

COMMITTEE ON MEMBERS' ALLOWANCES

Submission to the Kelly Inquiry

1. Introduction

1.1 The Committee on Members' Allowances is a new select Committee established in the wake of the various debates in the House earlier this year. It superseded the Advisory Panel on Members' Allowances and its membership is drawn heavily from the former Panel. The Panel itself contributed significantly to the Senior Salaries Review Body report published in 2007. The Committee on Members' Allowances welcomes the opportunity to submit evidence to the Committee on Standards in Public Life's (CSPL) inquiry into the Parliamentary allowances regime.

1.2 We have considered various sources of evidence, including the 2007 SSRB report¹, the Members Estimate Committee's own report on allowances of June 2008, the 2008 Baker Review² on Members' pay, the MEC3's own evidence to the Baker Review (Memorandum from Messrs Bell, Harvey and Maclean; May 2008) and a report³ commissioned by the MEC from Mr Greg Power, a former adviser to the late Robin Cook and former Director of the Hansard Society's Parliament and Government Programme. We have also considered the CSPL's own consultation document and its earlier work, such as the 2008 public attitude survey.

1.3 We welcome the inquiry now under way. It takes place at a time when inescapable facts, such as that most Members are required to live and work in two different places, are contested. We look to the inquiry to re-establish confidence in the essential support required for Members. However, whilst there is genuine room for debate, we have concluded that unless the CSPL also considers the wider picture of MPs' overall employment package, the task that Members are expected to do and the pressure that comes with the job, then there is a risk that the Committee will fall short of its objective as set out in paragraph 1.4 of its consultation document.

2. Context

2.1 In the current climate of opinion, there is a risk that any inquiry, however fair minded, has to bow to strongly felt public anger or otherwise be accused of a 'whitewash' or of avoiding difficult issues. As a Committee we

¹ SSRB: Review of Parliamentary pay and pensions and allowances;

² Review of Parliamentary pay and pensions by Sir John Baker

³ Understanding the content of MPs' work in Westminster and the constituency: An overview of the changing relationship between MPs, voters and the system of parliamentary allowances. Greg Power 2009

accept that dreadful mistakes, or worse, by a very few Members means that the public has a right to expect to see change. The Parliamentary Standards Authority Bill is one aspect of that change. We accept also that the current inquiry may have to make recommendations that will prove difficult for some individual Members to live with.

2.2 However, there is a strong case to be argued that, far from lining their own pockets, overwhelmingly Members devote considerable physical, intellectual and emotional energy to their work as a Member and many also find themselves subsidising their Parliamentary work from their own resources. This subsidy may be in the form of topping-up their staffing budget or in the myriad of small costs they incur in their constituencies and in Westminster as they undertake the many and varied functions they are required to perform. The public will not be aware, for example, that there is no budget provision for Members to 'meet and greet', and that any hospitality a Member provides for his or her constituents and for delegations he or she receives, comes from the Member's own personal funds. Similarly, donations to the many constituency events attended are from personal resources. Members of Parliament are not a fashionable cause and many of the large and small sacrifices they make go unreported.

2.3 Hindsight is easy, but we consider that work previously done for the MEC3 in 2008 is very relevant. For this work the Hay Group was asked to undertake some qualitative and quantitative research with Members. The consultants brigaded their qualitative conclusions under eight headings and used quotes from Members to exemplify the issues. In our view, these issues are relevant to the CPSL inquiry. We use a selection of quotes (shown in italics) at the beginning of each section of this submission. The eight Hay Group headings were:-

- Pay
- Relentless nature of the job
- Members' jobs are misunderstood and misrepresented
- The rise in casework
- Attracting the right people
- The job
- Stress and the impact on family
- The ACA

3. The Role of Members

'A brilliant job with compensations well beyond pay'

'The public expect too much – that MPs should be both 'normal' and 'saints''

