

The Truth About Westminster

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My MP would simply tell me to claim to the maximum limit, and so I would make up the trips. It was total fiction.' MP's secretary, 1995

'A proportion of those who attend [the Lords and claim expenses] every day play little or no part in our proceedings.' Member of the House of Lords, 1995

We have looked at some of the ways that many MPs have earned 'a bit on the side' by exploiting the fact that they are at Westminster, and how this laid them open to accusations of impropriety, but have they needed to do so because their basic pay was too low? Many people have suggested that MPs should be paid twice as much, and in return agree to forego any outside earnings.

The most Draconian suggestions include an absolute ban on any extra earnings, while allowing MPs to continue whatever links they wish on an informal and voluntary basis, as part of their public service. However, others have said that in that case, the highest-calibre leaders in society would be unwilling to make the necessary financial sacrifices to enter politics, and Westminster would be emptied of successful achievers.

The history of MPs' pay

Payment of MPs has been very low until quite recently. In 1322 the Shires and Boroughs paid their knight representatives four shillings a day and citizens two shillings a day, throughout Parliament.⁶⁰ Local rates had tended to vary from two Aldermen representing the City of London, who were paid ten shillings a day in 1296, to 500 mackerel paid in 1463 by the Borough of Weymouth to its own representative. 61

Direct sponsorship of MPs by their own electors had ceased by the end of the seventeenth century. Their finances improved in the eighteenth and nineteenth centuries: being an MP became a quick way to get rich from 'sinecure offices' and pensions. Many MPs paid large amounts for a seat at Westminster, or sought a patron who had a few seats to give away.

In 1911 Lloyd George campaigned for a regular salary for all MPs, and called the existing system 'indirect, surreptitious and corrupt'.⁶² However he seemed to have few scruples about selling peerages as we have seen.

Salaried MPs had been suggested in 1780, 1830, 1838, 1870, 1888, 1892, 1893, 1895 and 1903 but MPs remained unpaid until 1911 when they were granted an allowance of £400 a year from public funds. This change came just two years after the trade union support of MPs had been declared illegal. Lloyd George declared that it was '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 ... but who cannot be here because their means do not allow it.'⁶³

The £400 was increased at irregular intervals until 1970⁶⁴ when William Whitelaw, then Leader of the House, announced an independent review body. There have been attempts to link MPs' pay with other groups, most notably senior civil servants.

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In 1975, MPs' pay was £5,750, and £14,510 in 1982,, about equivalent to a junior doctor one year after qualifying. Annual increases lifted this to £34,085 by 1996, somewhat less than a junior hospital consultant.

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In July 1996 huge increases were approved by Parliament; but what was the situation up until that controversial vote?

MPs received a number of benefits in addition to salary: free inland telephone calls from the House; use of rooms for secretary and administration; free postage; free copies of Hansard and certain other official publications. They also received very generous mileage rates - for example 72.2p a mile for the first 20,000 miles using a car with an engine larger than 2.3 litres. After 20,000 miles the rate was still good - at 36.1p.⁶⁷ Such generous rates were clearly subject to tax. No journey details were required except where claims exceeded 20,000 miles a year. In addition they had travel warrants for rail, sea or air tickets between home, constituency

or Westminster. Fifteen free return tickets were also available for spouses and children under eighteen.

They had an office costs allowance of £42,754 a year which was supposed to cover secretarial assistance, general office expenses and researchers. Some spend far more than this. For example Simon Hughes told me that he used up to £16,000 of his own personal income to pay for additional staff and equipment.⁶⁸ However, others spent far less, transferring the rest into their own family account by paying wives or other relatives as staff members.

⁶⁹ Of course, many relatives provide valuable service, but since there were no standard rates, an MP could choose to pay more to a relative than they would to someone else doing the same work, or to pay a spouse for no work at all.

Those MPs with Inner London constituencies could claim a supplement of £1,289⁷⁰, while those outside London claimed up to £11,268 (April 1995) for the costs of staying overnight when away from home on parliamentary business. There was also a 'winding up' allowance of £14,251 for someone ceasing to be an MP, to cover secretarial and other costs in closing down the office, and a 'resettlement' grant which varies between half to a full year's salary depending on the length of service.

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Clearly the value of the total remuneration package varied, but let us take the example of an MP 200 miles from London, with a 2.4 litre car and a second home totally paid for by the job 'on June 1996 rates.

