



## Financial Support for Members of the House of Lords

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In November 2009 the Review Body on Senior Salaries (SSRB) published its Review of Financial Support for Members of the House of Lords. The SSRB had been asked to conduct the review following allegations about the possible abuse of allowances by certain peers, and wider concern about the nature of the allowances available to members of the House of Lords. The report's recommendations included that a daily fee for attendance of the House of Lords should be introduced, incorporating the allowance for secretarial and office costs.

The House of Lords agreed the architecture and principles of the proposed system during a debate on 14 December 2009. They also agreed that House Committee should work to prepare resolutions to implement the proposals on a timescale which would allow a new system to be operational from the start of the new Parliament.

The House Committee appointed an hoc group to consider and consult on the issues in the SSRB report and advise on their implementation. The ad hoc group, chaired by Lord Wakeham, reported on 28 June 2010. The Group reported on the scheme proposed by the SSRB, but also suggested that consideration should be given to introducing instead a single allowance to replace the daily allowance and the overnight allowance recommended by the SSRB. The daily fee would be set at £300 with £150 available for business outside the House or if peers wished to claim a reduced amount. This alternative system was accepted by the Government. Resolutions were debated and agreed by the House of Lords on 20 July 2010. The new scheme will operate from October 2010.

This note sets out the previous expense allowance system, the background to the 2009 SSRB report and its recommendations. It includes details of the report from the ad hoc Group chaired by Lord Wakeham, and the Government's announcement of 28 June 2010. Lastly, it provides details of the new single allowance system and the debate of the House on 20 July 2010.

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## Contents

<b>1</b>	<b>The previous system</b>	<b>3</b>
1.1	Members of the House of Lords	3
1.2	Development of the previous system	4
<b>2</b>	<b>Ministers</b>	<b>4</b>
<b>3</b>	<b>Financial assistance provided to the Opposition parties and Crossbenches</b>	<b>5</b>
<b>4</b>	<b>Freedom of Information</b>	<b>6</b>
<b>5</b>	<b>Background to the 2009 Review Body on Senior Salaries Review</b>	<b>7</b>
<b>6</b>	<b>SSRB: Review of Financial Support for Members of the House of Lords</b>	<b>11</b>
6.1	Terms of reference	11
6.2	Recommendations in brief	11
6.3	Daily fee	12
6.4	Accommodation	14
6.5	Travel	16
6.6	Ministers	17
6.7	Publication, audit and procedure	17
<b>7</b>	<b>Next steps</b>	<b>19</b>
7.1	Initial responses	19
7.2	House of Lords debate, 14 December 2009	19
7.3	Report from the House Committee, <i>Financial Support for Members of the House: Declaration of Principal Residence and Publication</i>	21
7.4	Debate on the report from the House Committee, 22 March 2010	22
<b>8</b>	<b>A single daily allowance</b>	<b>23</b>
8.1	Initial proposals	23
8.2	Statement from Lord Strathclyde, 28 June 2010	24
8.3	Report from the House Committee, 13 July 2010	25
8.4	Debate on 20 July 2010	26

## 1 The previous system

This section describes the system of financial support available to members of the House of Lords up until the Review Body on Senior Salaries' November 2009 report. After that date, some changes were made to the existing system, before the new single payment system was agreed by the House in July 2010 to be introduced in October 2010. No changes have yet been made to the system of allowances for ministers in the Lords, who are exempted from the allowance arrangements for members of the House of Lords.

### 1.1 Members of the House of Lords

Members of the House of Lords, unlike Members of the House of Commons, other than Ministers and other certain office holders, do not receive a salary or other employment benefits, including pensions. Attendance at the House of Lords is voluntary, but Members are eligible to receive certain allowances, within limits, to cover expenses incurred in attending the House on parliamentary duties.

There are four types of expenses covered by the expense allowance system. The amounts set out below are the sums as available from 1 August 2008 (the allowances for backbench peers are uprated from 1 August each year, in line with previous resolutions):

- **Daily subsistence:** Attendance at a sitting of the House or a select committee to cover such items as meals and incidental travel costs (parking, travel less than five miles etc.). *Up to £86.50 per day.*
- **Overnight subsistence:** A Member whose main home is outside Greater London and who incurs the cost of overnight accommodation in London for the purposes of attending sittings of the House may claim for overnight subsistence. An accommodation allowance may also be claimed by members travelling away from London on official parliamentary visits, for the continuing expenses of maintaining a second residence in London for the purpose of attending sittings of the House. *Up to £174 per night.*
- **Office costs:** These cover a range of costs such as secretarial assistance, office equipment, stationery and research assistance. Members can claim office costs for days when the House is sitting and up to 40 additional days a year when the House is not sitting or when the Member does not attend. *Up to £75 per day*
- **Travelling expenses:** These include fares incurred travelling between a Member's main home and Westminster to attend a sitting of the House; journeys made on parliamentary business within the UK; two journeys a year on parliamentary business between the UK and any EU institution in Brussels, Luxembourg and Strasbourg, or national parliaments of EU nations or candidate countries. Travel costs for a few Members who live outside the UK are only reimbursed from the point of entry to the UK.

More detailed information about the expense allowance scheme is available in a guide produced by the House authorities.<sup>1</sup>

The amounts involved were the result of recommendations by the Senior Salaries Review Body. The Government would then table a motion in the House of Lords seeking agreement to those recommendations. The House decided whether to accept these recommendations.<sup>2</sup>

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<sup>1</sup> House of Lords, [Members' Reimbursement Scheme: General Guide](#), Eighth edition, April 2009

<sup>2</sup> See for example HL Deb 10 November 2004 cc928-33

## 1.2 Development of the previous system

The previous regime for the main allowances for Peers was debated and agreed on 20 July 1994.<sup>3</sup> The Lords ministers' night subsistence was introduced by section 5 of the *Ministerial and other Pensions and Salaries Act 1991*, and the Lords ministers and office holders secretarial allowance by a House of Lords resolution of 22 July 1980. On 27 November 1996, the then Leader of the House, Viscount Cranborne, announced a new facility for the reimbursement of travel expenses of peers' spouses "in connection with attendance at parliamentary occasions". In 2004, this facility was extended to allow up to six from two visits to Parliament by spouses, and six visits by the children (up to the age of 18) by peers. In December 2006, further changes were made that extended the provisions to civil partners and over 18s in full-time secondary education. No fundamental changes were proposed to the House of Lords allowances regime by the SSRB in its 2007 report. A full chronology of the development of the previous system of Lords expenses is included in the House of Lords Library Note [House of Lords: Expense Allowances and Costs](#).<sup>4</sup>

## 2 Ministers

The allowances paid to Ministers in the House of Lords are complex. In their 2009 report the Review Body on Senior Salaries (SSRB) described the current system in the following terms:

The question of Ministerial allowances is one of the most difficult areas which we have encountered during our review. There is a great deal of confusion surrounding the allowances payable to Ministers in the House of Lords, both inside and outside the House. Since its inception, there has been inconsistency in the way that Section 5 of the *Ministerial and Other Pensions and Salaries Act 1991* has been described, implemented and discussed. Section 5 provides for an allowance to be paid to Lords Ministers, certain office holders in the House of Lords (including government whips), the Leader of the Opposition, the Chief Opposition Whip, the Chairman of Committees and the Principal Deputy Chairman of Committees. It is paid with salary, and taxed.

6.2 The Section 5 allowance is calculated according to an Order in Council stating that, as of 1 August each year, it "shall be equal to 220 times the maximum daily amount which [.....] is recoverable in that year by a member of that House [.....] in respect of his expenses in staying overnight away from his main or only residence."

...

6.4 Salaried Ministers and office holders are not able to claim the Day Subsistence, Office Costs allowance or Overnight Subsistence allowances to which all other Members of the House of Lords are currently entitled. During the second reading of the Ministerial and other Pensions and Salaries Bill, the then Lord President of the Council and Leader of the House of Commons introduced Clause 5 by saying that the government had for several years had difficulty recruiting and retaining Ministers in the Lords. He noted that financial pressures were a main reason for Members' unwillingness to accept office, and that the loss of the Overnight Subsistence allowance was part of this:

*"Under current arrangements, Ministers and paid office holders from both sides of another place receive no assistance towards running a second home in London. This is a long-standing anomaly which we propose to remedy by the introduction of a night*

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<sup>3</sup> HL Deb 20 July 1994.