'Regret that constituency casework has grown over the last generation: but people have to approach MPs because the system doesn't work properly'

3.1 Parliament is the nation's central focus for issues of national importance, providing a public commentary on the big political issues of the day. Articulate and powerful interest groups constantly seek Members' support for their cause. At a local level it is also the case that as Government has become more complex there are few others better placed than MPs to leverage the systems to achieve results for individuals. In a rights-based culture MPs are becoming a source of ready advice for constituents with a genuine concern about or grievance with a public or private body. Where, perhaps, a local solicitor might be the best source of advice, the availability of help from a knowledgeable MP free of charge is an attractive first step or indeed alternative. This demonstrates that what might be called the "intensity of representation" has grown year by year.

3.2 Greg Power defines the role of Members within the House as the "buckle" which links the people to power through

- i. Responsibility for amending and approving legislation
- ii. Articulating issues of national concern to government, through parliamentary debates, questions and committees
- iii. As a member of the only UK-wide institution of government, a representative role working for the benefit of their constituents.

Each of the above functions will contribute to outcomes such as good government, effective local representation etc. It is precisely because of the importance of these functions that the public, rightly, expect high standards of behaviour and takes seriously issues about corruption in politics.

4. Public attitudes

MPs are feeling intimidated, which will lead to them 'saying what they think they' want to hear'.

4.1 We applaud the CSPL's own research which has identified 'behaviours considered extremely important for public office-holders'. The reputation and public perception of many professions have suffered in recent times, often under the glare of the media.

4.2 Perceptions are also notoriously difficult to shift, which will be especially true at the current time for MPs. Members have been particularly alarmed at the way in which the allowances arrangement have been portrayed as being at their direct disposal as almost a personal 'slush fund'. This is simply not true as the vast bulk of costs are paid by the House Service direct to employees and suppliers. The inquiry has an important role to play in helping the public get to the facts.

4.3 Public perception and attitudes are also influenced by differences in treatment of MPs' overall employment arrangements (e.g. the pension accrual rate, the tax-free nature of ACA/PAAE etc) from others in work. These differences are a cause for legitimate enquiry. However, the inquiry will want to avoid participating in a 'Dutch auction', levelling down most aspects of Members' employment arrangements.

5. The independence of Members

"Parliament has to attract people who can: hold government to account, serve as an advocate for their constituency; keep together fragmented family life and absorb all sorts of pressures"

5.1 Members are not employees of the House, or of any other body, but independent office-holders. This is an important feature of the status that Members have in Parliament and outside. And it provides the platform for Members to act in support of all manner of causes great and small. However, it also means Parliament and its Members do not have a collective voice ready to engage with the media.

5.2 This independence is also reflected in an organising principle of the current allowances system, namely that it broadly operates as if a Member were a 'small business', leaving many decisions on staff, accommodation, travel etc to the Member him or herself, with the House providing funds based on a framework of operating rules.⁴ We would argue that this approach has served Parliament, Members and the taxpayer well.

5.3 By way of example, Members are the employer of their staff, but within a framework of personnel procedures overseen and operated by the Fees Office. These procedures include a central payroll (so no payments are made by MPs directly), standard employment contracts and agreed pay ranges. This works well with responsibility sitting with Members individually, supported by a very small personnel function in the Fees Office. Members thereby have the ability to organise their offices to meet their personal goals as elected representatives. And the taxpayer gains by avoiding the cost of an expensive HR infrastructure. This saving is difficult to quantify, but we estimate that it is of the order of £1m-5m.

5.4 The small business analogy also extends to the employment of family members. Many Members argue that the taxpayer gets excellent value for the amount and range of work done, and the maintainance of family life in a very demanding work environment is not to be discounted. See section 8 below. In our view, the Conway case is not sufficient cause, of itself, to abandon this arrangement.

⁴ There are some exceptions to this organising principle: for example, IT systems and equipment are provided and maintained by the House.

