

Sir Christopher Kelly
Committee on Standards in Public Life
35 Great Smith Street
Westminster
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Tuesday 7th July 2009

This document is written in a personal capacity

Dear Sir Christopher,

May I suggest a simple but elegant and cost-effective solution to the MP pay, expenses and allowances issue. The result will be lower costs to the taxpayer, complete transparency and the restoration of the reputation of Parliament over time.

1. Abolish the salary.
2. Abolish parliamentary pension contribution and scheme.
3. Abolish all ACA/PAAE payment (i.e. second home allowances).
4. Abolish all other travel, maintenance and other allowances for an MP or their family members.
5. Abolish the communications allowance - it brings Parliament into disrepute because it is all too easily seen as a method of supporting incumbent MPs.
6. Leave IEP in place. However, in order to avoid the suggestion that money is being channelled to either a political party or an MP:
 - a. Ban the payment of IEP to political associations and,
 - b. Ban the payment of IEP to an MP or companies or organisations in which they have any interest.
7. **Introduce a single taxable 'consideration'**.
8. Perhaps consider weighting the *consideration* across several bands. This might be based on the distance of the constituency from Westminster in order to broadly recognise the reality of different travel and accommodation costs (See 'banding' below).
9. Leave staffing allowance in place along with legitimate staff expenses (i.e. no change).

The Problem with Salary

The word 'salary' is misleading because it implies employment in a traditional sense and this is by no means the case (see the section below entitled 'employment status'). It is best to adopt an alternative term such as consideration, bestowal or endowment in order to mitigate this false perception.

When the 'allowance' was originally introduced in 1911, Lloyd George made it absolutely clear that it was not to be thought of as a salary. He said "*When we offer £400 a year as payment of Members of Parliament it is not a recognition of the magnitude of the*

service, it is not a remuneration, it is not a recompense, it is not even a salary. It is just an allowance, and I think the minimum allowance, to enable men to come here, men who would render incalculable service to the State, and whom it is an incalculable loss to the State not to have here, but who cannot be here because their means do not allow it. It is purely an allowance to enable us to open the door to great and honourable public service to these men, for whom this country will be all the richer, all the greater, and all the stronger for the unknown vicissitudes which it has to face by having there to aid us by their counsel, by their courage, and by their resource."

Parliament for the wealthy

A case can be made to stop payments to MPs altogether and return parliament to the pre-1911 situation but, like Lloyd George, I do not want parliament for only the wealthy who can afford it, nor do I want a parliament suitable only for those without family commitments.

However, if we are to return to the original principle, then a mediocre increase serves little purpose if all other expenses and allowance are withdrawn.

The expenses & allowances monster

It seems to me that tinkering and political cowardice have deformed the beauty of simplicity into an ungainly byzantine monster. Today it is virtually impossible to adhere safely to the rules and, in my view, the expenses system appears fiendishly calibrated to drag MPs and Parliament into disrepute. In my 20 years in the world of business and commerce I have never seen such a useless and overly-complicated system. Sadly, unless an MP is wealthy enough to subsidize the taxpayer, in a desperate bid to escape the expenses labyrinth, then they are condemned to be ensnared within it.

In essence, it would be simpler, fairer - to voters, taxpayers and MPs - and more transparent to adhere to the original principle set down in 1911.

The Kelly Recommendation

If the Kelly Review were to recommend that Parliament accept the 'principle' that the £400 from 1911 be indexed according to average earnings, then that would be sufficient to re-establish the principle for today.

The Review might recommend that an independent firm of accountants (or the SSRB), conduct an objective exercise to calculate what £400 equates to, relative to average earnings, today. This can be done by stating either:

- a. The new *consideration* will be the equivalent of the original £400 once up-rated in accordance with average earnings since 1911 or,
- b. The new *consideration* will be the same multiple of average earning that it was in 1911 (For example if £400 was 3.5 times the average earnings in 1911, then it will be 3.5 times average earnings today i.e. £27,000 x 3.5 = £94,500).

Once set, the *consideration* should be automatically up-rated on the last working day of the current parliament ready for the beginning of the next. In this way not only will prospective MPs know what they are signing up to in advance but, the historic tampering - which led to the current mess- will be avoided in future.