<sup>4</sup> House of Lords Library Note LLN 2009/09, [House of Lords: Expense Allowances and Costs](#), LLN 2009/009, 20 November 2009

*subsistence allowance for Lords Ministers and paid office holders. In all cases it will replace the current London supplement.”*

6.5 The exact wording of the Act and the comment that ‘In all cases it will replace the current London supplement’ imply that the Section 5 allowance is available to all Ministers and paid office holders, regardless of where they live. The fact that the Section 5 allowance is taxed and payable with salary also gives it the appearance of salary rather than an allowance for expenses. However, the justification presented to the House for Section 5 was based on providing assistance for running a second home. The calculation of the level of the Section 5 allowance is based on a multiple of the Overnight Subsistence allowance, which is payable only to Members whose principal residence is outside Greater London. Furthermore, treating the allowance as a salary top-up which is payable to all leaves the anomaly that salaried Lords Ministers and office holders are the only group of parliamentarians for whom no additional financial assistance is available for overnight accommodation.

6.6 For Ministers, the Section 5 allowance is paid by their particular government department rather than by the House of Lords. We understand that practice has diverged over time, such that now some departments pay the Section 5 allowance automatically to all Lords Ministers, some do not pay it to Lords Ministers who are known to have their main home in London, and some expect Lords Ministers who have their principal residence in London to ask their Permanent Secretary to reduce the level of their Section 5 allowance to the level of the London supplement paid to Inner London MPs and to Outer London MPs who choose not to claim Personal Additional Accommodation Expenditure (the allowance available to MPs to cover accommodation costs in London).<sup>5</sup>

### **3 Financial assistance provided to the Opposition parties and Crossbenches**

The two Opposition parties and the Convenor of the Crossbench Peers in the House of Lords receive financial assistance for their parliamentary business. This is the equivalent of ‘short money’ in the House of Commons. Known as ‘Cranborne money’ after the then Leader of the House of Lords Viscount Cranborne who negotiated it, the amounts are updated annually in line with the retail price index and are subject to independent audit.

For the 2009/10 financial year, the rates payable to Opposition parties in the Lords were:

- £474,927 a year for the Conservatives
- £237,126 a year for the Liberal Democrats
- £61,003 a year to the Convenor of the Crossbench Peers.<sup>6</sup>

The Liberal Democrats no longer qualify for Cranborne Money now that they are a party within the Government. The House of Lords agreed a motion on 24 June 2010 that removed references to the “second largest opposition party” from the resolution on Cranborne Money.<sup>7</sup> Its effect was that from 12 May 2010 only the Labour Party and the Cross Benches would qualify for Cranborne Money. The amounts that both groups were entitled to under the 2002 resolution were not changed.

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<sup>5</sup> Review Body on Senior Salaries, *Review of Financial Support for Members of the House of Lords*, Report No. 71, November 2009, November 2009, Cm 7746, p33-34

<sup>6</sup> Source: [http://www.parliament.uk/about/how/members/lords\\_allowances.cfm](http://www.parliament.uk/about/how/members/lords_allowances.cfm). For further information please see Library Standard Note SN/PC/1663, *Short Money*

<sup>7</sup> HL Deb 24 June 2010 cc1429-1435

## 4 Freedom of Information

In 2003, the House Committee of the House of Lords recommended:

- (a) The House of Lords' Publication Scheme should be amended to include information relating to Members' expenses. This information should be published annually (related to financial years), broken down by the main categories of expenses available, namely: travelling expenses, day subsistence, night subsistence, secretarial etc. costs and the costs of the post-paid envelope scheme for correspondence on parliamentary business. Since travel costs vary widely, an indication should be given of the location of each Member's main residence.
- (b) Details of expenditure on select committee and parliamentary delegation travel should be published separately.
- (c) Details held by the House of claims for Financial Assistance to the Opposition parties and the Convenor of the Crossbench Peers ("Cranborne money") should also be published.
- (d) This information should be made available before the rights of access under the Freedom of Information Act come into force on 1 January 2005. It should be published in Autumn 2004, once all claims by Lords for the financial year 2003-04 have been submitted and paid. The House should also publish information in respect of the financial years 2001-02, 2002-03 and 2003-04 because the Act is fully retrospective and records of expenses are retained in the Accountant's Office for a period of three years, as agreed by the National Audit Office.<sup>8</sup>

In 2003, the House Committee made recommendations about how the information should be published:

- (a) Following the Lord Chairman's undertaking made in the House on 14 January, there should be an opportunity for Members to give an indication of the location of their main residence if they so wish. The indication should be expressed by reference to county or equivalent region.
- (b) The number of days each Member attended the House or a committee of the House should be published along with the data on expenses claims.
- (c) All claims for the Office Costs allowance should be aggregated and a single figure published of the total sums claimed under this head.
- (d) Information about reimbursement of Members' travel costs should be given on a single aggregated basis encompassing all the three schemes: travel from the principal place of residence to Westminster; UK travel on parliamentary business; and EU travel on parliamentary business.
- (e) Information about claims for travelling expenses by spouses of Members or Officeholders should not be published.
- (f) Information about additional expenses incurred by disabled Members in attending the House and reimbursed on account of their disability should not be published.
- (g) A simple indication should be given whether or not a Member is provided by the House with IT equipment on loan. This should be accompanied by a general description of the support available.

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<sup>8</sup> House Committee, *First Report*, 17 December 2002, HL 19 2002-03, para 7

- (h) The information to be published should include that relating to Members of the House who have died, retired or otherwise left the House during the year in question.<sup>9</sup>

The House of Lords agreed the House Committee's *Fifth Report* on 21 January 2004.<sup>10</sup>

The information on peers' receipt of allowances was published electronically on the United Kingdom Parliament's website.<sup>11</sup> Details for later financial years have been published in October each year.

## 5 Background to the 2009 Review Body on Senior Salaries Review

The initiative to carry out a review of the financial assistance available to Members of the House of Lords came from the Lords' House Committee which includes the leaders of the political parties, the Convenor of Crossbench Peers and backbench Members, and is chaired by the Lord Speaker. It followed several allegations made in the press about the expense allowances of certain peers, and more general concerns about the expense system set in the context of the wider disquiet about the allowances of Members of the House of Commons.

On 3 May 2009 the *Sunday Times* had reported about the expense claims of Baroness Uddin:

A Labour peer who lives in the East End of London has claimed about £100,000 in parliamentary expenses on a flat in Kent that neighbours say has been unoccupied for years.

Baroness Uddin... has been claiming allowances intended for peers living outside London although she resides only four miles from the Lords.

Inquiries by the *Sunday Times* have established that the baroness bought a two-bedroom flat in Maidstone in 2005 and named it as her main home to claim almost £30,000 a year in accommodation expenses from the House of Lords.

Residents from the five other flats in the same block as Uddin's property all say they have never seen her there. They could see through the windows that the bedrooms were unfurnished...<sup>12</sup>

On 5 May 2009 Baroness Royall of Blaisdon, the Leader of the House of Lords announced that the Clerk of the Parliaments, as accounting officer, had been asked to carry out an initial investigation:

**The Lord President of the Council (Baroness Royall of Blaisdon):** On Sunday 3 May allegations were made in the media regarding the expenses claims of a Member of the House. The Clerk of the Parliaments, as Accounting Officer, will carry out an initial investigation of the allegations and will report his findings to committees of the House as appropriate.

General issues relating to Members' expenses have been under consideration for some time by the House authorities, and are already on the agenda for the next meeting of the House Committee on 19 May.<sup>13</sup>

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<sup>9</sup> House Committee, *Fifth Report*, 20 November 2003, HL 176 2002-03

<sup>10</sup> HL Deb 21 January 2004 cc1033-1039

<sup>11</sup> House

<sup>12</sup> 'Baroness claimed £100,000 expenses on empty flat she said was her home', *The Sunday Times*, 3 May 2009

<sup>13</sup> HL Deb 5 May 2009 cWS48

Subsequently, allegations were made about the expenses claims of Lord Clarke of Hampstead in the press.<sup>14</sup> In response, Lord Clarke of Hampstead made a personal statement to the House and asked the Clerk of the Parliaments, as accounting officer, to investigate:

...Your Lordships may have read in the press reports of an interview between me and a journalist relating to expenses claimed. Those reports are not accurate in every respect. However, I accept that my conduct may have fallen short of the high standard that this House demands of its Members. I tender my humble apologies to the House. I have asked the Clerk of the Parliaments, as accounting officer, to investigate these issues, and I will of course co-operate fully with that and any other inquiries. Again, I humbly apologise.<sup>15</sup>

On 10 June 2009 the Prime Minister announced that following a meeting of the House Committee, and on its recommendation, he had asked the SSRB to review the system of financial support in the Lords, "to increase its accountability, to enhance its transparency and to reduce its cost".<sup>16</sup> On 11 June 2009, Lord Brabazon of Tara, Chairman of Committees, made a written statement to the House of Lords, announcing that the Senior Salaries Review Body would be asked to undertake a review of the financial support for members of the House of Lords.<sup>17</sup>

Further allegations about the expense claims of some peers have appeared in the media.<sup>18</sup> On 22 October the *Times* reported that the Clerk of the Parliaments, Michael Pownall, had written to Christopher Galley of the Sunlight Centre for Open Government to say that allegations of misuse of allowances against Lord Rennard had been dismissed, partly because no definition of a main address existed for the purposes of the allowances scheme. The letter from Mr Pownall was made available on the parliamentary website. The letter concluded that:

In view of the assurances by Lord Rennard about the change in his circumstances and the time he spends in Eastbourne, and the absence of any definition of main address in the current guidance to the House of Lords' Members Expenses Scheme, I have come to the conclusion that I should not uphold the complaint.