5.5 We further argue that independence, reinforced through the allowances regime, is to be cherished. It is through independent-minded MPs supported by their own dedicated staff that many big and small changes are achieved in Westminster and locally. A Member's ability to organise his or her working arrangements to deliver the very best for Parliament and their constituency should not be disposed of lightly.

6. 'The problem of variety'

6.1 Members are paid the same (whether a former Cabinet Minister or the newest MP) and the structure and quantum of the allowances are broadly the same for all. Yet the 2007 SSRB report acknowledged that making recommendations was complicated because MPs were not a homogeneous group. Members have individual ways of working in their constituencies and in Westminster. They have an unusual degree of freedom in how they organise and prioritise their work. No two Members will have exactly the same pattern of expenditure when it comes to deploying staff, travelling, occupying office space and communicating with constituents. Nor will they have the same personal circumstances.

6.2 In 2007 the SSRB concluded that "there is no such thing as a typical MP" and made the "simplifying assumption" that MPs' "reasonable, though differing, expenditure on staff, travel, accommodation and communications can be regulated under a common system of reimbursement." The House has found through experience that 'fine-tuning' is difficult in practice. An example was the previous attempts to weight the value of certain allowances according to location. These either failed to get off the ground or were eventually abandoned.

6.3 The recent revision of the Green Book, led by the then Advisory Panel and endorsed by independent advisors, defined afresh a principles-based system. This was an attempt to address some of the problems of variety. A principles-based system held out the prospect of coping better with some of the more unusual claims that have been made over the years, whereas a rules-based system runs the risk both of becoming unwieldy, as ever more rules are invented, and of routinely allowing a claim for a good or service which was on an 'approved' list regardless of its appropriateness. The new Green Book, although technically in operation, is not being operated in the way envisaged by the Panel. This is not because of a failure of design or implementation, but rather because everything has been overtaken by events. This Committee continues to believe that there is a merit in a principles-based approach and would urge the inquiry to look carefully at this.

6.4 Variety also means that the implementation of any changes will need careful thought. Their practical effect will need to be considered. Transitional arrangements will be essential, especially in the areas of the

additional home, office costs and staffing. Legally binding agreements will have to be honoured and staff treated with dignity and respect.

7. Workload

I am never really off duty

The job is a way of life

It is certainly a 24-hour business

7.1 Greg Power quotes the 4,609 pages of legislation in 2006 (doubled in 25 years), the 45,000 pages of committee reports each session and the 80,000 letters each week which come into the House (doubling in 10 years). Members have frequently commented on how modern technology means that they receive countless e-mails in addition to the more traditional means of communication. There has been an inexorable rise in the number of campaigns and number of NGOs.

7.2 The office holder status mentioned above means that there is no employment contract or job description to regulate working conditions and working hours. An analysis of MPs' activities and working hours by Hay Group for the MEC3 submission to the Baker review supported the notion of a heavy and increasing workload on Members. It revealed that 85% of Members are on duty and working more than 60 hours per week when Parliament is sitting and two thirds between 43-60 hours per week during recess.

7.3 The Hay Group identified that intensity was a mixture of 'living above the shop' and straightforward long hours. Although there are genuine questions as to whether at local level the provision and extension of the allowances system is not just a response to workload, but actually drives its growth (and whether this in turn supports incumbency), our general view is that Members are responding to the needs of their constituents in a world where 24-hour news, instant communications and immediate access are a way of life.

8. Family considerations

It is a strain having to live life around the job. Only possible with a supportive family and spouse who can subsidise salary

Work life balance not very good.....Family has to be tolerant of hours and stress. Can lead to frayed, relationships can break up

8.1 Members' work patterns disrupt family life through long hours, the demands of being a constituency MP and by virtue of having to have two

places of work. The use of the second home allowance to assist in providing for the semblance of a family life has been an implicit aim of the ACA/PAAE. This has, unfortunately, resulted in some of the issues now subject to media scrutiny.

