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Sir Christopher Kelly Esq KCB
Chairman
Review of MPs' Expenses
Committee on Standards in Public Life
35 Great Smith Street
London SW1P 3BQ

21st May 2009

Dear Sir Christopher,

Pay

Today's problems with MPs expenses and allowances go back, in my opinion, more than three decades and what happened then provides an explanation, but not an excuse, for what has happened subsequently. Under the Labour Government of 1974-1979, if not the Conservative Government of 1970 - 1974, we went through difficult financial times and prices and incomes were subject to legislation.

MPs were encouraged from the top of Government not to press for any meaningful increase in salary but to use their allowances and expenses and this unwritten advice has been the order of the day until relatively recently. With the exception of one substantial salary rise, MPs' pay has been kept lower than established comparators in both the public and private sectors under successive governments, despite the report of the so-called independent Top Salaries Pay Review Body or, latterly, the Senior Salaries Pay Review Body, often on the specious grounds that there is never a right time to assess and increase sensibly MPs' pay.

Reimbursement of Expenses

There is also the fact that there is a major difference between an allowance and expenses. An expense is a cost incurred in carrying out responsibilities associated with your job, for which a receipt is proof that you incurred that expenditure. An allowance is a definitive sum of

money which you are given, tax-free, to enable you to meet costs associated with your employment and that sum can be spent by you as you think fit, as long as it is wholly and exclusively in support of your role as an MP. This explanation was given by the *Times* journalist Daniel Finkelstein on the *Today* programme of Saturday, 9th May. The definitive sum is not laid down by MPs but by those who assess the cost, for example, of MPs having suitable accommodation to enable them to carry out their unique responsibilities as Members of the House of Commons.

Additional Costs Allowance

I believe a second home for MPs representing constituencies outside Greater London is essential. It is a fact that increasingly a constituency will expect its MP to have a home in or close to the constituency in question and many, if not most, newly-elected MPs will obtain a home close to or in their constituency. This home in many cases becomes the main home of the MP and the flat or home which will be acquired in London will be the second home for which the current Additional Costs Allowance (Second Home Allowance) will be claimed. It is possible that this arrangement could be reversed if the MP's main home is in London historically and this has been the case for some Members. I think it is accepted that both main and second homes should be able to accommodate wife/spouse and, if necessary, a young family as the House of Commons has sought in recent years to make the job of an MP more family-friendly. In London, there is a large choice of rented accommodation both furnished and unfurnished so limiting MPs to rented accommodation would be one way of simplifying the second home situation and avoiding the problem of the appreciation in the value of property for which mortgage interest is paid out of the public purse. Notional rental values could be obtained for those MPs who already own "second homes" in London. The lack of availability of suitable rented properties in rural areas might be a problem. MPs must be able to maintain their second home throughout the period of a Parliament and, therefore, a *per diem* allowance is a non-starter unless it is very generously funded to enable a Member to maintain a second home with all its associated costs (council tax, utilities, insurance, maintenance and repairs etc) when the House is not sitting as it must be understood that the number of days a year that the House sits is dependent upon the

Government of the day, not Members of Parliament, although technically they could vote against an Adjournment motion.

A small audit unit could be established outside of the Department of Finance and Resources to check, audit and validate MPs' claims. What does the Validation Unit do now? A full-scope external audit by the National Audit Office as agreed by the House in January 2009 seems to me to be somewhat draconian (and what would be the cost of such an extensive audit?) albeit it might now be appropriate because of the concern expressed about the way the Finance and Administration Department has dealt with some claims.

Administrative and Office Support

It is my view that the office and administrative support currently provided for MPs is perfectly adequate. The staffing allowance of up to £103, 812 a year is, if anything, over-generous and it allows staff to be employed both in London and the constituency which is a huge benefit to the incumbent MP who has a permanent presence in the constituency even when the MP is in London.

The allowance for office costs and office incidental expenses is perfectly adequate and does not need to be increased except in line with inflation.

Communications Allowance

The Communications Allowance is unnecessary and should be scrapped forthwith. It enables an MP to undertake massive personal promotion under the guise of a report to constituents and it is of major assistance to the incumbent MP; it bolsters incumbency.

Travel Expenditure

I am sure most Members would indicate that the current mileage allowance, set by the Inland Revenue some years ago, is inadequate and

in no way covers the cost of Members' use of their vehicles in respect of their Parliamentary and constituency duties.