Background & Reasoning

MPs necessarily incur travel and housing costs

MPs are required to work in London during the week and, nowadays, expected to perform duties and live in the constituency usually from Friday-Sunday. There are costs associated with travel and accommodation.

No system will be 'seen to be fair' – simple is better

No system will be seen to be fair on every count either by the public or by an MP. You will no doubt have encountered countless arguments about the minutiae of lifestyle differences, family size and circumstances, travel complexities, personal health, irregularity of recess arrangements and the impact of changes in status or position which occur on a frequent basis (e.g. back-bencher, front-bencher, minister, cabinet position, committee chair and speaker positions).

Without a PhD in the subject, it is unlikely that the public, the media nor even MPs will consider any particular expense, allowance or combination of such to be fair or above reproach. I therefore suggest that the 'simplest' arrangement possible is preferable irrespective of the tax implications.

An MP's role is unique in our democratic system

An MP's role is unique in our democratic system. It is, rightly, unlike any other job or role in civil society. I do not seek to define the role of an MP but merely to observe the day-to-day reality of what an MP does and what is expected of them whether or not it is strictly within the narrow definition of their parliamentary function. The role of MP includes a combination of the all the following elements:

Parallel types of work/employment:

- | | |
|-----------------------|-----------------------------|
| - Representative | - Diplomat |
| - Public servant | - Adviser |
| - Pastor & Counsellor | - Caseworker |
| - Media Manager | - Press Adviser |
| - Journalist | - Correspondent |
| - Author | - Company Director |
| - Personnel Manager | - Chief Executive |
| - Office Manager | - Office administrator |
| - Accountant | - Legal consultant |
| - Barrister | - Lawyer |
| - Judge | - Actor & light entertainer |
| - Spokesperson | - Negotiator |
| - Sales executive | - Sales manager |
| - Marketing manager | - Marketing person |
| - Project manager | - Policy Analyst |
| - Policy creator | - Lobbyist |

The list above is not exhaustive and every job title can be argued one way or the other as to its contribution to the 'price', 'salary' or value of an MP. My aim is to illustrate that it would be futile to attempt to define a basket of job titles, the average of which constitutes the 'fair' pay of an MP. Indeed it can be easily argued that an MP in a representational democracy is 'outside' the normal bounds of employment. An MP is not employed in the traditional sense, and certainly has little equivalence to a civil servant.

Employment Status:

- Self-employed (small business owner/manager)
- Paid employee
- Unpaid employee
- Vocational
- Trainee, student & apprentice (when first elected)
- Part-time employee (working time varies throughout the year)
- Full-time employee (MPs work 60-90 hours when parliament's sitting)
- Duties within working hours
- Duties outside working hours
- Long term contract worker (elected for a one parliament of uncertain duration)
- Short term contract worker (elected for a one parliament of uncertain duration)
- Temporary worker
- Accountable (to electorate, party leader, parliamentary standards, media, opposition)
- Unaccountable (can ultimately determine one's own use of time)

One cannot imagine any way in which the role of MP can be 'valued' against other 'jobs' or 'states of employment' in a meaningful way that the Clapham Omnibus would readily assimilate or accept. Given that it takes an MP several years to fully appreciate the various elements and nature of their role, it is best to simply accept the lack of public awareness as understandable rather than seek to change it in the short-term.

All that is therefore required is an open and transparent formula by which the initial *consideration* is changed in the future.

An MP's expenses will 'never' be perceived as above reproach

Any published account of an MP's receipts or expenses will be open to inadvertent and deliberate misinterpretation by the media or political opponents and especially those seeking office. False perceptions are easily generated and an MP will be judged as not 'beyond reproach' because there is no countervailing force. All the pressures will be for others to find an anomaly - or engineer one - that can be used to undermine an individual MP and MPs in general.

Processing receipts and administrating

The collation, checking, processing and reporting of receipts costs a fortune. The cumulative cost the time involved for 650 MPs, their staff and perhaps 50+ full-time workers in the fees and admin offices (combined with the associated overheads) must be something approaching £10m per annum for expense and receipt processing activities, let alone the appeals, inquiries, legal advice and extra media handling activities required.