It may be helpful to point out that the Senior Salaries Review Body is currently undertaking a review of the whole system of financial support for Members, and in June of this year they were asked by the House of Lords' House Committee to consider the need for possible definitions of main residence.<sup>19</sup>

The Clerk of the Parliaments, in a further letter responding to complaints made against certain Members of the House of Lords about their use of the Members' reimbursement scheme, wrote that:

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<sup>14</sup> 'Remorseful peer says he fiddled expenses; Peer says sorry', *The Sunday Times*, 31 May 2010

<sup>15</sup> HL Deb 2 June 2009 c98

<sup>16</sup> HC Deb 10 June 2009 c796

<sup>17</sup> HL Deb 11 June 2009 cWS49

<sup>18</sup> See for example, 'Baroness claimed £40,000 for house five miles from Lords', *Daily Telegraph*, 27 November 2009; 'Peer nets £150,000 in cottage expenses: A baroness has claimed her main home is a rented property on a colleague's estate', *The Sunday Times*, 15 November 2009; 'Baroness silent on location of home', *The Sunday Times*, 18 October 2009; 'Millionaire peer and the flat in which he never spent a night', *The Independent*, 12 October 2009; 'Peer claims for six years on son's home', *The Sunday Times*, 9 August 2009; 'Millionaire Lord claimed £20,000 on small flat', *The Sunday Times*, 26 July 2009; 'Thousands trousered by pop-in peers', *The Sunday Times*, 19 July 2009.

<sup>19</sup> [Letter from the Clerk of the Parliaments](#), 19 October 2009

My responsibility as Accounting Officer is to ensure that the Members' reimbursement scheme is administered in accordance with the resolutions of the House on which it is founded, taking account of decisions by the House Committee. It is not for me retrospectively to devise rules for the current scheme which have not been in place to-date.

The current scheme entitles Members to claim for travel and overnight subsistence in London when attending the House if "their main or only residence" is outside London. The principal complaint, both of the newspapers and yourself, has been that some Members have designated as their main residence a property which is not in practice their main residence in order to claim overnight subsistence.

A feature of the current scheme is that it operates without any clear definition or "main residence". However, I have taken the view that there must be a minimum threshold below which it would be inappropriate for a Member to designate a property as a "main or only residence" and consequently to claim overnight subsistence when staying in London. Bearing this in mind, I have sought to establish some essential criteria against which the case of each individual Member can be considered. At my request, the House Committee has accordingly agreed a basis on which a threshold could be set below which the current scheme should not permit a claim bearing in mind any natural meaning of the term "main or only residence". The threshold set by the Committee is that the main residence has to be visited with a degree of frequency; in the order of at least once a month, over the year, when the House is sitting. Time spent at the main residence when the House is in recess is also a relevant factor. Ownership is not a requirement but is a factor in each case.

I should point out that some of the designations of main residence which have been acceptable under the current scheme may not meet the criteria of the new scheme.<sup>20</sup>

Charges have been brought against Lord Hanningford for false accounting under the *Theft Act 1968*.<sup>21</sup> However, it was announced on 5 February 2010 by the Crown Prosecution Service that there was insufficient evidence to provide a realistic prospect of a conviction in the case regarding Lord Clarke of Hampstead.<sup>22</sup> The Clerk of the Parliaments referred the complaint against Lord Clarke to the Lords Privileges Committee. The Committee concluded that:

We...find that Lord Clarke of Hampstead breached the rules governing the Members' Reimbursement Scheme, in claiming night subsistence for nights that he did not spend in London. Accordingly, having taken into account his repayment of £9,190 to the House and his full co-operation with the investigation, we recommend that Lord Clarke make a personal statement of apology to the House, before the end of the present session of Parliament, to apologise without reservation for his misuse of the system.<sup>23</sup>

Lord Clarke made his apology to the House of Lords on 6 April 2010.<sup>24</sup>

In a statement made on 12 March 2010 Keir Starmer QC, Director of Public Prosecutions, explained that no charges would be made against Baroness Uddin:

...The allegation against Baroness Uddin was that she had claimed 'night subsistence' for overnight stays in London, after attendances in the House of Lords, to which she

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<sup>20</sup> [Letter from Michael Pownall, Clerk of the Parliaments](#), 9 February 2010

<sup>21</sup> See [Statement from Keir Starmer QC, Director of Public Prosecutions, on parliamentary expenses and charging decisions](#), 5 February 2010

<sup>22</sup> *Ibid*

<sup>23</sup> Committee for Privileges, [The Conduct of Lord Clarke of Hampstead](#), 31 March 2010, HL 112 2009-10

<sup>24</sup> HC Deb 6 April 2010 c1366

was not entitled. Although she had nominated a flat she owned in Maidstone, Kent, as her 'only or main residence', it was alleged that 'her only or main residence' was in fact a house in east London.

It was always recognised that the definition of 'only or main residence' under the House of Lords' expenses scheme would be critical to any possible criminal proceedings against Baroness Uddin. However, 'only or main residence' is not defined in the House of Lords' expenses scheme itself; nor is it defined in legislation.

The Clerk of the Parliaments, Michael Pownall, provided a statement on 30 November 2009 in which he said: '*Ultimately it is up to Members to designate an address as their main residence as they see fit.*'

Furthermore, on 9 February 2010, Mr Pownall published a response to complaints about expenses claims in which he made it clear that the House Committee had considered the definition of main residence and that the threshold set by the Committee was that: '*...main residence has to be visited with a degree of frequency: in the order of at least once a month, over the year, when the House is sitting. Time spent at the main residence when the House is in recess is also a relevant factor. Ownership is not a requirement but is a factor in each case.*'

On that interpretation, in any criminal proceedings, it would almost inevitably be necessary for the prosecution to prove, to the criminal standard, that any peer in question had not even visited the address they deemed their 'only or main' residence once a month.

That presents a very real difficulty and we considered whether it would be open to the Crown Prosecution Service to advance a different definition of 'only or main residence' in any criminal proceedings. However, after careful consideration, we concluded that such a course would not be open to us.

Evidence in this case was obtained from neighbours of Baroness Uddin and from companies supplying utility services, such as water, gas and electricity to the flat in Maidstone. But after careful scrutiny of all of the available evidence we have decided that, in applying the definition of 'only or main residence' adopted by the House Committee, there is insufficient evidence to bring criminal charges against Baroness Uddin and we have today advised the Metropolitan Police to take no further action.

