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RESEARCH NOTE 9 **THE POLITICAL PAYROLL 2006**

By William Norton

Introduction by Matthew Elliott

Introduction: Taxpayers' Money in Politics

The whole issue of taxpayers' money being used to fund the political parties and the political process generally will be a big issue over 2007. Sir Hayden Phillips is due to release his report on the future of party funding very soon and he is expected to call for additional taxpayers' money to be awarded to the parties. We believe this would be a mistake. Taxpayers should not be forced to pay for the propaganda machines that parties have become with their huge polling and marketing operations.

However, one benefit that Sir Hayden Phillips' review will have is that it will make people focus on the amount of taxpayers' money that is already being spent on the political process, and on what this money is actually spent on. As this new Research Note shows, politicians are already forcing taxpayers to foot the bill for their considerable salaries and expenses and they are driving through pay rises that ordinary people can only dream of.

William Norton shows why people should oppose any increase in additional taxpayer-funding for politicians. Taxpayers are not receiving value for money for these salaries.

Matthew Elliott

William Norton was a core member of the James Review of Taxpayer Value, an independent commission to assess waste in the public sector and to recommend areas for improvement; he wrote the reports on Defra, the DTI, the Department of Health and the Home Office. He is the author of *Flatlining: an analysis of the institutions running the NHS in London* (TPA, 2006), *The Machinery of Government (And how to reform it)* (ConservativeHome.com, 2006) and with Charles Elphicke *The Case for Reducing Business Taxes* (CPS, 2006).

Matthew Elliott is the Chief Executive of the TaxPayers' Alliance and co-author of the *Bumper Book of Government Waste* (Harriman House, 2006).

Why this Research Note is significant

Every autumn the published Civil Service Year Book includes a table on the salaries available to Government Ministers, and these are the figures which are usually quoted when people discuss political pay.

But this traditional table is not a reliable guide for taxpayers for the following reasons:

- It excludes “special advisers” – who are just as much politicians as their official masters and are being employed at taxpayers’ expense. Alastair Campbell was, after all, often referred to as the real Deputy PM.
- It refers only to basic salary – so it ignores other benefits, perks and pension entitlements.
- It presents a snapshot picture of the position for a single day (currently 1 November 2006) and so misses out the wider picture of what happens across a financial year.
- It is not subject to independent external audit.

This Research Note goes to the published resource accounts for each department of state for 2005/06 and compiles a line-by-line picture of the rewards paid out to members of the Government. These figures have been checked by the National Audit Office. Crucially, the resource accounts use a wider measure of “salary” which *“includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation”*.

This gives a radically different result. This Research Note, then, is the first proper assessment of what it actually costs the taxpayer to employ all the politicians in the Government.

Key briefing points

- This Research Note studies the cost of employing the 115 ministers and 81 special advisers in the Government on 31 March 2006, the latest figures available.
- Their **total salary** for 2005/6 came to **£13 million**.
- That level of salary represented a £1 million pay rise on 2004/5.
- During that year ministerial pension entitlements increased by £700,000.
- The **total cost to taxpayers** of employing these ministers / special advisers in the Government in 2005/6, including pensions and benefits, was **£16 million**.
- Last year pay per minister / special adviser in the Government increased by 7% and the total cost of employing them increased by 10%.
- These increases came at a time when the National Minimum Wage and the pay of a new recruit in the Army rose by 6% and the basic state pension rose by 3%.
- These figures exclude pay, pensions and benefits to which ministers are entitled if they are also members of the House of Commons.

Comment from the TaxPayers' Alliance

Matthew Elliott, Chief Executive of the TaxPayers' Alliance, said:

"It's disgraceful that Government ministers have awarded themselves massive pay increases of three times the rate of inflation when pensions are only just keeping up with rising prices. If the politicians collude together to bring in more taxpayer funding for their campaigning, we will see similar above inflation increases when they seek funding for ever more polling, focus groups and spin doctors."

For any enquiries, please contact:

The TPA Press Office

07795 084 113

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The Bill for Ministers and Special Advisers: £16m and Rising

At 31 March 2006, there were 115 Government ministers and 81 special advisers. Their total basic salary was £13 million. The accrued increase in the value of ministerial pension entitlements over the previous year was at least £0.7 million. The total cost of employing them was £16 million (see the Tables at the end of this Note).