These costs would be saved in the absence of expense claims.

Pension Arrangements

Given that parliamentary contributions to the pension scheme will cease, each MP can make their own arrangements from within their *consideration*. The existing pension pot can be transferred to an independent third party and cease to receive further parliamentary contributions.

A note on Banding

One might take, say, 15% of the *consideration* and distribute it across the bands outside the proximity of Westminster. The following is merely food for thought:

- 1% to band 1 (Perhaps the home counties)

- 2% to band 2 (Perhaps as far as Midlands and near South West)
- 3% to band 3 (Perhaps far South West, Wales & north of Midlands)
- 4% to band 4 (Northern England)
- 5% to band 5 (Perhaps Northern Ireland & Scotland)

Wherever the bands are drawn some seats will be slightly worse off relative to others but there can never be a completely fair or perfect banding system.

The percentages and areas shown are merely indicative, and can be readily calculated by looking at the real costs for seats in each band over the last 5 years.

The benefits of a single 'consideration'

1. Parliament will begin to regain its reputation with the public because:
 - a. There is no expense or claim system to be abused
 - b. Mistakes cannot be made
 - c. There can be no impropriety & stories cannot be manufactured
 - d. There are no negative news reports – real or otherwise – regarding expenses
2. It will save the tax-payer money because:
 - a. £5-£10m will be saved on receipt processing activities and the cost of associated staff and overheads
 - b. £1-£2m will be saved from investigating problems and commissioning inquiries in response to MPs, their staff and the public
 - c. £6.5m will be saved from the abolition of the communications allowance will be abolished
 - d. £5m will be saved from Parliamentary contributions to the pension
 - e. £3-5m will be saved on MP, spouse and family travel
 - f. £15m will be saved from the ACA (second home allowances)
 - g. Perhaps save £10m or so from IEP and that can be reviewed later in light of the actual needs.
 - h. Potentially save another £20-30m by reducing the number of MPs.

Figures are indicative only a proper calculation can of course be made by those who have access to the actual figures.

3. MPs will be better able to concentrate on the issues for which they were elected because:
 - a. There will be no expense claims to be made nor receipts to collect, check and collate
 - b. An MP is free to 'choose' the living and travel arrangements that suit them and their family best
 - c. MPs, especially those with families, will have greater certainty of cashflow compared to the old system where claims might be rejected.

The Downsides & Challenges

*If the new consideration is higher than the current salary – which it is likely to be – then the media will report that MPs have awarded themselves a huge pay rise!

Answer: It's one-off headline - the answer is simply and true: The taxpayer saves money in the areas shown. The system is 100% transparent and is not open to abuse.

It will be the will of Parliament. If party leaders feel that the figure, objectively set by independent accountants, is too high then they can choose to give part of their

consideration to charity. They might suggest others do likewise if they can afford to. Distasteful and egotistical as it might be, it may be that some members choose to boast about how much they are giving to charity!

* Individual MPs will argue that the system is not fair and cite numerous situations where it's unfair from their perspective.

Answer: Too bad, nothing's completely fair and the public will have no sympathy.

* It will take a courageous parliament - history does not bode well.

Answer: Parliament is ready - perhaps resigned - to accept the recommendations of the Review and they should pass on the basis of the 'principle' recommended.

In Conclusion

In conclusion, I hope that this proposal suggests an elegant, simple and transparent solution that provides you with food for thought.

There were several other matters that arose during its writing such as (i) the definition of the role of an MP, (ii) the function of the Speakers office with regard to protecting parliament's reputation (iii) the current MP staffing rules & arrangements and (iv) MPs outside interests and earnings; but I think these are matters for another day and another review.

As somebody who willingly subsidizes the taxpayer to avoid the current useless expenses system and side-step unnecessary scandal, I have no further motivation than to restore parliament's good name, avoid future damage, ensure an easier life for future MPs and reduce the bureaucratic cost of our democracy for the taxpayer.

I'd be happy to discuss this proposal further should you consider it worthwhile.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adam', with a long horizontal flourish extending to the right.

Adam Afriyie MP