It is important to bear in mind that the question I have addressed is whether there is enough evidence resulting from the police investigation to provide a realistic prospect of conviction. That is the test set out in the Code for Crown Prosecutors, promulgated by me as Director of Public Prosecutions under section 10 of the Prosecution of Offences Act 1985. It is not my function to make findings of fact and I have not done so. Baroness Uddin is entitled to be presumed innocent and that is the basis upon which I have approached the case.<sup>25</sup>

On 16 July 2010 it was announced that Lord Taylor of Warwick had been charged with six counts of false accounting in relation to alleged dishonest claims he made for £11,000 in subsistence costs.<sup>26</sup>

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<sup>25</sup> CPS, [Charging decision regarding Baroness Uddin](#), 12 March 2010

<sup>26</sup> See '[Tory Peer Lord Taylor facing expenses prosecution](#)', *BBC News*, 16 July 2010

## 6 SSRB: Review of Financial Support for Members of the House of Lords

### 6.1 Terms of reference

The terms of reference of the SSRB review, laid out in the formal remit from the then Prime Minister, Gordon Brown, were:

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

In conducting the review, SSRB should have regard to:

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

The Prime Minister's letter to the SSRB setting out the remit continued:

In undertaking the review, I would ask that you pay particular attention to the need for transparency and accountability, the need to obtain value of money and the desirability of reducing costs to the taxpayer. I would also ask that you work closely with Sir Christopher Kelly in producing recommendations.<sup>27</sup>

The Report was published on 24 November 2009.<sup>28</sup>

### 6.2 Recommendations in brief

The SSRB proposed a package of reforms to the expense allowance system. The summary to their report described their main recommendations as follows:

We believe our proposals strike the right balance. At their heart is a recognition that many Peers give up time and other earnings opportunities to work, unsalaried, in the House of Lords. They deserve and often need a contribution to their income as well as repayment of expenses necessarily incurred in carrying out their Parliamentary duties. We therefore propose a daily payment of up to £200. This is intended to cover daily expenses of attendance (other than travel), office and secretarial costs and a contribution to income. We also propose an overnight allowance of up to £140, for Members whose principal residence is beyond reasonable commuting distance. Both payments would be free of tax under current legislation. At the same time we propose changes to the present system because it lacks proper controls. It is ambiguous and open to abuse, leaving some Peers uncertain as to what they can properly claim. The new system must command public confidence and provide clear guidance to Peers. Our proposals include the following key points:

- each daily payment to be subject to a confirmed attendance in the chamber or at another specified parliamentary event;

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<sup>27</sup> Letter from the Prime Minister to Bill Cockburn, 9 June 2009, printed as Annex A of Review Body on Senior Salaries, *Review of Financial Support for Members of the House of Lords*, Report No. 71, November 2009, November 2009, Cm 7746

<sup>28</sup> Review Body on Senior Salaries, *Review of Financial Support for Members of the House of Lords*, Report No. 71, November 2009, November 2009, Cm 7746

- payment of the overnight allowance to be conditional on a Peer's principal residence being outside Greater London and a declaration by the claimant that the principal residence is beyond reasonable commuting distance;
- the overnight allowance may be used for bed and breakfast in a hotel or club, or specified running and rental costs of second homes up to the maximum of £140 per night, subject to the production of receipts;
- in respect of owned second homes the overnight allowance may be used only for specified running costs, not including mortgage interest. However, those with mortgages taken out before the date of publication of this report may claim additional, transitional relief, capped at £100 per day for each day of attendance, for a maximum of five years, subject to proof of mortgage costs incurred and within the overall £140 limit. Other owners may claim an additional transitional amount, initially capped at £60 per qualifying day from 1 April 2010 and with the daily cap reducing by £10 in each subsequent year, for a maximum of five years, also within the overall £140 limit;
- travel costs for public transport to be reimbursed much as at present, but subject to receipts for all claims other than those covered by the House credit card. Family travel concessions to remain at the same limit (up to six return trips per year) but confined to standard class rail fares or equivalent rates;
- Peers' expenses are tax free under current legislation. We recommend that Peers should in principle be liable to tax and that legislation should be amended accordingly in due course. If and when this takes place, we recommend that the allowances should be referred back to the SSRB for reconsideration;
- the Government should invite the SSRB to review the salaries and allowances of Ministers and office holders as a matter of priority.

...In conclusion, we are convinced of the fundamental importance of the House of Lords and of the work carried out there by Peers. Our recommended overall level of financial support is broadly unchanged but the proposed conditions are more precise and transparent, requiring receipts for allowable expenditure on overnight accommodation and travel. We also recommend that the system be subject to independent audit including a sample of individual claims. We believe the new arrangements will produce benefits to the tax payer as a result of better governance of the payments system and narrower eligibility criteria for claiming for second homes. Equally, for Peers, there is greater clarity and access to the new daily payments, which we believe will provide a suitable contribution to income.<sup>29</sup>

### 6.3 Daily fee

The SSRB recommended the introduction of a daily fee for attendance by Members of the House of Lords,<sup>30</sup> and that the allowance for secretarial and office costs, which is used by some Members to employ researchers, should be incorporated into this daily fee.<sup>31</sup> The level of the daily fee was recommended to be set at £200.<sup>32</sup> The SSRB stated that:

We base our recommendation on the level of the daily fee on three main considerations:

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<sup>29</sup> *Ibid*, pp ix-x

<sup>30</sup> *Ibid*, Recommendation 1, p14

<sup>31</sup> *Ibid*, Recommendation 2, p15

<sup>32</sup> *Ibid*, para 3.26

- what is the reasonable level of compensation for spending a day contributing to the work in the House?
- what can be afforded within the current budget for Members' expenses?
- what level of fee will allow Members without other significant income to participate fully in the work of the House?

We have looked at what is paid for posts in the public sector that are paid on the basis of a fee for each day worked. We found that most advisory posts which are paid by a daily fee were in the range of £115 to £400 per day, subject to tax and National Insurance contributions for those below pensionable age...

We recommend a daily fee of £200. We regard such a fee as a contribution to income of Members who have other earnings or pensions, but it should enable a Member with no other significant source of income to play a full part in the House. The fee would mean that a Peer who attended all sitting days in a typical year (approximately 150 days, based on the last 10 financial years) would receive a net income of around £30,000 a year plus expenses for travel and overnight accommodation if applicable. ...this would not be taxable until legislation is amended (when we should be asked to review the figure). We have arrived at this figure taking full account of our remit. As we explain below, we estimate that it can be afforded within the existing budget taking into account our recommendations elsewhere in this report. It is not intended to be a measure of the average value of the work done by Members of the House of Lords. Many Members are highly expert in their own areas and the advice they readily give the House would be worth considerably more than the daily fee we propose if provided on a commercial basis. Rather the daily fee should be seen as some compensation for the time, effort, expense and foregone earnings opportunity involved in attending the House, in particular to assist those Members without other sources of income.<sup>33</sup>

The report described the current system of defining attendance in Westminster as being present in the Chamber or in certain committees of the House as “an antiquated system which runs the risk of abuse”, which also failed to recognise some legitimate parliamentary duties.<sup>34</sup> However, at the moment they could see no alternative. They recommended that the House could explore how technology could be used to improve the current system of verifying and measuring Members' attendance at the House.<sup>35</sup>

The SSRB also recommended that Members should present their claims for attendance on sitting days on which they attended the House, and certify that they carried out appropriate parliamentary duties on those days. Members need not claim if they do not wish to receive the allowance, and it should be possible to claim for less than a full day if that was felt appropriate.<sup>36</sup> The additional activities, other than attendance at the sittings of the House and its Committees, which entitle Members to claim a daily fee and other relevant allowances should be considered by the House.<sup>37</sup>

The SSRB recommended that once the daily fee was introduced, Members of the House of Lords should pay tax on their attendance fees (which would also be subject to National Insurance contributions for those under pensionable age).<sup>38</sup> Legislation would be needed to bring this into effect. Until this had been passed and brought into effect, the fees payable

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<sup>33</sup> *Ibid*, paras 3.24-3.26

<sup>34</sup> *Ibid*, para 3.14

<sup>35</sup> *Ibid*, Recommendation 3

<sup>36</sup> *Ibid*, Recommendation 4

<sup>37</sup> *Ibid*, Recommendation 5

<sup>38</sup> *Ibid*, Recommendation 6

should be set at a lower level as to make an approximate allowance for the absence of tax. Members' reimbursed travel-to-work expenses should continue to be untaxed.