8.2 Members' families find it hard to escape the responsibilities that come with office. Recent media coverage has seen the pursuit of 'transparency' result in the unwarranted intrusion into the lives of family members. The work by the Hay Group also uncovered the regrettable fact that some two-thirds of the families of Members had suffered some form of abuse from individuals as a result of their family connection to the Member. That proportion is almost certain to be higher now.

8.3 Members' families benefit from limited travel provision within the Travel Allowance as part of the package of support for family life. Members with distant constituencies are known to welcome this facility. Such support is not at all unusual in the private and public sectors where work-life balance is a well known concern of employees and employers alike. We urge the inquiry to recommend appropriate family travel arrangements for the future.

9. Recruiting talented people from diverse backgrounds

My friends think I am mad and lots of other professionals are deterred due to pay and pressures

Cannot recommend it as a career to young people coming in today

I did not become an MP for the money

Pay is currently a very demoralising issue for MPs.

9.1 The ability to recruit and retain staff in the marketplace is generally about getting the right combination of reward (pay, pensions etc) and non-reward (job satisfaction, status etc) factors. The evidence that Members are paid below what similar jobs would offer is well known. The Advisory Panel and the MEC 3 made cogent arguments to the SSRB and the Baker review, respectively. Both exercises resulted in recommendations for pay increases, none of which was acted upon by the House itself. There is no serious doubt that Members' pay is adrift of the market.

9.2 The argument is always made that there are no shortages of candidates for the job of an MP. What is much more difficult to judge is the extent to which falling relative pay levels and a lessening of the salience of non-pay issues will together provide an unfortunate cocktail that will leave national politics largely to the very wealthy ("a sabbatical") and to those for whom the salary is indeed the main attraction. Parliament must draw people from diverse backgrounds, especially those who can bring knowledge, experience and expertise in from the private and public sectors. There is

already evidence that Parliament continues to draw a significantly large proportion of people from the ranks of the wealthy (for example the Hay Group survey found that some 80% of Members considered that they would be earning in excess of £100,000 pa now had they stayed in their previous profession). A continuation and deepening of this trend would be regrettable.

10. The necessary support for Members

10.1 We have demonstrated above the importance of the appropriate support for Members to do their jobs in Westminster and the constituency and in the face of a dramatic increase in the workload and the pressures of the job. The Advisory Panel, in its submission to the SSRB, broadly endorsed the current system of allowances which, as far as we know, is mirrored to a large degree in most legislatures in the developed world. There is really little doubt that Members need extra funds, over and above a fair base salary, to cover travel, staffing, office and communications and second homes costs. If accepted – and on PAAE/ACA see below - then the key questions remain the quantum of each (or of the whole) and the method of delivery. This does not mean we are complacent about recent events, but we consider that it is unrealistic to expect Members to operate without substantial and equitable support in these areas.

10.2 In response to the Hay Group questionnaire, Members reported that funds were most stretched in respect of the Staffing Allowance and least stretched for the Communications Allowance (now frozen in value for three years). Limited transfers between allowances are allowed to assist Members, which is a welcome flexibility. The Committee would like to see more flexibility around the year-end position as a sensible way to avoid the ‘use it, or lose it’ problem with annuality.

10.3 The House itself has expressed an opinion that Members’ staff should become employees of the House, rather than of individual Members. However, when asked the same question by Hay, approaching twice as many Members favoured the current position as those wishing to see central employment.

10.4 There is considerable misunderstanding of the funds available to Members as they leave the House and their purpose. The Winding-Up Expenditure is very necessary support so that legal and other obligations can be met, such as staff redundancies and office lease obligations. The Resettlement Grant is more than a redundancy payment. On the one hand it compensates departing Members for loss of office; on the other hand it also enables a former Member to manage the close-down of important work he or she may have accrued, such as casework, without the immediate worry of not being able to pay personal bills.