At 31 March 2005, there were 114 Government ministers and 81 special advisers. Their total basic salary was £12 million. The accrued increase in the value of ministerial pension entitlements over the previous year was £0.5 million. The total cost of employing them was £14.5 million.

During 2005/6, therefore, Government ministers granted themselves a £1 million pay rise – ignoring the increase in minister's pension funds.

What Ministers and Special Advisers *Really* Earn

The average salary for a member of this Government (ministers and special advisers) is £66,500 ignoring pension and benefits. For 2004/5 it was £62,100. This represents an annual increase in the pay per minister / special adviser of 7.1%, which is well above inflation.

Taking into account all benefits and social security costs, during 2005/6 the average price per member of the Government was £81,300. For 2004/5 it was £74,700. This represents an annual increase in the payroll cost per politician of 8.8%, which is well above inflation.

The total political payroll cost rose from £14.5 million to £15.9 million. This represents an annual increase of 9.7%, which is over three times the rate of inflation.

To place these increases in context the following increases also occurred recently:

- The National Minimum Wage for a 21 year old rose from £5.05 per hour in October 2005 to £5.35 per hour in October 2006. That was an annual increase of 5.9%.
- The state basic pension for a single person rose from £79.60 per week in 2004/5 to £82.05 per week in 2005/6. That was an annual increase of 3.1%.

- The pay for a newly-recruited soldier rose from £31.32 per day in 2005 to £33.32 per day in 2006. That was an annual increase of 6.4%.

The Big Earners in Government

The highest-earning member of the Government during 2005/6 was the Prime Minister Tony Blair on £127,334, plus an undisclosed pension increment (ignoring salary as a member of the House of Commons). (Technically, on the basis of the published accounts, Geoff Hoon MP had the highest total reward package, with the use of a £130,000 flat on top of his ministerial pay – but no published accounts estimate the benefit to the Prime Minister of being allowed to live in Downing Street, and if that were included he would clearly head the field by a long distance.)

Second highest-earning was probably Lord Rooker (junior minister in the Northern Ireland Office) who according to the NIO resource accounts was on an annual equivalent of £113,372 plus an £18,000 pension increment.

Third highest-earning was Lady Scotland of Asthal (junior Home Office minister) who according to the Home Office accounts received £113,042 plus £11,000 pension increment.

If Lord Whitty and Lady Symons had not left the Government after the 2005 General Election then their annual rates would probably have held second and third places with salaries in excess of £120,000. The leading Government whips in the House of Lords, Lord Grocott and Lord Davies, are probably high-earners too, but there is insufficient audited data available to the public to be able to judge.

Peers tend to receive higher ministerial salaries because they do not also qualify for salaries as members of the House of Commons. Lord Goldsmith (Attorney-General) received £108,025 salary plus £17,000 pension increment, and Lord Falconer (Lord Chancellor) received £103,607.

Other Points Worthy of Attention

- Lord Filkin, David Jamieson, Melanie Johnson, Christopher Leslie, Denis McShane MP, Alan Milburn MP, Chris Mullin MP, Lady Symons, Stephen Twigg, and Lord Whitty all received payments in compensation for the loss of public office during the year. It is unclear whether these payments were structured to escape income tax.
- Melanie Johnson, Christopher Leslie and Stephen Twigg lost their offices because the voters ejected them from Parliament in the 2005 General Election, and David Jamieson voluntarily retired from the Commons.

After leaving the Department for Transport, David Jamieson now works for Golden Arrow Communications, which advises transport companies.

- Geoff Hoon MP, as Secretary of State for Defence until May 2005, received an allowance to cover his living accommodation worth over £7,000 per year. At the time, Defence ministers were resisting the payment of a special allowance to soldiers serving in Iraq. When Mr Hoon transferred to become Leader of the House of Commons he received the use of a London flat which cost the Privy Council Office £130,323.
- MOD ministers are also allowed the private use of ministry cars as a non-taxable benefit. This Government has significantly increased the taxation burden of company cars for ordinary taxpayers and employers.
- Gordon Brown MP receives a special allowance of £7,500 to pay for the heating and lighting of 11 Downing Street. That covers a lot of light bulbs.
- John Prescott MP also receives a living accommodation allowance.

Why the Figures in this Research Note are Under-Estimates

The figures ignore the pay and rewards available to ministers as members of the House of Commons (in particular, the additional generous pension arrangements).