On the combination of the daily fee with the office costs allowance the SSRB recognised that some peers employ secretaries or assistance, but that some Peers may claim the allowance on the basis that they do their own secretarial work and use office space in their own homes. No receipts are currently required to claim the allowance. The guidance booklet on the Members' Reimbursement Scheme notes that the current allowance can be used for a wide variety of purposes, including 'domestic costs'. The SSRB therefore concluded that "this suggests to us that the amount should more properly be included in a daily payment".<sup>39</sup>

The SSRB considered arguments for introducing sick pay and pensions for peers, but concluded that such arrangements could not sensibly be introduced at this time or within the constraints of the remit of the review.<sup>40</sup>

#### **6.4 Accommodation**

When discussing the current Overnight Subsistence allowance, the SSRB stated that:

...as with many of the current allowances, the official guidance given to Members on what they can legitimately claim the Overnight Subsistence allowance for is vague. Members have found themselves vulnerable to accusations of abuse, against which they cannot defend themselves by reference to the rules. A strong theme to emerge from the evidence submitted to us is the need for clear rules, with transparent implementation, which enable all parties to know that they have behaved properly and can be seen to have done so.<sup>41</sup>

The SSRB recommended that:

- Members whose principal residence is not within a reasonable commuting distance from the House of Lords should be entitled to recover the cost of one night's overnight accommodation for each qualifying attendance at the House. In exceptional circumstances, Members may be permitted to claim for an additional night in hotel or club accommodations before or after a qualifying attendance.<sup>42</sup>
- No financial support should be given to Members of the House of Lords in respect of mortgage interest. For unmortgaged properties, financial support is payable towards of the running costs, but not in respect of the cost of owning the property.<sup>43</sup>
- The permissible categories of running costs for owned and rented accommodation should be council tax (less the local authority discount for a second property); water; electricity; gas; ground rent; contents and building insurance; service charges; and approved security measures.<sup>44</sup>
- Although the current limit of £174 had been originally set by the SSRB and subsequently updated, this was too high for most needs. Instead the maximum should be set at £140 per night. The amount should be reviewed every three years.<sup>45</sup>

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<sup>39</sup> *Ibid*, para 3.12

<sup>40</sup> *Ibid*, para 3.21

<sup>41</sup> *Ibid*, para 4.2

<sup>42</sup> *Ibid*, Recommendation 8, p22

<sup>43</sup> *Ibid*, para 4.5

<sup>44</sup> *Ibid*, para 4.7

<sup>45</sup> *Ibid*, para 4.8 and Recommendation 9, p23

- All claims must be accompanied by receipts, bills, or other appropriate documentation.<sup>46</sup>
- As a matter of personal honour, Members of the House of Lords should ensure that any claims for financial support for accommodation in London are consistent with their declarations for Council Tax and Capital Gains Tax purposes.<sup>47</sup>

On the practicality of paying the allowance, the SSRB explained that:

To calculate how much of the annual rental and running costs should be reimbursed for each overnight stay, the annual totals for rent (if any) and estimated permissible running costs should be divided by 150 (the approximate number of sitting days in a normal financial year, based on the last 10 years). The sum reimbursed for each overnight stay will be the lower of this figure and £140. This calculation should be performed at the beginning of each financial year by the Finance Department. A Member who, for example, attends for 75 sitting days should receive 50% of the annual costs of his or her rented accommodations or running costs, subject to the cap.

We recognise that costs can be unpredictable. The amount paid in a year should therefore be subject to revision – upwards or downwards – at the end of the year in the light of actual costs. If necessary, adjustments can also be made to compensate for a lower than average number of sitting days in the financial year, which would otherwise leave Members facing a shortfall...<sup>48</sup>

The SSRB recognised that for those Members of the Lords with two properties, it is the choice of which property to designate as their principal residence which has been the area where “Members of the House of Lords have been most vulnerable to criticism in the media”.<sup>49</sup> They stated that:

We have considered a number of criteria for identifying one’s principal residence, but we have not found any that are wholly satisfactory. For example, it is possible to be registered on the electoral roll at two different addresses. Ultimately, we believe that using a range of criteria and introducing transparency to the process is the best approach. We therefore recommend that all Members seeking to claim financial assistance with overnight accommodation in London declare their principal residence annually, and those with two or more homes should indicate on what basis they consider the non-London home to be their principal residence. Members should be able to show that they have based the judgement on objective criteria, to be defined the rules of the expenses scheme. We suggest some criteria in Annex 11, but believe that as a minimum these should include:

1. Where the Member spends most of his or her time when the House is not sitting (including weekends), in particular where he or she spends more nights.
2. If the Member lives with a spouse, partner or other family members, where they are based.
3. Where the Member keeps most of his or her possessions.

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<sup>46</sup> *Ibid*, Recommendation 9, p23

<sup>47</sup> *Ibid*, para 4.12

<sup>48</sup> *Ibid*, paras 4.13-4.14

<sup>49</sup> *Ibid*, para 4.19

The form for claiming against the overnight allowance should ask the Member to declare the number of nights spent away from the principal residence during the period, in order to produce an audit trail at the end of the year.<sup>50</sup>

The SSRB considered what should be meant by ‘reasonable commuting distance’ and recommended that the continuation of financial support for overnight stays should be:

...where the principal residence is demonstrably beyond the boundary of Greater London and not within reasonable commuting distance. However, before making claims, Members should satisfy themselves that, notwithstanding the general criteria of eligibility, the travelling distance and the time taken to commute from the principal residence are such that it is reasonable and defensible to public scrutiny to use separate overnight accommodation in London. Some Members who live outside Greater London may well be able to commute easily if they live close to good transport links (e.g. Sevenoaks, Reading, St Albans, Guildford etc.) and it would be unreasonable for such people to claim for a second home in London, though they might be justified in claiming occasionally for a hotel, for example, if they have been forced to stay later than usual by parliamentary business.<sup>51</sup>

They recommended that:

...all Members seeking to claim financial assistance with overnight accommodation in London sign a declaration stating the location of their principal residence, explaining the criteria by which they have identified their principal residence and giving confirmation that it is outside the Greater London. They should also make a confidential statement of why, in their personal circumstances, it is not within reasonable commuting distance of the House of Lords.<sup>52</sup>

Members who claim for accommodation in London which is shared with another Member of the House of Lords would have a combined upper limit equal to  $1\frac{1}{3}$  the standard rate of £140 (£186.50) for days on which both sharing Members make a claim.<sup>53</sup>

## 6.5 Travel

The SSRB recommended that:

- Necessary car parking at stations and airports and road tolls should be treated as permissible travelling expenses. Members should have regard to value for money;<sup>54</sup>
- Where the Member’s travel credit card is not used to pay for travel, Members should supply receipts or vouchers as proof of expenditure for all claims;<sup>55</sup>
- Members should be allowed to claim for first class rail travel where this is justified by their need to work whilst travelling. Flights within Europe should be reimbursed at economy class, but flights outside Europe may continue to be reimbursed at business class;<sup>56</sup>
- All claims for vehicle mileage should be accompanied by details of individual journeys. Only one claim should be made per journey, per vehicle;<sup>57</sup>

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<sup>50</sup> *Ibid*, para 4.41

<sup>51</sup> *Ibid*, para 4.24

<sup>52</sup> *Ibid*, Recommendation 11

<sup>53</sup> *Ibid*, Recommendation 12

<sup>54</sup> *Ibid*, Recommendation 14

<sup>55</sup> *Ibid*, Recommendation 15

<sup>56</sup> *Ibid*, Recommendation 16

- Travel expenses should be paid from a Members' residence to the door of the House of Lords, excluding taxis. Members choosing to use private cars within London should not have any Congestion Charge reimbursed;<sup>58</sup>
- The spouse or civil partner and dependants of a Member should be entitled to three return journeys per calendar year to the House of Lords from the Member's declared principal residence, plus a further return journey for each 45 days of attendance by the Member up to a maximum of six return journeys in total. Neither the outward or return journeys should fall within parliamentary recess except in exceptional circumstances. Family members should travel by standard class rail or economy air.<sup>59</sup>

## 6.6 Ministers

The SSRB's comments on the current system of allowances for ministers were fairly critical of the system concluding that:

The situation is clearly unsatisfactory. It has been the cause of confusion for the Cabinet Office and departments, and has left Ministers uncertain as to their true entitlements and open to accusations of abuse. Furthermore... the way the Section 5 allowance is calculated means that our proposed changes to the overnight allowance for non-Ministerial Members of the House will affect the pay of Ministers who receive the allowance. We believe the problems which have arisen with the Section 5 allowance underline the importance of clearly delineating what is pay and what are allowances...

The inconsistencies in the package of salaries and allowances which are paid to Ministers and office holders in the Lords, in particular when they are compared with equivalent posts filled by Members of the House of Commons, should be resolved as a matter of priority. In principle we believe that Lords Ministers based outside London should receive reimbursement of actual expenses of overnight accommodation, in the same way as backbench Members of the Lords and MPs and Ministers in the Commons, while those who already live in London should receive only a London allowance. However, this would require changes in legislation. Moreover, the level of Lords Ministers' salaries would need to be reviewed if the Section 5 allowance were abolished. We therefore recommend that the Government ask the SSRB to review the salaries and allowances of all Ministers and parliamentary office holders. Under the House of Commons Resolution of 3 July 2008 the SSRB is due to review MPs' pay in the first year of each new Parliament. A review of Ministers' and office holders' salaries and allowances could take place at the same time.