Annual allowance: £34,085

Mileage of 15,000 a year @ 72p per mile: £10,800

Overnight allowances: £11,661

Total revenue: approximately £56,500

Less costs:

London flat: £11,661

Car costs: £5,000

Total costs: approximately £16,500

Net disposable income (before tax): £40,000

Obviously the cost of a London flat will vary according to size and location, while those who have been MPs for years may have small or non-existent second mortgages, and large capital gains from a second property in London when they leave Parliament.

We can argue about whether the package was really worth £34,085 or more than £40,000 but either way the income was low considering the almost complete disruption of 'normal' family life, the lack of job security in many cases, and six figure earnings in the private sector or many of the professions.

John Butcher thinks that low pay has damaged Parliament: 'No middle manager earning £40,000 with good prospects would want to be an MP under current arrangements ... It's ridiculous that junior Ministers end up commanding civil servants who earn more than their bosses. 72

Government Minister Alistair Burt was sympathetic to the idea of a higher salary but with deductions on a sliding scale, taking into account outside earnings directly related to an MP's role. 'Then no one will be able to say an MP is being bought. At the moment that's a danger.' He felt it was a different matter if someone was carrying on with an established vocation. 'You shouldn't come into it for the money but money shouldn't be a problem if you want to do the job.' 73

This, then, was the background for a momentous decision, taken by MPs on 10 July 1996, to award themselves a 26 per cent pay rise, based on the figure recommended by the Senior Salaries Review Body the previous month. The Commons approved this by 279 votes to 154. Basic MP pay rose by £9,000 to £43,000, while Ministers were awarded a total increase of £17,000, taking their pay from £69,651 to £86,991 immediately, with a further rise to £103,000 promised after the next election. The Prime Minister's salary increased from £84,217 to £101,557 immediately, with a further rise to £143,000 after the election. The opposition leader's salary increased from £65,992 to £83,332, rising to £98,000 after the election.

The leaders of all three main parties had urged restraint, and it was unclear whether they would accept the increases. Most Labour MPs ignored the plea, with twelve out of eighteen of the shadow cabinet voting in favour of the rises. Most of the influential members of the Conservative 1922 Committee also voted in favour. As part of the package, excessive rates for car expenses were abolished, with the top level of 74.1p per mile being reduced to 47.2p.

While a strong case could be made that MPs deserved a pay rise substantially higher than inflation. I would suggest that it might have been achieved in a more sensitive and creative way, perhaps by relating to the amount of time in the House, age, experience and responsibility. We will look at this further in a later chapter outlining proposals for reform.

How MPs fiddle their expenses

The audit of MPs' expenses is sloppy and open to fraud, and some are taking advantage of this. The amounts involved can be large, with over-claiming of mileage at very generous rates, or lying about the size of a car engine, or claiming for a rail ticket as well as car travel for the same journeys, or inventing taxi journeys (receipts are not required), or paying wives for work not done. Lord Nolan described 'fiddling of expenses' as 'a crime, whether it is done by a

Member of Parliament or anybody else', so how widespread is it?

At least six cases of suspected abuse are uncovered every year by the Commons Fees Office, of which an average of two are referred to the Whips' Office for action. However, no MP has ever been publicly disciplined and these may only be a tiny fraction of the true number. It is disturbing that such matters are always kept secret even if discovered, despite the fact that if the truth were known, such MPs would face banner headlines, national disgrace and political oblivion. 74

In November 1995, it was reported that the Inland Revenue had uncovered twenty cases in the previous year where MPs had fiddled their tax returns, by not declaring they had received a company car when claiming car expenses against generous mileage allowances.

One Labour MP said, 'The rules are so lax it is difficult not to abuse them. In fact I am the only Labour MP I know who actually does the mileage.' Two MPs and three current or former Commons secretaries have alleged that they know three other MPs who have been claiming for bogus journeys. One secretary confessed: 'My MP would simply tell me to claim to the maximum limit, and so I would make up the trips. It was total fiction.' But such fiction was worth up to £1,300 every month in claims. A Labour MP said he knew a colleague who was travelling to London by rail while pretending to do a return trip by car during the week. 75

Another secretary described one year how her MP had diverted the entire surplus on his £40,380 office allowances to his wife, even though she did no work. The amount was considerable, since the only actual costs were £20,000 for staff and some extras for stationery and other office costs say £15,000 'profit'. 76

Do Peers also work the expenses system?