It is my strongly-held view that reducing the top rate allowance (currently 40 pence per mile tax free) to 25 pence per mile tax free after 10,000 miles is extremely unfair on those Members whose constituencies are many miles from London and particularly those Members with large, diverse, rural communities to represent. It is my personal judgement, following research I have undertaken, that the top rate of mileage allowance should be increased to 55 pence per mile tax free and that the lower rate should be 40 pence per mile tax free, which is currently the top rate under the long-standing HM Revenue & Customs guidelines. This would bring the mileage allowance close to local government and other public bodies.

Secondly I believe that, for those Members who use their car to travel from their home or constituency to London, this travel should be separated from constituency mileage. Bearing in mind the cost of train travel and associated taxi fares, I believe that constituency/home to London and return journeys should, in all cases, be subject to top-rate mileage allowance.

I would be prepared to accept that constituency mileage could be subject to the lower rate after 10,000 miles, albeit a number of Members including myself do not hold formal constituency surgeries but, because of the spread-out nature of our constituencies and associated communities, visit constituents requiring help and advice in their homes by prior appointment. This inevitably incurs increased constituency travel, but it is a practice I have undertaken for some 33 years of the almost 38 years I have been in the House of Commons and it is both accepted and welcomed by those I represent.

In summary, I believe firstly, that the level of mileage allowance should be increased and, secondly, that travel to and from London should be paid at the higher rate and I believe this to be fully justified. If my wife and I travelled by train, the cost to the taxpayer of two return journeys from Macclesfield to London including associated taxi fares with the standard first class fare would be well in excess of £500 per week whereas,

currently, on the higher rate mileage allowance I receive £140 and on the lower rate approximately £87.

Finally, while constituency mileage might be subject to a limit at the higher rate, the differing practices of Members in representing their constituencies and the huge variation in the size of constituencies should be taken into account.

The current spouse/family travel arrangements are fully acceptable and adequate.

Resettlement Grant

The Resettlement Grant is necessary and helpful to MPs not least because of the uncertainty about an MP's future, the ending of rental arrangements and removals and the winding down of an MP's responsibilities, particularly constituency casework.

Further Observations

It would be possible for MPs' pay to be increased by a sum to take account of the Second Home Allowance which the MPs would then pay themselves but this would require a salary increase of £35,000 approx (£24,000 plus 40% for the marginal rate of tax), taking an MP's pay from the current £64,000 to £100,000 – a figure which I sadly doubt would be understood by the public at large. Other allowances for staff, and office and administrative support would continue to be paid separately as an allowance as at present.

There is, in my view, nothing wrong with a Member employing a family member as long as that family member has the qualifications and experience and actually undertakes the work. Many family firms (in the private sector) employ family members very successfully and there are distinct advantages in doing so.

On staff, the current situation of Members being the employers of their staff should continue – staff should not be employed by the House as I believe this would break down the vital personal relationship between an

MP and his/her staff and would raise issues such as whether the staff would become members of the Parliamentary Contributory Pensions Fund and matters relating to redundancy on the retirement or defeat of an MP. A member of an MP's staff must be entirely loyal to the MP and to undermine that bond would be a retrograde step.

It is not only desirable but it is essential that MPs should be able to receive remuneration for activities outside Parliament. Parliament has never been, nor should ever be, a full-time job because, if that happened, Parliament would be the loser and career party politicians would become the order of the day. Parliament needs MPs who have and continue to have involvement in all walks of life and business in order to assist Parliament with their knowledge and experience and to be able to oppose and hold to account the executive and bureaucracy. We already have too many career politicians who have left school, gone to university, become researchers then advisers, ultimately becoming candidates and then MPs without any real experience of the real world.

The current rules in respect of the Register of Members' Interests more than adequately provide the necessary safeguards. In any event, many of those Members with outside interests attend to these interests in their own time, not least in Parliamentary recesses.

MPs work long hours, probably when the House is sitting on average twice the normal working week. My average week when the House is sitting, including travelling, is 86 hours. Do many other groups of people work these hours which, for the majority of the year, includes weekends?

I hope that the tragic present crisis of confidence in Parliament and in MPs can be put right by the Report which is to be produced by your Committee, particularly in explaining to the public the role, duties, responsibilities and the long, often antisocial working hours of MPs and of Parliament and the fact that, overwhelmingly in my view, MPs do an excellent job on behalf of the country and those they represent.

Yours sincerely,
With kind regards,

Sir Nicholas Winteron DL MP
