

PRESS RELEASE Embargo: 21 June 2012 9.00 am

An elected House of Lords? The Joint Committee's proposals will cost half a billion pounds over five years

Moving to an elected House of Lords in line with the recommendations of the Joint Committee on the Draft House of Lords Reform Bill would cost more than £484 million by 2020, according to calculations by the Labour peer Lord Lipsey based on official figures.

This is even more than the earlier £477 million estimated cost of the government's initial white paper (May 2011). It is also more than five times the corresponding running costs of the Lords for the past five years, which were £91 million.

£500 million would be sufficient to pay the salary for 15,000 nurses for a year.

Conservative MP Jesse Norman, speaking for the Campaign for an Effective Second Chamber, commented:

“At a time of national austerity, it is hard to imagine how the Government can justify spending nearly £500m of taxpayers' money on what would be an unprecedented constitutional upheaval. All the key reforms can be made without having to have an elected Lords.”

Lord Lipsey commented: “Nick Clegg's priority is to lavish many millions of the taxpayer's money on a new gang of elected politicians. I doubt if the British public will share his view.”

Lord Lipsey, an economist, is ex-chair of the pressure group Straight Statistics and is chair of the All Party Parliament Group on Statistics. The Library of the House of Lords helped with the sources of the statistics and the calculations, though the assumptions are based on Lord Lipsey's interpretation of the Richard recommendations.

The Campaign for an Effective Second Chamber is the all party campaign of MPs and Peers who oppose direct election of the House of Lords

Lord Strathclyde, the leader of the Lords will answer a question from the Lib Dem peer Lord Lee soon after 11.00 on 21st as follows: “to ask Her Majesty's Government what is there latest estimate of the cost of their plans to reform the House of Lords.”

Cost of the reform of the House of Lords to 2020 – Joint Committee proposals

	120 Elected Members ¹	30 Appointed Members ¹	449 Transitional Members ¹			Total
Salary ² and Pension ³ (£million)	48.6	12.1				60.7

Per Diem ⁴ (£million)			72.1 ⁵			72.1
Staff and Office ⁶ (£million)	54	13.5	101			168.5
Cost of Election ⁷ and Cost of Referendum ⁸ (£million)				188.1		188.1
Savings ⁹ (£million)					(5)	(5)
Total (£million)						<u>484.4</u>

NOTES FOR EDITORS: Sources and calculations

1. The report of the Joint Committee on the Draft House of Lords Reform Bill (April 2012, [HL Paper 284](#) of session 2010–12) recommended a House of 450 members (para 114). During the transitional period, the Joint Committee recommended 150 members be elected/appointed and 449 transitional members be retained in 2015 (fourth option, paras 314–19). Furthermore, they recommended that “if there are to be elections, the Committee agrees on a majority with the proposal for an 80 percent elected and 20 percent appointed House” (para 107). This would mean that 120 members would be elected and 30 appointed in 2015.
2. The salary level is calculated as half-way between current MP and MSP salaries (£65,738 and £57,521 respectively), as set out in paragraph 111 of the white paper, *House of Lords Reform Draft Bill* (May 2011, [Cm 8077](#)): “The level of salary for a member of the reformed House of Lords should be lower than that of a member of the House of Commons but higher than those of members of the devolved legislatures and assemblies”. The average of the two is £61,630 ((£65,738 + £57,521) / 2).
3. Pensions are based on the approximate employer (Exchequer) cost of pensions for members of the House of Commons, reduced pro rata for the lower House of Lords salaries. In 2010–11, the approximate employer cost for the pensions of members of the House of Commons, including deficit, was £20,624 per active member (£9,450,000 (normal contribution) + £3,976,000 (deficit) / 651 (active members as at 31 March 2011) (*Parliamentary Contributory Pension Fund Account 2010–2011* (December 2011, [HC 1301](#) of session 2010–12, pp 2 and 18))). The cost of the employer’s (Exchequer’s) contribution to the pensions of elected members of the House of Lords has been calculated by reducing the employer’s contribution for MPs by the percentage difference between MPs’ salary and the salary calculated for elected members of the House of Lords (6.25 percent (£65,738 – £61,630) / 657.38): £19,335 (£20,624 – (£20,624 × 0.0625)).