There is a black hole in regard to the public disclosure of the benefits received by the Prime Minister and the whips. Traditionally this group, currently comprising 25 ministers, are paid by HM Treasury (HMT). However, Gordon Brown, as Chancellor of the Exchequer, does not consider that these people "*directly contribute to HMT's objectives*" – see the Treasury resource accounts, note 6.4. (This is a strange interpretation on which the Chancellor should be questioned further.) On this basis, the HMT accounts only disclose the base salary figures for these 25 ministers in bands, rather than the precise amounts, and there is no information on their other benefits-in-kind or the growth of their pension entitlements. There is a failure to give full disclosure of the remuneration of a fifth of the entire Government.

There is a second black hole in regard to special advisers. A sizeable proportion of these politicians work out of the Prime Minister's Office, a body which does not publish its own accounts. The Government does issue a Written Statement each year on the number of special advisers, usually in July before recess, but this is not subject to outside audit and gives only



vague indications of base salary levels and ignores other benefits and pensions. The numbers disclosed in the Written Statement never reconcile with the aggregate totals disclosed in the annual accounts for each Government department. Perhaps one in every ten special adviser escapes the scrutiny of outside audit.

Table 1: The political payroll in March 2006

Department	Ministers	Special Advisers	Total Political Salaries, £	Minister Pension accruals, £	Total Taxpayer Cost, £
AGO	2	-	175,000	30,000	224,000
CO (inc PMO) (note 1)	2	29	2,549,000	7,000	3,353,000
DCA (inc SCO and WO) (note 2)	7	5	534,000	36,000	627,000
DCMS	4	3	346,000	24,000	448,000
Defra (note 3)	5	3	287,000	61,000	376,000
DfES (note 4)	7	2	428,000	33,000	517,000
DfID	2	2	210,000	9,000	262,000
DfT (note 5)	4	2	280,000	38,000	363,000
DH (note 6)	6	2	384,000	40,000	461,000
DTI (note 7) (note 8)	8	3	448,000	35,000	531,000
DWP	5	3	612,000	60,000	732,000
FCO (note 9)	6	3	426,000	57,000	516,000
HMT (note 10) (note 11)	5	8	2,255,000	50,000	2,628,500
additional salaries borne by HMT (note 12)	25	-	1,437,500	n/a	1,621,500
HO	7	7	951,000	40,000	1,204,000
MOD (note 13)(note 14)	4	2	257,000	52,000	314,000
NIO	5	-	297,000	64,000	324,000
ODPM	6	3	638,000	48,000	788,000
PCO (note15)	4	4	447,000	24,000	697,000
Minister without Portfolio (note 16)	1	-	-	-	-
Total	115	81	12,961,500	708,000	15,987,000

Source: website and resource accounts for each department; Written Statement of the Prime Minister, 24th July 2006.



- (note 1) Undisclosed compensation paid to Alan Milburn for loss of office.
- (note 2) DCA paid compensation to Christopher Leslie for loss of office.
- (note 3) Defra figure includes compensation to Lord Whitty for loss of office.
- (note 4) DfES figure includes compensation to Stephen Twigg and Lord Filkin for loss of office.
- (note 5) DfT figure includes compensation to David Jamieson for loss of office.
- (note 6) DH figure includes compensation to Melanie Johnson for loss of office.
- (note 7) DTI figure is the amount actually paid. Lord Sainsbury and Meg Munn MP drew no salary for posts which would have paid £29,491 each.
- (note 8) One of the three special advisers within DTI draws no salary.
- (note 9) FCO figure excludes compensation to Baroness Symons, Denis McShane MP and Chris Mullin MP for loss of office.
- (note 10) HMT figure includes payment to Gordon Brown MP towards the heating and lighting costs of 11 Downing Street.
- (note 11) HMT figures include five members of the Council of Economic Advisers who rank as special advisers and one unpaid special adviser (Susan Nye).
- (note 12) The Prime Minister and the Government Whips.
- (note 13) Lord Drayson drew no salary for a post which would have paid £69,138. Includes a living accommodation benefit for Geoff Hoon MP.
- (note 14) Includes estimated salaries for two special advisers on Band 1 and Band 2 not disclosed in the annual accounts, but employed as per Written Statement.
- (note 15) Includes a living accommodation benefit for Geoff Hoon MP.
- (note 16) Paid by the Labour Party.