10.5 Members' personal and financial circumstances vary considerably. A former Member is unlikely to be eligible for unemployment benefit while being unavailable for work closing down his or her office. The Resettlement Grant was the subject of recommendations from the SSRB in 2007 and the MEC in 2008. The latter focused support on those most likely to have difficulty re-entering the labour market. Changes were made with effect from the election after next.

11. Additional Costs Allowance/Personal Additional Accommodation Expenditure

The second home allowance should be abolished as it has come to be seen as a substitute for salary and a perk of the job.

There is a need for the ACA. It doesn't matter for richer members or those with highly paid spouses. But Parliament needs a broad social base

11.1 There is no doubt that there was a collective failure of leadership in respect of the ACA/PAAE. The Hay Group identified ambivalent attitudes to the allowance and the MEC report identified patterns of expenditure that might have rung alarm bells. But the nettle was never properly grasped.

11.2 The allowance evolved incrementally with one decision risking compounding difficulties arising from earlier decisions. The extension to allow for mortgages, the increasing value of the allowance, the ability to move homes and adjust mortgages accordingly may well have all been individually justified, but the overall effect was to allow certain practices to become institutionalised. This has nothing to do with collusion between officials and Members, as some have said, rather it was more akin to group dynamics which accepted ways of operating that at the margins, and with hindsight, are hard to defend.

11.3 But the House was not alone in failing to grasp this nettle. In its 2004 report the SSRB "put down a marker that we may need to review the allowance more substantively at our next review." Yet in 2007 the SSRB said, inter alia, that "We believe this element of the expenses regime gives rise to more problems and misunderstandings, both within and outside the House, than any other and a fuller review of ACA might be appropriate". It did not make this a substantive recommendation.

11.4 The House has now acted decisively on the question of near-London constituencies, married couples and the scope of the allowance. But these have been more responses to crises than a thought through longer term plan. The contentious issue of mortgaging needs to be settled. Property purchase is not a one-way bet and some Members will be sitting on losses because of their choice to purchase. As matter of fact, Members would not take decisions to purchase a property lightly. It would often have required raising a substantial deposit. And there was always the very real risk of the property

bubble, that began in the late 90's, bursting. Calculations of 'profits' were always highly sensitive to the time period chosen.

11.5 Our view is that the ability to have mortgage interest met ought, in principle, to be acceptable.

11.6 We look forward to discussing with the CSPL the advantages and disadvantages of different approaches to meeting the cost of having two places of work and the need to ensure that family life is valued.

12. Postscript

12.1 Special pleading is not attractive, but we would urge the inquiry to look beyond generalisations about practices in respect of allowances and expenses in the private and public sectors. There are, of course, common approaches across organisations, often dictated by conformity with tax rules. However, the detailed arrangements for expenses, allowances and benefits vary both within and between organisations. Private sector executives can have very different arrangements from the generality of their staff. Large companies act differently from SMEs and from family businesses. Even in the public sector there are differences even if the underlying principles are the same.

12.2 Employees who are required to work away from home for substantial periods will have extra costs met in a variety of ways. As the MEC's own report suggested, this might range from a basic addition to taxable salary to the provision of facilities owned and maintained by the company itself.

12.3 We do, however, believe that elected office-holders, with all the uncertainties and responsibilities that go with their positions, should not necessarily be equated with employees. We also believe that a truly representative national Parliament, with Members needing to work both in London and in every part of the kingdom and with a legitimate expectation of reasonable standards of accommodation and other support, as well as the maintenance of family life, will necessarily involve substantial expenditure. While there have certainly been cases where MPs have not acted in the way they should, we urge the Committee to resist the anti-politician populism which is so corrosive to the democratic system and to ensure that Members of Parliament are enabled to do their job through an equitable and sufficient system of pay and allowances.

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Clerk of the Committee on Members' Allowance