I spoke to a prominent Conservative Peer who was deeply troubled but extremely anxious not to be identified. He described to me how some six weeks previously, a Commons researcher had come to him in great distress. While he was researching an unrelated matter it had come to his attention that ten well-known members of the House of Lords had apparently been claiming daily attendance fees worth thousands of pounds for periods when they were not at the House. The researcher had been shocked because of the seniority of some of the people concerned and the high regard in which they were held.

The Peer added: 'We could be talking about people claiming up to £100,000 over ten years - that makes £1,000 cash for asking questions look~ like peanuts.' One of the named individuals was a well-known Conservative. My own investigations show no evidence of fraudulent attendance claims, although, as we will see, it is possible that a minority may be clocking up high attendance claims quite legitimately with brief appearances on a large number of days.

Not long after I met this Peer, on 18 April 1995 the Daily Telegraph ran a whole page feature on the dramatic growth in expense claims by Lords - up by 20 per cent in real terms from £4.01 million in 1988-9 to £6.29 million in 1993-4. The chief reason for the rise was the increase in attendance which had climbed from 316 to 378 as an average daily rate. But where

are they all? If you go into the Chamber at most points in the debating day, you will be lucky to find more than a tenth of that number, although some Peers will be in committees.

Every day that a Peer enters the Chamber is a day when allowances can be claimed. Taking part in a committee counts as well. The rates are as follows: day subsistence of £32, overnight subsistence of £71.50 (which is supposed to cover things like a second home in London), and £31 for secretarial support. In addition travel is paid - first-class rail if available, 44.4p a mile for the first 20,000 miles of private car use, and then 20.4p a mile. Peers are also allowed free telephone calls.

In 1993-4, more than forty Peers claimed in excess of £20,000 each, and a total of 201 Peers claimed more than £13,000, compared to half that number the previous year when there were fewer sitting days. This is a remarkable difference.

Lord McIntosh of Haringey, Opposition Deputy Speaker, said that some come 'because they need the money. There are maybe half a dozen Labour Peers and presumably a lot more in other parties who come in to the Chamber for a short time, and rarely speak or vote. I can think of one former Minister who's never seen here after 3.30pm.' Another prominent Peer told me: 'I am distressed by those Lords who collect their money every day and don't do anything. I know myself who doesn't go - and I'm there (almost) every day. 77 On the other side of the equation, of the 861 Peers who turned up in 1993-4, 110 claimed no expenses at all.

The problem is how to measure in an objective way what individual Peers do. Leaving aside for a moment the important work of Select Committee members and Law Lords, there are two basic functions carried out in the Chamber itself: making speeches and voting.

It is particularly revealing to look at the number of speeches made by the Peers who attend most often. Of the 118 Peers who attended at least 90 per cent of sitting days, eight Conservatives, one Liberal Democrat and two crossbenchers (independents) did not utter a word. However one Minister commented: 'It seems bogus to say that a Peer should speak for the sake of it. Some are back-room figures. Anyway the Lords would be an absolute nightmare if everyone spoke every year.'

Lady Young, Chairman of the Association of Conservative Peers, said that the idea that 'lots of Peers are getting enormous sums of money for doing nothing' was ridiculous. 'Those who take the House seriously just about cover their expenses. 78 And that of course is the paradox. While one may ask whether some Peers are justifying the daily cost of their attendance, the expenses are hardly adequate for a Peer with few other sources of income, who wishes to play an active part. It may be fine for a retired person, but not for someone younger who is choosing to give up other remunerated work to attend.

However, there are other less obvious advantages to being a Peer. Lord Layton said: 'Let's be honest about it. Most people come up to London to do other things as well as attend the Lords.' The forty-seven-year-old hereditary Peer is a financier based in West Sussex. 'I make a few phone calls, use the fax machine and it's a great place for contacts. I haven't spoken much but I make my views felt elsewhere, in the Bishops' Bar. I'm not very happy about getting up and

speaking in public.' One Peer did not utter a single word in the House during two parliamentary sessions in 1994-5 yet attended on 127 days. ⁷⁹

Peers have to put in an appearance to qualify, or sit on a House of Lords committee. Their attendance is ticked off on a list and, according to the Accounts Office, is verified later against expense forms.⁸⁰ However, no receipts are required from those making claims. So, for example, there is every opportunity for a Peer to pocket every penny of the secretarial fees including money for postage, office equipment, books and periodicals, or to put in for the full £71.50 for overnight accommodation even if staying with friends.