4. For the purposes of this costing, it is assumed that the *per diem* will be £300, the same amount as the current higher rate claimable by members of the House of Lords. Furthermore, it is assumed that the House of Lords will sit for 143 days, the average number of days the House sat per session in the 2005–10 parliament, and that transitional members would attend three-quarters of sittings (107 sittings).
5. If transitional members were to be paid a salary instead of a *per diem*, the cost for salaries and pensions of transitional members over the 2015–20 parliament would be £181.8 million.
6. Based on the assumption that each elected and appointed member of the House of Lords could claim staff and other costs equal to three-quarters of that which members of the House of Commons can claim. There are a variety of costs and expenses that can be claimed by MPs. For these purposes, only the budget limits for 2010–11 for general administrative expenditure (£10,394) and staffing expenditure (£109,548) have been included, excluding costs for constituency offices (IPSA, [Frequently Asked Questions—Annual Expenditure](#) (accessed 23 March 2012)). The amount claimable by elected and appointed members of the House of Lords would therefore be £89,957 ((£109,548 + £10,394) × 0.75)). For transitional members, it is assumed that they will be able to claim half of the staff and other office costs of elected and appointed members: £44,979 (£89,957 / 2). However, if transitional members receive a salary and pension instead of a *per diem*, then the total cost for the salary and pension, and the staff and office costs of transitional members over the 2015–20 parliament would be £282.8 million, some £100 million more than assumed in this calculation.
7. The cost of electing members to the House of Lords is based on the assumption that the election to the House of Lords would be held at the same time as another poll, and upon figures provided in response to a parliamentary question published in the House of Commons *Hansard*: “The Government have now made the Parliamentary Elections (Returning Officers’ Charges) Order 2010. From the information set out in that Order it can be estimated that in Great Britain if the forthcoming general election is held on 6 May 2010 and therefore combined with other elections to be held on that day, the cost of the conduct of the poll would be £82.1 million; if it is held at any other time, the cost of the conduct of the poll would be £89.6 million” (HC *Hansard*, 30 March 2010, col [1079W](#)). However, according to Professor RJ Johnston of the University of Bristol, a leading academic, counting under STV on the basis of Irish and Australian experience will take much longer (unless expensive counting machines are installed) and thus be more costly; there will be the costs of campaigning, eg literature for each elector from each campaign; and the ballot papers, being more extensive, will be more expensive. So the figure given is likely to be an underestimate of the actual cost.
8. The Joint Committee recommended: “In view of the significance of the constitutional change brought forward for an elected House of Lords, the Government should submit the decision [on House of Lords Reform] to a referendum” ([HL Paper 284](#) of session 2010–12, para 385). The figure used is based upon the lower end of the estimate of the cost of the May 2011 referendum on the voting system for UK parliamentary elections provided in a written answer published in the House of Lords *Hansard*: “We estimate the total cost of the referendum will be between £106

million and £120 million. This includes the costs of the conduct of the poll and the freepost mailings that were sent out by the two designated organisations. The final cost of the referendum will be known when all accounts from regional counting officers and counting officers for the conduct of the poll have been received and settled” (HL *Hansard*, 18 May 2011, col [VA339](#)).

9. The assumption is made that there would be a savings from members leaving the House, and this has been approximated by multiplying the number of sittings (3,475 days) attended by those members who were able to attend all 155 sittings of the House (Chamber, Moses Room or division) in the year 1 April 2011 to 31 March 2012, but who actually attended less than one-third of sittings (52 days) (172 members), by the current higher rate per diem of £300: £1 million pa. However, this figure may only be indicative, as it is not possible to ascertain whether this group claimed the lower or higher rate of attendance, and whether members claimed for all sittings they attended. This is in line with para 315 of the Richard report though it will be up to the parties and the crossbench peers to determine the reduction in the current membership (report of the Joint Committee on the Draft House of Lords Reform Bill (April 2012, [HL Paper 284](#) of session 2010–12, paragraph 317)).

The House of Lords Library has helped to identify the sources of these figures and with the calculations. However these calculations are based upon Lord Lipsey’s assumptions, detailed in the footnotes, and this letter therefore does not represent the Library’s view or analysis of the potential cost of a reformed House of Lords.

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