Recommendation 20: The Government should give the SSRB a remit to review the salaries and allowances of Ministers and office holders when it reviews MPs' pay in the new Parliament.<sup>60</sup>

## 6.7 Publication, audit and procedure

The SSRB recommended that a summary record of fees and expenses paid to Members under each category of claim (daily fee, overnight expenses, travel) be published quarterly, and that Members' declarations concerning their principal residence be published annually, subject to advice from the House's security advisors.

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<sup>57</sup> *Ibid*, Recommendation 17

<sup>58</sup> *Ibid*, Recommendation 18

<sup>59</sup> *Ibid*, Recommendation 19

<sup>60</sup> *Ibid*, para 6.8 and Recommendation 20

The current audit carried out by the NAO of fees and expenses paid to Members of the House of Lords should continue, but the SSRB recommended it should be extended to check Members' eligibility for financial assistance with overnight accommodation.<sup>61</sup>

Any misuse or abuse of the system should be dealt with as an abuse of the Lords Code of Conduct, and investigated by the Lords Commissioner for Standards. Further information is available in the Library Standard Note on [Standards of Conduct in the House of Lords](#).<sup>62</sup>

The SSRB also considered whether the new Independent Parliamentary Standards Authority (IPSA), created to administer the payroll and allowances for MPs and reviewing the MPs' allowances scheme, should take on the same issues in relation to the House of Lords:

In principle, there could be advantages and economies of scale if the allowances and expenses for Members of the House of Commons and House of Lords were administered by a single body. However, IPSA is not yet operational and it would be premature to add to its responsibilities at this stage. It would also require a change to primary legislation to extend its scope to the House of Lords...

Recommendation 26: We recommend that the next full review of financial assistance to Members of the House of Lords should consider whether there would be advantage in using the Independent Parliamentary Standards Authority for the administration of fees and expenses paid to Members of the House of Lords. In the interim, we recommend that the House of Lords Finance Department continue to be responsible for this process.

When plans for the creation of IPSA were first announced in May 2008, Harriet Harman, Leader of the House of Commons, had stated that:

It is clearly appropriate that the new body should also take responsibility for such issues in the Lords, including administering and regulating the systems for peers' allowances, overseeing the code governing peers' conduct and the Register of Lords' Interests, ensuring high standards of propriety and financial conduct, investigating alleged abuses of the system and recommending any necessary sanctions.<sup>63</sup>

During the passage of the Bill, an amendment was passed during report stage in the Lords so that the legislation would not apply to the House of Lords.<sup>64</sup> For full details see the Library Standard Note, [The Parliamentary Stages of the Parliamentary Standards Bill](#).<sup>65</sup>

Lastly, the SSRB considered whether in future, expenses for members of the House of Lords should be determined independently from Parliament, as is now the case for the House of Commons. They recommended that in the longer term, in particular after reform of the second chamber, that pay and expenses should be set independently.<sup>66</sup>

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<sup>61</sup> *Ibid*, Recommendation 23

<sup>62</sup> Library Standard Note, SN/PC/4950, [Standards of Conduct in the House of Lords](#)

<sup>63</sup> HC Deb 20 May 2009 c1506

<sup>64</sup> HL Deb 20 July 2009 c 1415

<sup>65</sup> Library Standard Note, SN/PC/5121, [The Parliamentary Stages of the Parliamentary Standards Bill](#)

<sup>66</sup> *Ibid*, para 7.13

## 7 Next steps

### 7.1 Initial responses

On 7 December 2009 the House of Lords House Committee published a short report, *SSRB Review of Financial Support for Members of the House of Lords*.<sup>67</sup> They stated:

3. We accept the conclusion of the SSRB that the time has now come for a new system which addresses concerns with the present arrangements and protects and enhances the reputation of the House and its Members.

4. We recommend that the House accepts the architecture and principles of the proposed new system. We recommend that the House Committee now works to prepare resolutions to implement the proposals on a timescale which allows a new system to be operational from the start of the new Parliament.

5. Prior to implementation, we recommend that the views of members should be taken into account and inform the final resolutions to be put before the House. The SSRB's report asks the House to consider a number of issues detailed by the review and makes 26 specific recommendations for action. In line with our proposals in paragraph 4 above, we would propose to set up an ad hoc group to consider and consult on issues in the report and advise on their implementation. The membership of the ad hoc group would comprise backbenchers nominated by the party leaders and convenor. The group would report to the House Committee.

6. We further propose that the new system and its consequences for the House be carefully monitored after implementation. The House Committee should conduct such monitoring and report on the effects of implementation of the new system after a year of operation.

#### 7. We invite the House to agree:

- **the architecture and principles of the new system proposed by the SSRB (para. 4)**
- **that the House Committee now works to prepare resolutions to implement the proposals on a timescale which allows a new system to be operational from the start of the new Parliament (para. 4)**
- **that an ad hoc group of members should be established (para. 5)**
- **that the House Committee should monitor and report on the effects of implementation of the new system after a year of operation (para. 6)**<sup>68</sup>

### 7.2 House of Lords debate, 14 December 2009

The House of Lords debated the resolution as drafted by the House Committee on 14 December 2009. The motion was moved by the Chairman of Committees, Lord Brabazon of Tara. He explained that the motion was not the end of the process: a working group would be set up, and “ultimately, detailed resolutions to adopt the new scheme” would be “put to your Lordships by the Leader of the House in the Spring.”<sup>69</sup> He stated that “Agreement to the Motion before the House today would constitute a significant step in the right direction”.<sup>70</sup>

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<sup>67</sup> House of Lords House Committee, *SSRB Review of Financial Support for Members of the House of Lords*, HL Paper 12 2009-10

<sup>68</sup> *Ibid*, p3

<sup>69</sup> HL Deb 14 December 2009 cc1317-8

<sup>70</sup> *Ibid*, c1321

Over 30 contributions were made to the debate before the motion was agreed to without division. There were some disagreements over aspects of the proposals recommended by the SSRB, but many felt these could be “ironed out” by the House Committee and its working group.<sup>71</sup>

Lord Strathclyde, supported the motion but raised two particular issues. First he stated that the report seemed to suggest that “noble Lords who own homes should sell them, incurring all the costs involved, and rent another so as to benefit from the rent offset allowances offered”. He went on to say that “I fear that would happen, and I shudder at the likely public reaction”. He also stated that:

I have also been struck by the number of noble Baronesses from all parts of the House who have asked, “Was it because all 10 of the authors of the report were men that they saw no issue in lady Peers, some of them elderly, needing financial support to rent a hotel room in Victoria rather than be in their own homes?”<sup>72</sup>

Lord McNally argued that:

Like the Noble Lord, Lord Strathclyde, I agree that we need to deal with some of the gargoyles in the report, but it would be disastrous if we were to allow it to be thought that by setting up the committee we were giving ourselves some wiggle-room on the main recommendations of the report: namely the £200 daily allowance and the £140 overnight expenses. Those in my view, are the immovable iron poles of what has been termed the architecture and voting for the resolution today should mean accepting those figures. We cannot appear to be setting our own rates – in that way lies public condemnation.<sup>73</sup>

Lord Tyler questioned whether the Government should, along with amendments proposed to the *Parliamentary Standards Act 2009*, also repeal the clause which had excluded the House of Lords from the responsibilities of the Independent Parliamentary Standards Authority.<sup>74</sup> Baroness Royall of Blaisdon, Leader of the House of Lords, responded that “The Government’s position is clear: it is not appropriate for IPSA to be involved with the Lords as presently constituted”.<sup>75</sup>

Other particular points of interest amongst the peers who spoke included travel arrangements for peers’ spouses and the appropriate cost of accommodation.<sup>76</sup>

Baroness Royall’s closing remarks were that:

It is for this House to decide on what changes it wants to make for the system of allowances for Members. The Government have given their response to the SSRB and the House Committee has proposed a way forward as contained in the Motion before you, but it is for the House to decide, this House and none other than this House-not the SSRB, not the Government, not the House Committee and certainly not the media, but this House. It is for the Members of this House: the decision is in your hands and your hands alone.