Few people know more about Westminster than Lord Whitelaw, in many ways the 'Father of the House'. Lord President of the Council, Leader of the House of Commons, then Leader of the House of Lords, he has a view of Parliament which is unique. I went to see him in his office at the House of Lords where he is surrounded by warm memories of his forty years in public life. He welcomed me with great courtesy, slouched back into the seat at his large desk and pondered the past with affection.

As part of our discussions I asked him whether he thought the criticisms were unfair.⁸¹ 'In a small way [it is] justified,' he replied. 'Lords put in a claim form but it is checked. The one that is most checkable is the messengers. If you get the money you have to attend in a session. It doesn't say you have to stay for a period in time. It is totally free will to take part; you can't be made to take part.'

I asked if he felt the system was being abused.

'You can argue that someone who never voted and never spoke - well, you could argue even then that he took an interest, he wouldn't come into the place otherwise and that he therefore is then discussing with his friends what is going on and trying to influence things. That is at its extreme, and I think the numbers would be very small. I think it is probably a perfectly sensible way of doing it and it is very carefully watched.'⁸²

It must be remembered that not only do some Peers claim none of the expenses to which they are entitled, but a further one in three claimed less than he or she is due. For example, one former Prime Minister claims nothing at all, while James Callaghan always claims less than the going rate. (The majority of non-claimers are hereditary Peers who attend only occasionally, and who combine coming to the Lords to vote with other reasons to travel to London.)

However, around eight out of ten Peers do claim for everything they are entitled to, and often for more than the total of £134.50 of basic allowances per day because of their costs of travel. This is perfectly reasonable. After all, as we have seen, the allowances are hardly generous for a working Peer with few other sources of remuneration. The issue though is whether the system is fair to those who work the hardest.

The average daily claim per Peer can be worked out as follows: the total bill in 1993-4 was £6.29 million which, divided by the total number of days that Peers attended, gives an average figure of £122 per Peer per day (142 days).

Infrequent voters

Lord Whitelaw's comments about voting patterns prompted me to look at this further. It is interesting to see who 'crawls out of the woodwork' when the division bells ring, announcing that a vote is taking place.

These bells ring throughout the Westminster precincts, giving six minutes for Peers to find their way into the voting Lobbies from wherever they are. Divisions can happen in the Lords several times a day from the early afternoon until late evening. On some days the House sits without voting at all, while on others there may be a string of votes on minor amendments at relatively short intervals. Although there is usually advance warning that a vote will take place, the exact timing may be uncertain since it depends on how many people wish to speak in a debate and for how long.

Voting is only part of a Peer's total contribution to the life of Westminster, but you could argue that in a democracy there is nothing more important than casting a vote, and that someone who attends the House regularly as a Peer but never votes may perhaps be neglecting a primary duty. Some Peers may dislike making speeches, but all can pass through a voting Lobby, assuming of course that they are actually at Westminster rather than having left after being ticked off on an attendance list.

The differences in voting patterns are quite startling between Peers who attend on a similar number of days and raise questions, although many low voting 'scores' can be explained by meetings elsewhere in the House, or by ministerial business or other public duties as Peers.

I have heard the view expressed that voting 'is a waste of time' in the Lords. But if that is the case, then perhaps making speeches in the Chamber is also a waste of time, and much of the role of Peers is reduced to irrelevancy. What is the point in being in Westminster, expressing a strongly held view in the Chamber and then walking out as if the final result did not matter at all? Of course there may be some motions that seem less important, or where majorities are so huge that an extra vote seems irrelevant, but voting is surely central to parliamentary life - or should be.

I decided to look at the most recent parliamentary year for which complete attendance and voting records were available, which was 1993-4 (ending in October 1994). Over the twelve-month period, the House of Lords sat for 142 days and voted 135 times. The first step was to obtain official attendance records for every Peer. This in itself makes interesting reading. However, there are no cumulative voting records to compare against this list.

The House of Lords Information Office was able to supply a complete list of all divisions. The next step was to find all the dates in Hansard transcripts of the year's proceedings (the length of an encyclopedia) and to begin analysing a total of 25,862 individual votes by over 870 Peers. A detailed picture then emerged of how many times each Peer voted, in proportion to the number of days they attended. The first thing to note is that the average number of votes is 191, while the average attendance is twice this number. The key is not the actual number of votes cast, but the frequency as a proportion of the number of days each Peer is said to have been 'in the House'.

Analysis of 135 divisions with 25,862 individual votes

Voting frequency (averages) per number of days registered as present in the House of Lords.

