

Dear Ruth Alaile

I should be grateful for your assistance in putting this submission on Additional Costs Allowance (ACA) for MPs to the Committee on Standards in Public Life.

In 1997 evidence was put to SSRB that the geographical boundaries for constituency eligibility for ACA were outdated (given that the criteria governing travel from the House of Commons to a residence were linked to modes of travel that no longer existed). With modern means of travel Members could be expected to travel distances far in excess of those that had been assumed to be reasonable many years before. To illustrate the point it was noted that the London constituency of Richmond had a boundary that was only 5 miles from Westminster. A simple examination of a map showed that many other constituencies were equally unworthy of eligibility for the ACA.

The SSRB responded that they saw no reason to review the then existing arrangements!

In 1997 and earlier ACA was seen internally in the HOCFO as an allowance that had deviated so far from its original intention that it was no longer able to stand public scrutiny - the claims by Members were not subject to any provision of supporting documentation; in their annual requirements for declarations of Income and Expenses Inland Revenue did not require any details of the sums claimed and paid (it was a non-taxable allowance). For many years after their annual audits of the HOC's accounts the NAO (formerly Exchequer and Audit Department) had made little comment on the expenditure involved in ACA and the lack of supporting vouchers - the untouchable status quo of this allowance had been established by its gradual relaxation from the original restrictions. The sums claimed by Members were meant to be restricted to the ADDITIONAL costs of staying away from the main home - not all the costs of staying somewhere else!

The origins of the ACA lie in a 24 hour subsistence allowance - such subsistence was readily accepted and used throughout the public sector (civil service and local government) for anyone who needed to stay away from their home because of official duties. Indeed the annual rate of ACA was determined by extrapolating the 24 hour subsistence rate for a particular grade in the Civil Service and each year the Treasury would notify the revised annual sum to be applied to Members. Staying away in an hotel of B & B became untenable for security reasons and the need for an allowance rather than subsistence payments came into consideration.

When the ACA reached a level that allowed a mortgage on the second home to be financed (instead of a rental payment) a strict Treasury rule was applied that the ACA could not be used to acquire a capital asset. Thus mortgage interest could be claimed but not the capital element of the mortgage repayment. This restriction was somehow altered and the foundations for the present situation were laid. The considerations of reimbursing the additional costs only were now fading fast. If a rental agreement for premises was in place or a mortgage for

purchase entered into then even if the second home was only occupied 3 days a week the Member could claim that the ACA should be applied to the costs of the whole week and not just those days when away from the main home.

Conclusion: Members need to be relieved of the cost of staying away from the main home. The ACA does not work. A payment vehicle is needed that is fair to MPs and the the public purse and is relevant to the issue in question - *ergo go back to a more generous 24 hour subsistence allowance that can only be claimed for those days when staying away from the main home. AND allow the subsistence to be claimed for any stayaway in the UK on Parliamentary Duties.* For many years MPs had to personally finance their stayaway costs that did not fall within the ACA rules - the extension of the proposed subsistence would remedy this failing. Subsistence allowances do not need vouchers, and the expenditure is acceptable to audit examination and public scrutiny. Inland Revenue do not need any declaration of an allowance so no effect on tax considerations.

I do hope the above will be considered. I believe that a rise in salary to replace the present per annum value of the ACA would be a public relations disaster.

Sincerely

M Fletcher