an 'Office of Profit'. Payments to peers are intended to reimburse them only for expenses incurred in the performance of their duties. As such, they do not come within the scope of the 'Schedule E' expenses rules.

¹ MPs, Ministers and tax, Inland Revenue, 1997

Appendix E

Pay rates of support staff from Hay's database

Table 1 from Hay's OCA report: Volume 2, Part 2 — Median Base Pay, October 2000

	Inner London	Outside London/ South East
<p>Parliamentary Assistant — Generally, a qualified and experienced graduate (or equivalent) capable of conducting, evaluating and interpreting in-depth research on a specialist subject of some complexity. May also assist on more general issues arising from the constituency including casework, and on substantive media contact.</p>	£28,500	£24,000
<p>Executive Secretary/PA — A highly experienced, quite probably graduate level assistant. Conducts research in respect of constituency matters or matters of specialist interest. May progress casework. Substantial external contact with e.g. media, lobby groups, constituency parties. Controls MP's diary and arrange all activities. Purely secretarial activities are likely to be of secondary importance, at least in time terms.</p>	£27,000	£22,000
<p>Research Assistant or Constituency Assistant — Graduate or experienced person, capable of progressing complicated constituency casework; and/or conducting research from several readily available sources, presenting the results in ways which are politically and presentationally useful to the Member. May handle routine correspondence independently and, in constituencies, handle a range of visitors. Drafts and issues press material. In the constituency, a link with the local party.</p>	£23,500	£18,500
<p>Executive Secretary — Very experienced secretary equivalent to that of a senior manager in a major company. Full secretarial, word processing, diary management, filing and message taking role. May delegate routine text production. Conducts correspondence about arrangements, programmes, etc. But much less influence/decision taking about programmes or external relationships than the broader roles.</p>	£22,500	£17,500
<p>Senior Secretary — Experienced secretary providing full text production, filing, diary keeping, and message taking support. Drafts and may sign routine letters of confirmation and the like. Using keyboard skills at a high level is likely to form the biggest single part of the job.</p>	£20,000	£15,500
<p>Junior Secretary — Routine transcription work using standard formats, audio tapes and straightforward word processing packages. Also filing and routine duties such as opening/ dispatching post. May receive visitors and field/filter phone calls.</p>	£17,000	£12,500

Appendix F

Summary of the Information Committee second report: Conclusions and recommendations

Central provision

- (a) Central provision will allow the House to offer a higher standard of IT services to Members.
- (b) Central provision of IT hardware and software, together with maintenance and support service in Westminster and in the constituency, should be introduced as soon as possible. Hardware should be upgraded at least every three years. The report envisages that external contractors would deal with support both in Westminster and the constituencies (para 34) and that suitably resourced training should be provided.
- (c) MPs should be able to draw on an allowance to buy additional IT equipment of their own choice. The Committee strongly recommends that the Parliamentary Communications Directorate (PCD) should have discretion over whether or not such equipment should be connected to the PDVN.
- (d) Reducing the Office Costs Allowance by an amount corresponding to the value of centrally-provided equipment would render central provision unacceptable to MPs.

Management ability

- (e) The Committee is confident that PCD has the expertise to obtain suitable and value for money equipment and software.

Constituency links

- (f) Remote access links for constituency offices should be a priority and should be funded centrally.

Timing

- (g) The new regime should be put in place before the General Election. On transitional arrangements, the report says that these will need to take into account the working life of existing equipment and that the minority of MPs who have leased rather than bought equipment should continue to have outstanding payments covered.

Use of the equipment during dissolution

- (h) Members would be discouraged from accepting central provision if they lost access to hardware and records once Parliament was dissolved.
- (i) There should be no relaxation of the rule that bars MPs from using the equipment for party political purposes.
- (j) There is a case for allowing MPs to retain the facilities during dissolution until the Election.

Appendix G

House of Lords attendance figures

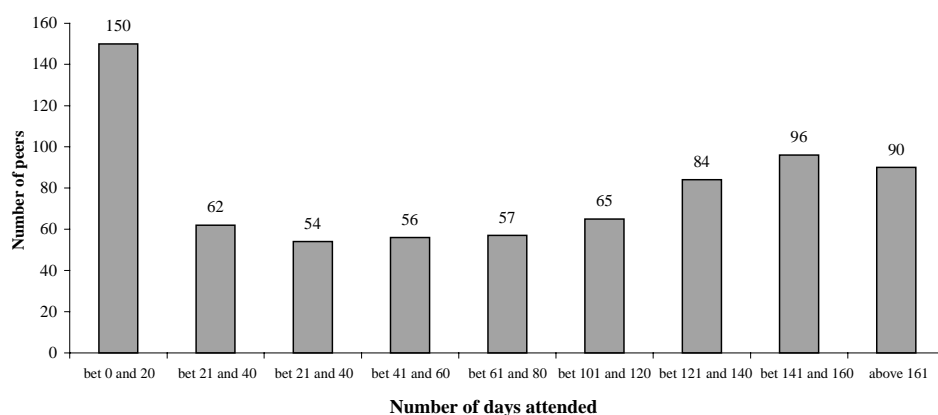
Average number of days attended

1. The average number of days attended per peer in the parliamentary session 1999/2000 was 87. This was an increase from 1998/1999 when the average attendance per peer was 53.

Attendance in the parliamentary session 1999/2000

2. Chart 1 shows the number of days attended by peers during the parliamentary session 1999/2000; there were 177 sitting days in total. The chart shows that 150 peers (21%) attended less than 21 days a year, nearly half attended over 100 days (335 peers) and almost forty per cent (270 peers) attended more than 120 days.

Chart 1: Attendance in the parliamentary session 1999/2000



Comparison between 1998/99 and 1999/2000

3. Table 1 shows the proportion of peers attending the most recent parliamentary sessions.

Table 1: Distribution of attendance in the parliamentary sessions 1998/1999 and 1999/2000

	Percentage of peers attending	
	1998/1999	1999/2000
Attended less than quarter of sittings	53	31
Attended between 25% and 50% of sittings	14	17
Attended between 50% and 75% of sittings	12	20
Attended over 75% of sittings	22	32

The total number of sitting days in 1998/99 was 154; this compared to 177 in 1999/2000.

4. Table 1 shows that in 1999/2000 the percentage of peers attending over 75 per cent of sittings had increased from 22 per cent to 32 per cent. Conversely, the percentage attending less than a quarter of sittings had decreased from 53 per cent in 1998/99 to 31 per cent in 1999/2000.

Appendix H

Previous Review Body reports on parliamentary matters

First Report:	Ministers of the Crown and Members of Parliament	Cmnd. 4836, December 1971
No. 5:	Members of Parliament: Allowances	Cmnd. 5701, July 1974
No. 7:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part I	Cmnd. 6136, July 1975
No. 8:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part II	Cmnd. 6574, July 1976
No.9:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part III	Cmnd. 6749, March 1977
No.12:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part I	Cmnd. 7598, June 1979
No.13:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part II	Cmnd. 7825, February 1980
No.15:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance	Cmnd. 7953, July 1980
No.17:	Ministers of the Crown and Members of Parliament and the Peers' expenses allowance	Cmnd. 8244, May 1981
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No.24:	Review of Parliamentary Allowances: Volumes I & II	Cm. 131, April 1987
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