Number of Peers voting once or more per day they attend 48

Number of Peers voting at least once every 3 days 567

Number of Peers voting only once every 10 days or less 68

Number of Peers voting only once every 20 days or less 18

Number of Peers voting only once every 30 days or less 8

Number of Peers voting only once every 50 days or less 4

As we have seen, some Peers do have heavy duties within the House or within government and may find it hard to get into the Chamber to vote, but all are allowed to do so, including the Lord Chancellor, or whoever as Deputy Speaker stands in his place. 83 Some Peers are very frequent voters. For example, Viscount Gochen attended 139 times and voted in 129 out of 135 possible divisions. Lord Graham of Edmonton attended every day (142 times) and cast 129 votes - a remarkable achievement since he was also a part of six different Select Committees.

As each vote was analysed, it became clear that some Peers choose to come in especially on days when there are going to be a number of important votes. They finish with totals of more than one vote per day. Take Lord Jeffreys, for example, who turned up on only 15 days but managed to vote 37 times; or Baroness Cumberledge who attended 111 times and voted in 117 divisions; or Baroness Chalker who attended 88 times and voted 94 times, or Lord Chesham who clocked up 62 votes in 50 days. In contrast, some other Lords vote very infrequently.

Jobs for former Ministers

Any discussion of pay, allowances or expenses would be incomplete without turning to the vexed issue of ministerial pay, and jobs in the private sector after a time in office. As we have already seen, government Ministers have to give up all other earnings. Prior to July 1996 a

Parliamentary Under Secretary could receive as little as £14,000 extra for all the added effort and responsibility after taking the reduction in MPs' salary into account. In practice, an MP's income can still actually fall as he or she is promoted, despite the recent increase in ministerial pay.

The weight of ministerial office falls unequally on a few, yet all cabinet Ministers receive the same, apart from the Prime Minister. For example, Ministers serving Northern Ireland have been plunged into a security nightmare from the moment of appointment, continuing for years after ending their time in office. They and their families have been seen as prime terrorist targets, needing round-the-clock protection. This has posed terrible strains on personal privacy, on marriages and on children. ⁸⁴ Yet there has not been any additional income to compensate for these intrusions, which continued during the cease-fire period, albeit to a lesser extent.

There can be a benefit to Ministers on resignation or after being sacked. You could be set up for life afterwards. A survey published by Labour Research found that former Cabinet Ministers who served under Margaret Thatcher and John Major held a total of 125 directorships and 30 consultancies. Out of 40 ex-Cabinet Ministers still alive, 31 had 15 jobs in business. ⁸⁵

Several former Ministers had far larger incomes in the private sector than when they were in government. Yet this is by no means a universal picture. Many former Ministers return to the back benches with no extra means of support other than as an MP with other associated income.

Lord Ennals was particularly disgusted with the way Ministers have gone from government into companies they dealt with in government. 'The most awful type of example' is those who have been involved in privatising while in government. Before you know where you are, they are getting sums of money out of being on the boards of the industries they have privatised.' Surely it is legitimate for the public to be concerned at any area of policy making where it is possible that a Minister might benefit in the future from decisions he or she makes today? It is a fact that if these industries had not been privatised, certain job opportunities might not have been realised for former Ministers. Here then was another potential conflict of interest.

Many in Parliament fear that an 'over-reaction' could result in ex-Ministers facing curbs which are too severe. Lord Whitelaw told me: 'I think it's not fair to say that retiring Cabinet Ministers shouldn't take other things on. I don't think that makes any sense whatsoever. You can't have a whole lot of people who've done very well as Cabinet Ministers and at the age of sixty or sixty-five, all still wanting to have jobs and yet unable to. That's absurd and quite a lot of them won't have any money anyway.' ⁸⁶

So far we have looked at the damaging effects of lobbying and consultancies, the problem of private interests, jobs for ex-Ministers, official remuneration and ways of boosting expenses. We have seen overwhelming evidence that the number of MPs and Lords whose integrity may be compromised by these matters has been significant and growing. We have seen how money can buy influence and how many in Westminster have been only too willing to sell what they have.

We have also seen the gulf between what the public expects of those in Parliament and the far lower standards that many MPs and Peers are willing to accept for themselves, especially in financial matters. This then is the background to the far more serious problems addressed by the remainder of this book.

We now need to turn to another important matter. Money may buy influence, but there is a far more effective way to swing an important vote: the abuse of patronage.

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