Table 2: The political payroll in March 2005

Department	Ministers	Special Advisers	Total Political Salaries, £	Minister pension accruals, £	Total Taxpayer Cost, £
AGO (note 1)	2	-	169,000	n/a	191,000
CO (inc PMO) (note 2)	2	35	2,293,000	4,000	2,786,000
DCA (inc SCO and WO)	7	4	374,000	28,000	704,000
DCMS	4	2	362,000	34,000	466,000
Defra	5	3	428,000	42,000	502,000
DfES	7	2	451,000	34,000	543,000
DfID	2	2	157,000	16,000	207,000
DfT	4	2	207,000	23,000	253,000
DH	6	1	454,000	42,000	567,000
DTI (note 3) (note 4)	7	3	549,000	22,000	599,000
DWP	6	2	450,000	40,000	534,000
FCO	6	2	449,000	43,000	542,000
HMT (note 5)(note 6)	5	9	2,142,000	31,000	2,490,000
additional salaries borne by HMT (note 7)	25	-	1,302,500	n/a	1,470,000
HO	7	5	891,000	40,000	977,000
MOD (note 8)(note 9)	4	2	377,000	27,000	425,000
NIO	5	-	200,000	27,000	247,000
ODPM (note 10)	6	3	451,000	47,000	561,000
PCO	3	4	338,000	23,000	425,000
Minister without Portfolio (note 11)	1	-	-	-	-
Total	114	81	12,044,500	523,000	14,489,000

Source: website and resource accounts for each department; Written Statement of the Lord President of the Council, 21st July 2005.



- (note 1) AGO figure recovered from Treasury Solicitors Department accounts 2005/06 (2004/05 accounts no longer on-line).
- (note 2) The disclosed total covers the special advisers within the Prime Minister's Office. It is unclear whether this counts Lord Birt, who was acting as an unpaid adviser on "strategy".
- (note 3) DTI figure is the amount actually paid. Lord Sainsbury drew no salary for a post which would have paid £28,688.
- (note 4) One of the three special advisers within DTI draws no salary.
- (note 5) HMT figure includes payment to Gordon Brown MP towards the heating and lighting costs of 11 Downing Street.
- (note 6) HMT figures include five members of the Council of Economic Advisers who rank as special advisers and one unpaid special adviser (Susan Nye).
- (note 7) Covers the salary of the Prime Minister and the Government Whips.
- (note 8) MOD figures include accommodation allowance for Geoff Hoon MP. Ministers' private use of MOD cars is not taxable.
- (note 9) MOD figures include estimated salaries for two special advisers on Band 2 and Band 3 not disclosed in the annual accounts, but employed as per Written Statement.
- (note 10) ODPM figure is the amount actually paid. Phil Hope MP drew no salary for a post which would have paid £28,688.
- (note 11) Paid by the Labour Party.

Abbreviations

AGO	Attorney-General's Office
CO	Cabinet Office (including the Chancellor of the Duchy of Lancaster)
DCA	Department for Constitutional Affairs
DCMS	Department for Culture, Media and Sport
Defra	Department for Environment, Food and Rural Affairs
DfES	Department for Education and Skills
DfID	Department for International Development
DfT	Department for Transport
DH	Department of Health
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
FCO	Foreign and Commonwealth Office
HMT	HM Treasury
HO	Home Office
MOD	Ministry of Defence
NIO	Northern Ireland Office
ODPM	Office of the Deputy Prime Minister
PCO	Privy Council Office (Leader of the House of Lords and Leader of the House of Commons)
PMO	Prime Minister's Office
SCO	Scotland Office
WO	Wales Office

Terminology used in these tables

"*Total political salaries*" is used to mean the base salary and bonuses paid to ministers and special advisers.

"*Minister pension accruals*" is used to mean the real increase in the Cash Equivalent Transfer Value (the economic value of the pension scheme benefits accrued by a government minister). This measures the additional commitment taken on by taxpayers to fund pensions for ministers. Special advisers are excluded (because their pension benefits are reported differently and included in the figure for Total taxpayer cost).

"*Total taxpayer cost*" means the total of the salaries, bonuses, benefits, allowances, pension accruals and social security costs of employing the ministers and special advisers. It is the payroll cost which would have been borne by a private sector employer who had employed the same people on the same terms over the same period.



NB Averages quoted in the main text ignore the Minister without Portfolio, who is paid by the Labour Party to act as a media relations officer and discharges no discernible public function.