In taking that decision, I urge all noble Lords to support the Motion, to vote for the course of action set out for the benefit of the House by the House Committee, to

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<sup>71</sup> See for example the contribution made by Lord Strathclyde, HL Deb 14 December 2009, cc1325-1328

<sup>72</sup> *Ibid*, c1328

<sup>73</sup> *Ibid*, c1330

<sup>74</sup> *Ibid*, c1342

<sup>75</sup> *Ibid*, c1381

<sup>76</sup> See for example Lord Crickhowell at cc1335-1336, Lord Palmer at c1343, and Lord Sewel at cc1366-67

accept the principles and architecture of the SSRB's report and, following that report, to refer the practicalities of a new system of financial support, issues for consideration and consultation and advice on implementation to an ad hoc group of Members of this House, and to review that system within a year of its implementation. That is the way forward, and I urge all Members of your Lordships' House to take it.<sup>77</sup>

The motion was agreed to without division.

On 15 December 2009, the day after the debate, Lord Brabazon of Tara issued a Written Ministerial Statement in which he announced the appointment of an ad hoc group to consider and consult on issues in the SSRB report and advise on their implementation. The Group was to be chaired by Lord Wakeham.<sup>78</sup>

### **7.3 Report from the House Committee, *Financial Support for Members of the House: Declaration of Principal Residence and Publication***

In March 2010 the Lords House Committee published a report, *Financial Support for Members of the House: Declaration of Principal Residence and Publication*.<sup>79</sup> This explained that the Working Group had not had time to finalise its report to the House Committee, and therefore that it would not be possible to put a comprehensive package of proposals to the House before the end of the Parliament. The Committee said:

The Committee did however believe that we should make progress, given the commitment to bring the new scheme in at the beginning of the new Parliament. Therefore we propose that the House should agree to the introduction, from the start of the new Parliament, of new arrangement for the designation and certification of principal residences outside London. This will address a main weakness of the current scheme. In addition, the Committee recommends that the House agree to new proposals for the quarterly publication of information relating to members' expenses from 1 April 2010. We believe that these two changes, coupled with the new arrangements relating to the Code of Conduct, and the appointment of an independent Commissioner for Standards, will constitute a significant move forward for the House.

The House Committee will make a further Report, early in the new Parliament, with further proposals for the new system of financial support.<sup>80</sup>

The Committee went on to make the following recommendations to the House:

- From the beginning of the new Parliament, we invite the House to agree to the SSRB's main recommendation on principal residence - that "all Members seeking to claim financial assistance with overnight accommodation within London sign a declaration stating the location of their principal residence, and giving confirmation that it is outside Greater London".
- In addition, the required principal residence declaration should include a statement of where Members spend most of their time when the House is not sitting (including weekends), and in particular where they spend most nights.
- Members seeking to claim for overnight accommodation should supply the House of Lords Finance Department with copies of documentation from an approved list to verify that their principal residence is outside Greater London.

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<sup>77</sup> *Ibid*, c1382

<sup>78</sup> HL Deb 15 December 2009 c247WS

<sup>79</sup> House Committee, *Financial Support for Members of the House: Declaration of Principal Residence and Publication*, 10 March 2010, HL Paper 89 2009-10

<sup>80</sup> *Ibid*, paras 4-5

- All principal residence declarations should be made publicly available on the Parliamentary website.
- The Accounting Officer should introduce a system of regular audit checks of the declarations of principal residence, both internally and by the National Audit Office.
- From 1 April 2010, the House should move to quarterly publication for expenses claimed on or after April 2010, to coincide with the start of the new financial year.
- Expenses claims must be submitted within one month of the end of the month in which the expense arose.
- The Finance Department will send the information on expenses to Members prior to publication for information purposes only.

#### **7.4 Debate on the report from the House Committee, 22 March 2010**

The House of Lords debated the report from the House Committee on 22 March 2010. This followed the approval of a new Code of Conduct on 16 March 2010, to come into effect at the beginning of the next Parliament.<sup>81</sup> During the debate Baroness Royall of Blaisdon explained the Government view that:

This is a self-regulating House. In overall terms, in relation to these matters in Parliament, it is the Government's policy to see a move from self-regulation to independent regulation. That is what we have proposed for the House of Commons and that is what the House of Commons has adopted. However, we recognised last year, when we brought what is now the Parliamentary Standards Act before your Lordships' House, that a different tradition and practice of self-regulation in this House mean that we could not and should not yet apply regulation by the Independent Parliamentary Standards Authority to this House. Of course we welcome the forthcoming appointment of the independent Commissioner for Standards.

Our longer-term ambition remains but, in advance of that, we in this House have an approach based on the concept of a self-regulating House. With the principle of self-regulation is inextricably intertwined with the responsibility of self-compliance. The clear, consistent and credible proposals before us today will assist us. They will also address a weakness in our present system that all sides of the House acknowledge. They will mark a real improvement. The new regime of definition, designation and declaration of Members' principal residences will be of benefit to Members of this House, to the Houses as a whole and to public accountability. I urge the House to adopt them and to support the Motion from the House Committee.<sup>82</sup>

There was some discussion of whether the requirement that a Member's principal residence be 'outside Greater London' had "watered down" the SSRB requirement that the residence be both outside Greater London *and* beyond reasonable commuting distance. Lord McNally stated that:

Let me deal with another matter raised by the chairman of the Senior Salaries Review Body, Mr Bill Cockburn. In a letter to the noble Baroness, Lady Hayman, which was copied to me, he suggests that, somehow, today we weaken the guidance by basing claims on a specific geographic area – that of Greater London – rather than the SSRB's preferred option of reasonable commuting distance of the House of Lords...If

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<sup>81</sup> For more information see Library Standard Note SN/PC/4950, [Regulation of Standards of Conduct in the House of Lords](#)

<sup>82</sup> HL Deb 22 March 2010 c763

we have learnt anything from recent events, it is that our rules must be clear, precise and not open to subjective interpretations.<sup>83</sup>

The House agreed the Report from the House Committee.

## 8 A single daily allowance

### 8.1 Initial proposals

The ad hoc group chaired by Lord Wakeham published their report on 28 June 2010.<sup>84</sup> The Group stated that their intention was to “align the SSRB’s recommendations with the role and work, as well as character and circumstances of the House”.<sup>85</sup> The summary of the Group’s report recommended that the House Committee:

- agree to the introduction of a daily allowance of £200;
- note the group attached high importance to the strict arrangements and greater transparency over Members’ principal residences and London accommodation on the basis of certification and audit, which the House has now introduced;
- agree with the SSRB’s recommendations on overnight accommodation allowance for all Members if they choose, and for those who stay in a hotel or club, subject to a revised interim arrangement, which Members could choose to select...
- reject the need for taxis to be provided for Members by the House for late sittings;
- note that the Independent Parliamentary Standards Authority (IPSA) has now determined that MPs be reimbursed up to the cost of standard open rail tickets. While the group could accept the SSRB’s recommendations road and rail travel (subject to Members’ spouses, civil partners or dependents to be reimbursed for travel in first class if and only if they are travelling with the Member and the continuation of the current entitlements to air travel), the report suggests that the IPSA approach should be considered for Members of the House of Lords;
- agree to implement the SSRB’s recommendations on publication and regular random checks; and
- agree that there should be a review of the new scheme by an independent person or organisation after one year, rather than three.<sup>86</sup>

However, the Group also put forward an alternative proposal to the SSRB scheme, a single daily allowance:

We see that there is another route for the House of Lords which would have the advantage of simplicity over the proposals in this report. This route would be to reduce the level of support currently set aside for overnight accommodation and combine it with the daily allowance as a single allowance claimable by all Members. Such a move would remove any incentive and any opportunity for Members to make arrangements in order to claim support for overnight accommodation in London. In our view, this incentive has created a key vulnerability in the current scheme; removing it would be a significant improvement.

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<sup>83</sup> *Ibid*, c766

<sup>84</sup> Report of the ad hoc group, *Financial Support for Members of the House of Lords*, 28 June 2010, HL Paper 13 2010-11

<sup>85</sup> *Ibid*, para 5.11

<sup>86</sup> *Ibid*, Executive Summary, p6

We recommend that consideration might also be given to the case for putting in place a simplified allowance, to replace the daily allowance and the overnight allowance recommended by the SSRB. Such a scheme might operate for the life-time of the current Parliament, pending reform of the House. If this change were to be made, it would be simple, easy to implement, easy to administer, and easy to explain to the public.<sup>87</sup>

## **8.2 Statement from Lord Strathclyde, 28 June 2010**

Lord Strathclyde, the Leader of the House of Lords, made a statement that explained that the Government had favoured the alternative scheme proposed by Lord Wakeham's ad hoc Group for a single payment:

The Wakeham group supported the SSRB's idea of combining the current daily subsistence and office costs allowances into one daily allowance. I agree with that. But the group suggests an alternative option, a simplification of the SSRB's approach to overnight allowances by combining that, too, into one single daily allowance, payable on attendance on each sitting day. If this were done, it would mean the abolition of the expenses regime as we know it, and in future, payment for staying overnight, taxis, meals, secretaries and research assistants would all come out of that single payment. How much Peers spend on each item would be entirely up to them. There would be no extras, no small print. The single payment would be the end of the matter.

Under the current scheme, the maximum some Members may claim per day they attend is £334. The SSRB suggested that this should be £340. If we create a single uniform daily allowance, it should be set at a figure less than these two totals. I recommend £300. This is 10 per cent less than the current maximum and 12 per cent less than the figure recommended by the SSRB. Furthermore, there will be a lower rate at which Members can claim. I suggest that this should be 50 per cent lower at £150.

This is not a salaried House. Attendance will remain the key basis for the allowance—that is what the public expect. But in order to contribute effectively to the work of the House, Peers are often involved in preparatory and other work outside the Chamber and cannot attend, for example, for long periods in Committee. However, I believe that many will consider a lower rate appropriate, for example for Peers who are able to attend the House for only part of a sitting on a particular day.

We are rightly all under scrutiny for our use of public money and the public expect Members of the House to set the same high standards for themselves as they do for others. Some may feel they do not wish to ask for any payment at all. Based on provisional statistics, last year 13 per cent of those who attended the House did not claim any allowances. I hope that they will continue not to. The Wakeham group proposals cover a number of other important issues, including travel arrangements for Members. Its proposals will continue to recognise the additional costs faced by Peers who travel from long distances.

Axing through the current complex structure of expenses would represent radical change, but I believe that that would be right. It also holds other advantages. It would be cheaper to run than any more complex arrangements, less bureaucratic and less expensive to comply with, simpler to police and far harder to abuse. The controversial rules on so-called "second homes" would quite simply be swept away. There will be no more accusations of addresses of convenience, and no more juggling of utility bills and claims forms. If you come to Westminster and work in Parliament, you will be able to claim the allowance. If you do not, you will not.

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<sup>87</sup> *Ibid*, paras 5.60-5.61

This will mean a reduction in the amount that some Peers have claimed in the past. But in the present economic climate we cannot protest against a reduction. Indeed, in my own view, with a new system, levels of payments should be frozen for the life of this Parliament. I accept that this is a scheme that will not be welcomed by all, but it will be broadly cost-neutral compared with the existing scheme. The existing expenses regime is discredited. It lacks credibility and the public have lost confidence in it. This new plan means the end of the second homes fiasco. It means the end of expenses in the House of Lords. It means a new system that is direct, transparent and accountable. It means that we are making a significant step towards winning the public's confidence again.

So, what next? The House Committee will meet soon to discuss the details of this proposal. Before the Summer Recess, I will table resolutions for the House's approval. This House has suffered greatly from the faults of the previous system and the misbehaviour of a small minority. Ultimately, it is a matter for the House if it wants to make this change. The Government's view is that we need clarity, simplicity and reform-and that the time for reform is now. I hope that your Lordships will agree, and I commend this Statement to the House.<sup>88</sup>

In response to the statement, Lord Hunt of Kings Heath stated that:

I believe that the arguments for pursuing a simplified allowance are persuasive. Of course it has a swings-and-roundabouts characteristic about it, and there will be some inequities, as no system is ever likely to be perfect; but the simplified system should be easy to implement, easy to administer and, above all, easy to explain to the public.<sup>89</sup>

Baroness D'Souza stated that:

...I can see the attraction of this simpler payment system and agree with the government proposal, but I also have some sympathy with those who live outside London and who stay in London for the purposes of attending your Lordships' House. These people will be penalised to the extent of anything up to perhaps £700 per month, receiving only £300 per sitting day rather than £341 for a receipted overnight stay.<sup>90</sup>

Lord Strathclyde stated that the allowance would be set out £300 per day for the rest of this Parliament.<sup>91</sup> He also said that he hoped to bring resolutions to the House before the summer recess and envisaged the new regime coming into force on 1 October 2010.<sup>92</sup>

### **8.3 Report from the House Committee, 13 July 2010**

On 13 July 2010 the House Committee published a report which invited the House of Lords to agree to the changes put forward by the Leader of the House.<sup>93</sup> The report also made a number of consequential and more detailed recommendations.

The House Committee accepted the view that there should be a single daily allowance:

We remain strongly of the view that it was right to respond robustly to the weaknesses of the scheme which had been identified over the past year. However, we agree that,

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<sup>88</sup> HL Deb 28 June 2010 cc1512-1513

<sup>89</sup> *Ibid*, c1514

<sup>90</sup> *Ibid*, c1515

<sup>91</sup> *Ibid*, c1518

<sup>92</sup> *Ibid*, c1516

<sup>93</sup> House of Lords House Committee, *Financial Support for Members of the House of Lords*, 13 July 2010, HL Paper 18 2010-11

given the likelihood of reform, there are advantages in a simpler, less bureaucratic system when residence is not the critical component of the scheme.

**We therefore agree with the Leader's proposal that the day subsistence, overnight subsistence and office costs elements be combined into a single, flat rate of £300, to which Members are entitled on the basis of attendance.**

...we recommend that a reduced rate allowance should be put in place, set at £150, to which members on certain types of official Parliamentary business away from Westminster should be entitled. **We also recommend that a Member should be able to elect to receive the reduced rate for attendance at the House, where they consider it appropriate, rather than the full allowance of £3000.** In addition, we draw attention to the SSRB's recommendation that "Members who do not wish to receive a fee need not claim it".<sup>94</sup>

#### **8.4 Debate on 20 July 2010**

On 20 July 2010 the House of Lords debated resolutions to introduce the new single daily allowance from 1 October 2010, and to agree the report of the House Committee. The daily allowance was set at £300, or £150 if the attendance is away from Westminster or if a Peer chose to claim the lower amount. The resolutions ended the payment of office costs allowance, day and night subsistence and overnight subsistence on visits away from the House. A resolution was also put before the House on travel expenses: where Members do not make use of the House of Lords travel credit card, travel expenses should only be reimbursed on the basis of receipts or tickets and claims for road mileage should be accompanied by details of the individual journey. Only those Members who live outside Greater London may claim reimbursement for travel expenses to and from Westminster.

During the debate, Lord Tomlinson drew attention to the work of the ad hoc group and how they had come to suggest consideration should be given to a single daily allowance:

...the ad hoc group had completed its report and was persuaded to reopen it following certain discussions that took place in the House Committee involving the Leader of the House. The genesis of the new idea was not in the ad hoc committee but elsewhere...<sup>95</sup>

Lord Tomlinson also had specific objections to the scheme: first, on the grounds of equity and secondly on the grounds of cost. On equity, Lord Tomlinson said that, "It is not a demonstration of equity that you treat everyone the same when the costs of attending your Lordships' House are vastly different".<sup>96</sup> This point was repeated by other speakers in the debate.<sup>97</sup> Some Peers spoke in favour of the simplicity of the proposed scheme.<sup>98</sup>

On costs, Lord Tomlinson said that, "the extension of what has been seen as a payment for the legitimately incurred costs of overnight stay in London and extending it to all Members of the House destroys the pretence of cost-neutrality". He went on to suggest it might add £1.5 million to the cost of the scheme.<sup>99</sup> In response, Lord Wakeham explained that:

The £300 is 11 per cent less than the current £335.50 maximum. It is 12 per cent less than the £340 maximum suggested by the SSRB. As my noble friend Lord Marlesford

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<sup>94</sup> *Ibid*, paras 14-16

<sup>95</sup> HL Deb 20 July 2010 c925

<sup>96</sup> *Ibid*, c926

<sup>97</sup> See for example Lord Sewel c930, Lord Palmer c936

<sup>98</sup> See for example Lord Marlesford c932

<sup>99</sup> *Ibid*, c925

pointed out, it saves a considerable bureaucratic and administrative cost. My calculation was that if only 20 per cent of Peers claimed the £150 reduced fee, the scheme will cost no more than it currently does. This time next year, we may or may not be in a position to make that judgement. Of course, it is still open to Peers to charge nothing at all. Extraordinarily – we should talk about this more – 13 per cent of Peers attending the House of Lords, made their contribution and decided not to charge anything.<sup>100</sup>

Both the motions before the House were agreed without division.<sup>101</sup>

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<sup>100</sup> *Ibid*, c945

<sup>101</sup> *Ibic*, cc945-6